

17 September 2021

Scheme Booklet registered with ASIC

Japara Healthcare Limited (**Japara** or the **Company**) (ASX: JHC) refers to the announcement made earlier today relating to the proposed acquisition by Little Company of Mary Health Care Limited (**Calvary**) of all the issued ordinary shares held by Japara shareholders pursuant to a scheme of arrangement (**Scheme**), and the orders made by the Federal Court of Australia (**Court**) on 17 September 2021 for Japara to convene and hold a meeting of Japara shareholders to consider and vote on the Scheme (**Scheme Meeting**) and approving the distribution of an explanatory statement providing information about the Scheme and notice of meeting for the Scheme Meeting (**Scheme Booklet**) to Japara shareholders.

Scheme Booklet

Japara confirms that the Scheme Booklet has today been registered with the Australian Securities and Investments Commission. A copy of the Scheme Booklet is attached and will be made available online at scheme.japara.com.au. A copy of the following documents is also attached:

- the proxy form that will be sent to Japara shareholders (as applicable); and
- the Scheme Meeting Online Guide.

Details on where the Scheme Booklet can be viewed and downloaded will be dispatched to Japara shareholders on 22 September 2021, in the manner described in the announcement made earlier today.

The Scheme Booklet should be read in its entirety before making a decision on whether or not to vote in favour of the Scheme.

Independent Expert's Report

The Scheme Booklet includes a copy of the independent expert's report prepared by Deloitte Corporate Finance Pty Limited (**Independent Expert**).

The Independent Expert has concluded that the Scheme is fair and reasonable and, therefore, is in the best interests of Japara shareholders.

The Independent Expert's conclusion should be read in context with the full Independent Expert's report and the Scheme Booklet.

Recommendation of Japara Directors

The Japara Directors continue to unanimously recommend that Japara 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 fair and reasonable and in the best interests of Japara shareholders.

Scheme Meeting

As previously announced, having regard to the current restrictions on physical gatherings and travel imposed by governments as a result of the COVID-19 pandemic, and as an important health and safety measure, the Scheme Meeting will be held at 10.00am (Melbourne time) on Thursday, 21 October 2021 via an online platform.

Japara shareholders and their authorised proxies, attorneys and corporate representatives (**Participants**) may participate in and vote at the Scheme Meeting via the online platform at scheme.japara.com.au. Participants will be able to listen to the Scheme Meeting, cast an online vote, ask questions online and, subject to receiving a personalised PIN number in advance, speak and ask questions by telephone.

All registered Japara shareholders at 7.00pm (Melbourne time) on Tuesday, 19 October 2021 will be eligible to vote at the Scheme Meeting.

If the requisite majorities of Japara shareholders approve the Scheme at the Scheme Meeting, and all other conditions precedent to the Scheme except approval of the Court are satisfied or waived (if capable of waiver), Japara will apply to the Court for orders approving the Scheme.

Japara shareholders should carefully read the Scheme Booklet in its entirety before making any decision in relation to the Scheme and are encouraged to seek independent financial, legal or other professional advice before making any voting or investment decision in relation to their Japara shares.

Shareholder Information Line

A Shareholder Information Line will be available on 1300 857 499 (or +61 1300 857 499 if outside Australia) between 8.30am to 5.30pm (Melbourne time), Monday to Friday, excluding public holidays, for any questions relating to the Scheme or the Scheme Booklet.

Annual General Meeting

As previously advised, Japara has sought relief from ASIC for an extension of time in which to hold its Annual General Meeting for the financial year ended 30 June 2021 due to the timing of the Scheme. The outcome of this application will be announced when known.

For further information:

Investor enquiries:

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Chief Financial Officer
Japara Healthcare Limited
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This document was authorised for release by the Board of Japara.

About Japara

Japara is one of Australia's largest providers and developers of residential aged care, with a large national footprint across five Australian states. Our unique approach to aged care is based on respect for the individual in delivering a better standard of residential living for elderly Australians.

With a team of around 6,000 nurses, carers and other support staff, we care for ~4,000 valued residents across 50 homes located throughout Eastern Australia. We also operate five villages co-located with our residential care homes, providing senior living unit and apartment accommodation.

Japara Healthcare Limited
ABN 54 168 631 052

Scheme Booklet

For a scheme of arrangement between Japara Healthcare Limited and its shareholders in relation to the proposed acquisition by Little Company of Mary Health Care Limited (Calvary)

VOTE IN FAVOUR

Your Directors unanimously recommend that you vote in favour of the Scheme in the absence of a superior proposal

This is an important document and requires your immediate attention.

You should read it in its entirety before deciding whether or not to vote in favour of the Scheme.

If you are in any doubt about how to deal with this document, you should contact your financial, legal or other professional adviser immediately.

 **MACQUARIE**
Financial Adviser

 **HERBERT SMITH FREEHILL**
Legal Adviser

JAPARA



Important Notices

Nature of this document

This Scheme Booklet provides Japara Shareholders with information about the proposed acquisition of Japara by Calvary by way of scheme of arrangement between Calvary and Japara Shareholders under Part 5.1 of the Corporations Act.

This Scheme Booklet also sets out the manner in which the Scheme will be considered and implemented (if all of the Conditions Precedent are satisfied or, if permitted, waived) and provides such information as is prescribed by law or is otherwise material to the decision of Japara Shareholders whether to vote in favour of the Scheme.

This Scheme Booklet is not a disclosure document required by Chapter 6D of the Corporations Act.

If you have sold all of your Japara Shares, please ignore this booklet.

Defined terms

A number of defined terms are used in this Scheme Booklet. These terms are explained in section 9 of this Scheme Booklet.

No investment advice

The information contained in this Scheme Booklet does not constitute financial product advice and has been prepared without reference to your own investment objectives, financial situation, taxation position and particular needs. It is important that you read this Scheme Booklet in its entirety before making any investment decision and any decision as to whether or not to vote in favour of the Scheme. If you are in any doubt in relation to these matters, you should consult your financial, legal, taxation or other professional adviser.

Not an offer

This Scheme Booklet does not constitute or contain an offer to Japara Shareholders, or a solicitation of an offer from Japara Shareholders, in any jurisdiction.

Foreign jurisdictions

The release, publication or distribution of this Scheme Booklet in jurisdictions other than Australia may be restricted by law or regulation in 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 Australian law 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 outside Australia.

Regulatory information

This document is the explanatory statement for the scheme of arrangement between Japara and the holders of its fully paid ordinary shares as at the Scheme Record Date for the purposes of section 412(1) of the Corporations Act. A copy of the proposed Scheme is contained in this Scheme Booklet as Annexure B.

A copy of this Scheme Booklet was provided to ASIC for examination in accordance with section 411(2)(b) of the Corporations Act and was lodged with ASIC for registration under section 412(6) of the Corporations Act. It was then registered by ASIC under section 412(6) of the Corporations Act before being sent to Japara Shareholders.

ASIC has been requested 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 time of the Court hearing to approve the Scheme. Neither ASIC nor any of its officers takes any responsibility for the contents of this Scheme Booklet.

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

Notice of Scheme Meeting

The Notice of Meeting is contained in this Scheme Booklet as Annexure D.

Notice of Second Court Hearing

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

Any Japara Shareholder may appear at the Second Court Hearing, expected to be held at 10.15am on Monday, 25 October 2021 at the Federal Court of Australia.

Any Japara Shareholder who wishes to oppose approval of the Scheme at the Second Court Hearing may do so by filing with the Court and serving on Japara a notice of appearance in the prescribed form together with any affidavit that the Japara Shareholder proposes to rely on.

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

The fact that the Court has ordered under section 411(1) of the Corporations Act that the Scheme Meeting be convened and has directed that the Scheme Booklet accompany the Notice of Meeting does not mean that the Court:

- has formed any view as to the merits of the proposed Scheme nor as to how Japara Shareholders should vote (on this matter Japara Shareholders must reach their own decision);
- has prepared, or is responsible for, the content of the Scheme Booklet; or
- has approved or will approve the terms of the Scheme.

Disclaimer as to forward-looking statements

This Scheme Booklet contains both historical and forward-looking statements. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements.

All forward-looking statements in this Scheme Booklet reflect views only as at the date of this Scheme Booklet, and generally may be identified by the use of forward-looking words such as "believe", "aim", "expect", "anticipate", "intending", "foreseeing", "likely", "should", "planned", "may", "estimate", "potential", or other similar words. Similarly, statements that describe Japara's or Calvary's objectives, plans, goals or expectations are or may be forward-looking statements.

The statements contained in this Scheme Booklet about the impact that the Scheme may have on the results of Japara's operations and the advantages and disadvantages anticipated to result from the Scheme, are also forward-looking statements.

These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to differ materially from the anticipated results, performance or achievements, expressed, projected or implied by these forward-looking statements.

The operations and financial performance of Japara are subject to various risks, including those summarised in this Scheme Booklet, which may be beyond the control of Japara and/or Calvary. Japara Shareholders should note that the historical financial performance of Japara is no assurance of future financial performance of Japara (whether the Scheme is implemented or not). Those risks and uncertainties include factors and risks specific to the industry in which Japara operates as well as factors and risks relating to the ongoing COVID-19 pandemic, general economic conditions, prevailing exchange rates and interest rates and conditions in the financial markets. As a result, the actual results of operations and earnings of Japara following implementation of the Scheme, as well as the actual advantages of the Scheme, may differ significantly from those that are anticipated in respect of timing, amount or nature and may never be achieved.

The forward-looking statements included in this Scheme Booklet are made only as of the date of this Scheme Booklet.

Any forward-looking statements included in the Japara Information have been made on reasonable grounds. Although Japara believes that the views reflected in any forward-looking statements included in the Japara Information have been made on a reasonable basis, no assurance can be given that such views will prove to have been correct.

Any forward-looking statements included in the Calvary Information have been made on reasonable grounds. Although Calvary believes

that the views reflected in any forward-looking statements included in the Calvary Information have been made on a reasonable basis, no assurance can be given that such views will prove to have been correct.

None of Japara, Calvary, Japara's officers, Calvary's officers, any persons named in this Scheme Booklet with their consent or any person involved in the preparation of this Scheme Booklet makes any representation or warranty (express or implied) as to the likelihood of fulfilment of any forward-looking statement, or any events or results expressed or implied in any forward-looking statement, except to the extent required by law. You are cautioned not to place undue reliance on any forward-looking statement.

You should review all of the information in this Scheme Booklet carefully. Section 1.1 sets out the reasons why you should vote in favour of the Scheme and section 1.2 sets out the reasons why you may wish to vote against the Scheme.

All subsequent written and oral forward-looking statements attributable to Japara or Calvary or any person acting on their behalf are qualified by this cautionary statement.

Subject to any continuing obligations under relevant laws or the Listing Rules of a relevant exchange, Japara and Calvary do not give any undertaking to update or revise any such statements after the date of this Scheme Booklet, to reflect any change in expectations in relation thereto or any change in events, conditions or circumstances on which any such statement is based.

Responsibility statement

Japara has been solely responsible for preparing the Japara Information. The information concerning Japara and the intentions, views and opinions of Japara and the Japara Directors contained in this Scheme Booklet has been prepared by Japara and the Japara Directors and is the responsibility of Japara. Calvary and their directors and officers do not assume any responsibility for the accuracy or completeness of any such Japara Information.

Calvary has been solely responsible for preparing the Calvary Information. The information concerning Calvary and the intentions, views and opinions of Calvary contained in this Scheme Booklet has been prepared by Calvary and is the responsibility of Calvary. Japara and the Japara Directors and officers do not assume any

responsibility for the accuracy or completeness of any such Calvary Information.

Deloitte has prepared the Independent Expert's Report in relation to the Scheme and takes responsibility for that report. The Independent Expert's Report is contained in Annexure A.

Link Market Services Limited has had no involvement in the preparation of any part of this Scheme Booklet other than being named as the Japara Registry. Link Market Services Limited has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for, any part of this Scheme Booklet.

Privacy

Japara and Calvary may collect personal information in the process of implementing the Scheme. Such information may include the name, contact details and shareholdings of Japara Shareholders and the name of persons appointed by those persons to act as a proxy, attorney or corporate representative at the Scheme Meeting. The primary purpose of the collection of personal information is to assist Japara and Calvary to conduct the Scheme Meeting and implement the Scheme and certain aspects of the Scheme Meeting or the implementation of the Scheme may be impaired if this personal information is not collected. Personal information of the type described above may be disclosed to the Japara Registry, print and mail service providers, authorised securities brokers, Related Bodies Corporate of Japara and Calvary, and Japara's and Calvary's advisers and service providers. The respective privacy policies of Japara and Cavalry contain information about how individuals can access their personal information and complain about any breach of the Australian Privacy Principles. Japara Shareholders have certain rights to access personal information that has been collected. Japara Shareholders should contact the Japara Registry in the first instance, if they wish to access their personal information. Japara Shareholders who appoint a named person to act as their proxy, attorney or corporate representative should ensure that they inform that person of these matters.

Date of this Scheme Booklet

This Scheme Booklet is dated 17 September 2021.

Contents

Key Dates	1
Letter from the Chairman of Japara.....	2
1 Key considerations relevant to your vote	4
2 Frequently asked questions	9
3 How to vote.....	14
4 Overview of the Scheme	16
5 Information about Japara	19
6 Information about Calvary	29
7 Taxation implications for Japara Shareholders	34
8 Additional information.....	36
9 Glossary and interpretation	43
Annexure A. Independent Expert's Report	48
Annexure B. Scheme	98
Annexure C. Deed Poll.....	113
Annexure D. Notice of Meeting	121
Corporate Directory	127

Key Dates

Event	Date and time
Date of this Scheme Booklet	17 September 2021
Latest date and time for receipt of proxy forms or powers of attorney for the Scheme Meeting	10.00am, 19 October 2021
Time and date for determining entitlement to vote at the Scheme Meeting	7.00pm, 19 October 2021
Scheme Meeting The Scheme Meeting will be held online as a virtual meeting. Japara Shareholders and their authorised proxies, attorneys and corporate representatives may participate in and vote at the Scheme Meeting via the online platform. Further details relating to the Scheme Meeting are set out in the Notice of Meeting contained in Annexure D to this Scheme Booklet.	10.00am, 21 October 2021
If the Scheme is approved by Japara Shareholders	
Second Court Date for approval of the Scheme	25 October 2021
Effective Date Court order lodged with ASIC and announcement to the ASX Last day of trading in Japara Shares – Japara Shares suspended from trading on the ASX from close of trading	25 October 2021
Scheme Record Date for determining entitlements to Scheme Consideration	7.00pm, 29 October 2021
Implementation Date Payment of Scheme Consideration to Japara Shareholders	5 November 2021

All dates following the date of the Scheme Meeting are indicative only and, among other things, are subject to all necessary approvals from the Court and any other Regulatory Authority. Any changes to the above timetable (which may include an earlier or later date for the Second Court Hearing) will be announced through the ASX and notified on Japara's investor centre website at <https://investor.japara.com.au/Investor-Centre/>.

All references to time in this Scheme Booklet are references to Melbourne, Victoria time, unless otherwise stated. Any obligation to do an act by a specified time in an Australian time zone must be done at the corresponding time in any other jurisdiction.

Letter from the Chairman of Japara

17 September 2021

Dear Japara Shareholder

On behalf of the Board of Directors of Japara, I am pleased to provide you with this Scheme Booklet, which contains important information for your consideration about the proposed acquisition of Japara Healthcare Limited by Little Company of Mary Health Care Limited (**Calvary**).

Proposed Scheme

On 27 July 2021, Japara Healthcare Limited announced that it had entered into a Scheme Implementation Deed with Calvary, under which it is proposed that Calvary will acquire all of the issued capital of Japara via a scheme of arrangement, subject to Court and shareholder approvals.

Scheme consideration

If the Scheme is approved and implemented, Japara Shareholders will receive a cash payment of \$1.40 per Japara Share.

This proposal came about following receipt of two unsolicited non-binding indicative proposals to acquire Japara in April and May this year. After considering these proposals, Japara opened a data room to the potential bidders, who were asked to submit their best and final proposals on 26 July 2021. On 27 July 2021, Japara announced it had entered into the Scheme Implementation Deed with Calvary.

Your Directors consider that Calvary's proposal is compelling for Japara Shareholders.

The proposed cash payment of \$1.40 per Japara Share implies an equity value of approximately \$380 million, and an enterprise value of approximately \$592 million, and represents:

- a premium of 75% to the last undisturbed closing price of Japara shares on 29 April 2021¹ of \$0.80;

- a premium of 81% to the undisturbed 30 day volume weighted average price (**VWAP**) of \$0.77; and
- a premium of 87% to the undisturbed 90 day VWAP of \$0.75.

Unanimous recommendation of Japara Directors

Japara Directors consider that Calvary's proposal reflects the strategic value of the Japara business and its prospects. If the Scheme proceeds, Your Directors believe that it will provide career opportunities for Japara's staff and deliver benefits for Japara's residents.

Your Directors unanimously recommend that you vote in favour of the Scheme, and intend to vote the Shares they own or control in favour of the Scheme, in each case in the absence of a superior proposal. Even though the underlying demand for residential aged care will persist for Australia's continuing ageing population, the short-term outlook for aged care remains challenging. Your Directors believe that the Scheme is likely to deliver higher value and greater certainty to Japara Shareholders than Japara continuing as a stand-alone entity.

Your Directors unanimously consider that the Scheme is in the best interests of Japara Shareholders for the following reasons:

- the proposed consideration represents an opportunity for Japara Shareholders to realise certain cash value for their Japara Shares and is superior to other strategic options available to Japara, having regard to:
 - the likelihood that a superior proposal to acquire Japara will emerge;
 - the prospect of Japara Shareholders receiving higher risk adjusted returns from continued ownership; and

¹ The last day of trading on the ASX before the announcement of the receipt of a non-binding indicative acquisition proposal from Calvary.

- the prospect of Japara Shareholders receiving higher risk adjusted returns from the sale of all assets of Japara combined with a wind up of Japara and a subsequent distribution of after-tax proceeds to Japara Shareholders;
- the proposed consideration represents a significant premium to Japara's recent historical trading prices on the ASX and compares favourably to precedent transactions; and
- the Independent Expert has concluded that the Scheme is fair and reasonable and, therefore, is in the best interests of Japara Shareholders, in the absence of a superior proposal.

The interests of the Japara Directors (including Chris Price as CEO and Managing Director) are disclosed in section 8.1. Japara Shareholders should have regard to these interests when considering how to vote on the Scheme, including Mr Price's recommendation on the Scheme, which appears throughout the Scheme Booklet.²

Independent Expert

Your Directors appointed Deloitte as the Independent Expert to assess the merits of the Scheme. The Independent Expert has concluded that the Scheme is fair and reasonable and, therefore, is in the best interests of Japara Shareholders in the absence of a superior proposal. The Independent Expert has assessed the full underlying value of Japara at between \$1.12 and \$1.47 per Japara Share. The Scheme consideration of \$1.40 per share, is within this range.

A complete copy of the Independent Expert's Report is contained in Annexure A of this Scheme Booklet.

How to vote

The Scheme requires the approval of Japara Shareholders at a Scheme Meeting to be held at 10.00am on 21 October 2021. Due to the current restrictions on physical gatherings and travel imposed by governments as a result of the COVID-19 pandemic, and as an important health and safety measure, the Scheme Meeting will be held virtually (online).

Your vote is important and I encourage you to participate in and vote at the Scheme Meeting via the online platform or alternatively by completing and submitting a proxy form.

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

Further information

This Scheme Booklet sets out important information regarding the Scheme, including the reasons for Your Directors' recommendation and the Independent Expert's Report. It also sets out some of the reasons why you may wish to vote against the Scheme.

Please read the Scheme Booklet carefully and in its entirety as it will assist you in making an informed decision on how to vote. I would also encourage you to seek independent financial, legal, taxation or other professional advice before making any decision in relation to your Japara Shares.

If you require any further information, please call the Shareholder Information Line on 1300 857 499 (or +61 1300 857 499 if outside Australia) between 8.30am to 5.30pm (Melbourne time), Monday to Friday, excluding public holidays.

I would also like to take this opportunity to thank you for your continued support of Japara.

Yours sincerely



Linda Bardo Nicholls AO
Chairman
Japara Healthcare Limited

² Subject to the Scheme becoming effective and the terms of the relevant Performance Rights and other FY2022 incentives continuing to be satisfied at such time, Chris Price, Japara CEO and Managing Director may be entitled to vesting of his 1,440,000 Performance Rights (on or about the Effective Date) and cash payments in relation to his FY2022 incentives (subject to the Japara Board's determination, having regard to performance against hurdles and elapsed time).

1 Key considerations relevant to your vote

The Scheme has a number of advantages and disadvantages which may affect Japara Shareholders in different ways depending on their individual circumstances. Japara Shareholders should seek professional advice on their particular circumstances, as appropriate.

Section 1.1 provides a summary of some of the reasons why the Japara Board considers that Japara Shareholders should vote in favour of the Scheme. Section 1.1 should be read in conjunction with section 1.2, which sets out reasons why Japara Shareholders may wish to vote against the Scheme. You should read this Scheme Booklet in full, including the Independent Expert's Report, before deciding how to vote at the Scheme Meeting. While the Japara Directors acknowledge the reasons to vote against the Scheme, they believe the advantages of the Scheme significantly outweigh the disadvantages.

1.1 Why you should vote in favour of the Scheme



Your Directors unanimously recommend that you should vote in favour of the Scheme, in the absence of a superior proposal

Your Directors unanimously recommend that, in the absence of a superior proposal, you vote in favour of the resolution required to implement the Scheme at the Scheme Meeting.

In reaching their recommendation, Your Directors have assessed the Scheme having regard to the reasons to vote in favour of, or against, the Scheme, as set out in this Scheme Booklet.

In the absence of a superior proposal, each of Your Directors intends to vote all Japara Shares held or controlled by them in favour of the Scheme. The interests of Japara Directors are set out in section 8.1.³



The Independent Expert has concluded that the Scheme is fair and reasonable and, therefore, is in your best interests

Your Directors appointed Deloitte to prepare an Independent Expert's Report, including an opinion as to whether the Scheme is in the best interests of Japara Shareholders.

The Independent Expert has concluded that the Scheme is fair and reasonable, and therefore that the Scheme is in the best interests of Japara Shareholders, in the absence of a superior proposal.

The basis for this conclusion is that the proposed cash payment of \$1.40 per share (**Scheme Consideration**) is within the valuation range (as concluded by the Independent Expert) of \$1.12 to \$1.47 per Japara Share.

A complete copy of the Independent Expert's Report is contained in Annexure A of this Scheme Booklet and Your Directors encourage you to read this report in full.

³ Subject to the Scheme becoming effective and the terms of the relevant Performance Rights and other FY2022 incentives continuing to be satisfied at such time, Chris Price, Japara CEO and Managing Director may be entitled to vesting of his 1,440,000 Performance Rights (on or about the Effective Date) and cash payments in relation to his FY2022 incentives (subject to the Japara Board's determination, having regard to performance against hurdles and elapsed time). Please refer to section 8.4 for further details. The Japara Board considers that, notwithstanding these arrangements, it is appropriate for Mr Price to make a recommendation on the Scheme given his role in the operation and management of Japara and that Japara Shareholders would wish to know Mr Price's views in relation to the Scheme. Mr Price also considers that it is appropriate for him to make a recommendation on the Scheme.

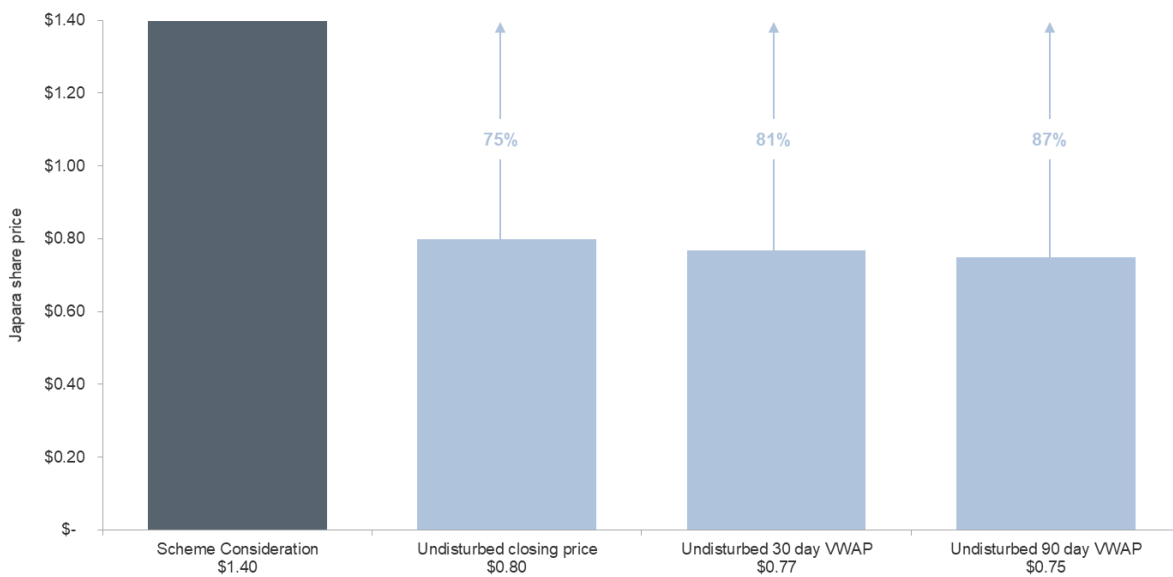
 **The Scheme Consideration of \$1.40 cash per Japara Share represents a significant premium to recent historical Japara Share prices**

Under the terms of the Scheme, subject to the Scheme becoming effective, Japara Shareholders will receive \$1.40 cash per Japara Share. This represents a premium of:

- 75% to the last undisturbed closing price of Japara shares on 29 April 2021⁴ of \$0.80;
- 81% to the undisturbed 30 day VWAP of \$0.77; and
- 87% to the undisturbed 90 day VWAP of \$0.75.

The graph below shows the premium to the Japara Share price before the announcement of the Scheme.

Figure 1. Scheme Consideration vs. Japara share price trading benchmarks



 **You will receive certain value for your investment in Japara**

The short-term outlook for the aged care sector in Australia remains challenging, even though the underlying demand for residential aged care will persist for Australia's rapidly ageing population.

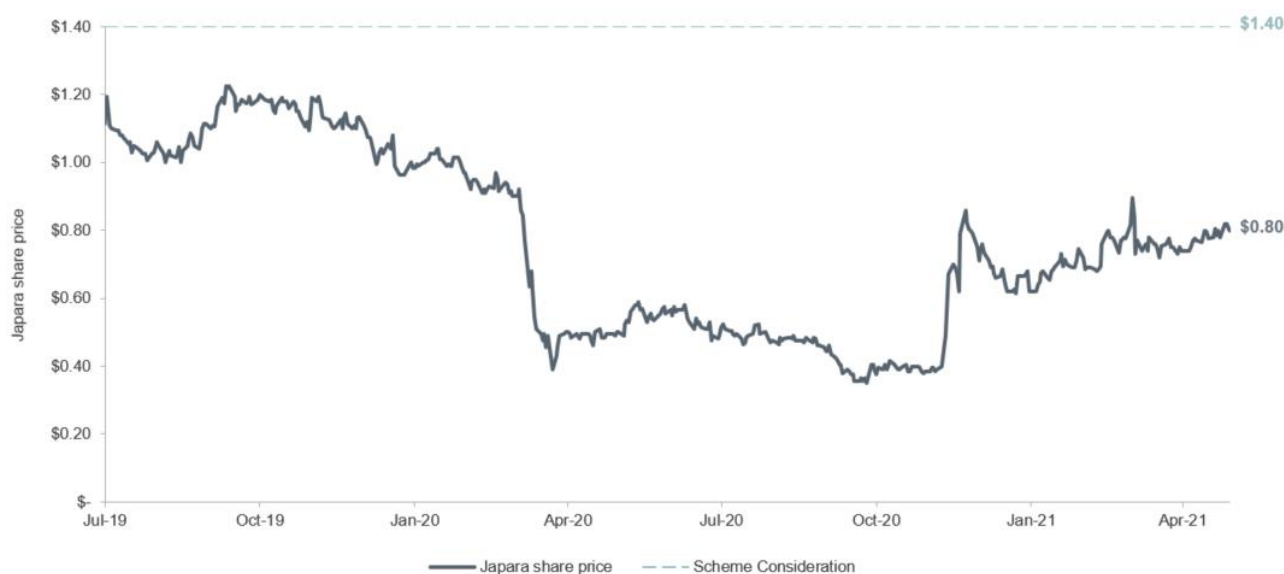
The Scheme Consideration of \$1.40 cash per share provides you with certainty of value for your Japara Shares (subject to the Scheme becoming effective).

The certainty of this cash payment should be compared with the risks and the uncertainties of remaining a Japara Shareholder, which include, but are not limited to, the risks relating to Japara as set out in section 5.9.

The graph below shows the price of Japara Shares for the period between July 2019 and April 2021 compared to the Scheme Consideration. Japara Directors note the volatility in the share price over the years and consider that the Scheme Consideration represents compelling value and accelerates returns to Japara Shareholders.

⁴ The last day of trading on the ASX before the announcement of the receipt of a non-binding indicative acquisition proposal from Calvary.

Figure 2. Scheme Consideration vs. Japara share price, July 2019 – April 2021



 **No superior alternative has emerged as at the date of this Scheme Booklet**

Your Directors have considered a range of alternatives in making their unanimous recommendation that you should vote in favour of the Scheme including:

- the likelihood that a superior proposal to acquire Japara will emerge;
- the prospect of Japara Shareholders receiving higher risk adjusted returns from continued ownership; and
- the prospect of Japara Shareholders receiving higher risk adjusted returns from the sale of all assets of Japara combined with a wind up of Japara and a subsequent distribution of after-tax proceeds to Japara Shareholders.

Since the announcement of the execution of the Scheme Implementation Deed on 26 July 2021 and up to the date of this Scheme Booklet, no superior alternative has emerged.

Japara previously announced the receipt of conditional, non-binding indicative proposals to acquire 100% of the shares in Japara from both Calvary and another party. The Japara Board agreed to provide both parties with access to confirmatory due diligence in order to develop binding proposals. This period of confirmatory due diligence resulted in the receipt of final proposals from both Calvary and the other party. Calvary's proposal offered more value to Japara Shareholders than the final proposal submitted by the other party.

Your Directors have no reasonable basis for believing that a further acquisition proposal will be received which will be superior to the Calvary proposal.

Your Directors also considered the prospects for Japara in pursuing its current strategy, including an assessment of standalone value creation opportunities, with Japara Shareholders continuing to participate in ongoing ownership of the Japara as a listed entity. Your Directors believe that the challenges and uncertainties presented by the residential aged care sector at present result in this alternative being inferior to Calvary's proposal.

Finally, Your Directors considered the opportunity to realise greater risk adjusted returns for Japara Shareholders from the sale of all assets of Japara, either individually or in groups of assets, combined with a wind up of Japara and a subsequent distribution of after-tax proceeds to Japara Shareholders. Your Directors believe that the likely timeframe to complete this process, the risk of inferior proceeds being achieved and ongoing exposure to the continued challenges and uncertainties presented by the residential aged care sector result in this alternative being inferior to Calvary's proposal.

Calvary's proposal has been unanimously recommended on the basis it delivers the highest and most certain value to Japara Shareholders.

Japara's share price is likely to fall if the Scheme is not implemented

If the Scheme is not implemented, Japara Shares will continue to remain quoted on the ASX and will continue to be subject to market volatility, including general stock market movements, the impact of the ongoing COVID-19 pandemic, the impact of general economic conditions and the demand for listed securities. As such, if the Scheme is not implemented, it is likely that the price at which Japara Shares trade will fall, including to a price that is well below the Scheme Consideration being offered.

Over the 12 months before the announcement on 30 April 2021 of receipt of Calvary's non-binding indicative proposal (**NBIP**), Japara Shares have traded between a low of \$0.35 on 25 September 2020 and a high of \$0.90 on 2 March 2021. On the last trading day before the announcement of the NBIP, the Japara Share price closed at \$0.80. On the last trading day before the announcement of the Scheme, the Japara Share price closed at \$1.17.

If the Scheme does not proceed, you will continue to be subject to the risks and uncertainties associated with Japara's business and general market risks

Despite Japara's growth initiatives the short-term outlook for aged care remains challenging and these initiatives will take time to fully implement and carry execution risks, some of which are outside the control of Japara.

If the Scheme does not proceed, Japara Shareholders will continue to be subject to these execution risks, as well as general market risks and other specific risks inherent in Japara's business, including those summarised in more detail in section 5.9.

In addition, the future price of Japara Shares will be subject to external economic and market factors. The Scheme removes these risks and uncertainties for Japara Shareholders and allows shareholders to fully exit their investment in Japara at a price that Your Directors consider attractive. If the Scheme is approved and implemented, these risks and uncertainties will be assumed by Calvary, as the sole shareholder of Japara following implementation of the Scheme.

The Scheme is subject to limited conditions

The Scheme is not subject to any regulatory approvals (other than approval by the Court and the requisite shareholder majorities as described in this Scheme Booklet).

The Scheme is subject to limited customary conditions consistent with other schemes of arrangement, including Japara Shareholder approval, there being no Material Adverse Change and the Independent Expert continuing to conclude the Scheme is in the best interest of Japara Shareholders.

No brokerage will be payable by you for the transfer of your Japara Shares under the Scheme

You will not incur any brokerage on the transfer of your Japara Shares to Calvary under the Scheme. It is possible that brokerage may be incurred (and potentially GST on those charges) if you transfer your Japara Shares other than under the Scheme.

1.2 Why you may wish to vote against the Scheme

Although the Scheme is recommended by Your Directors and the Independent Expert has concluded that the Scheme is in the best interests of Japara Shareholders (in each case, in the absence of a superior proposal), factors which may lead you to consider voting against the Scheme include the following:

You may disagree with the Japara Directors' unanimous recommendation and the Independent Expert's conclusion and believe that the Scheme is not in your best interests

Despite the view of Your Directors and the Independent Expert, you may believe that the Scheme is not in the best interests of Japara Shareholders or not in your individual best interests.

⊗ You may prefer to participate in the future financial performance of the Japara business

If the Scheme is implemented, you will no longer be a Japara Shareholder. This will mean that you will not participate in the future performance of Japara, including any benefits that may result from being a Japara Shareholder. Japara Shareholders will not retain any exposure to Japara's assets or have the potential to share in the value that could be generated by Japara in the future.

⊗ You may wish to maintain your investment profile

You may wish to maintain your investment in Japara in order to have an investment in a publicly listed company with the specific characteristics of Japara in terms of industry, operational profile, size, capital structure and potential dividend stream.

Implementation of the Scheme may result in a disadvantage to those who wish to maintain their investment profile. Japara Shareholders who wish to maintain their investment profile may find it difficult to find an investment with a similar profile to that of Japara and they may incur transaction costs in undertaking any new investment.

⊗ The tax consequences of the Scheme for you may not suit your financial position

Implementation of the Scheme may trigger taxation consequences for Japara Shareholders. A guide to the taxation implications of the Scheme is set out in section 7. This guide is expressed in general terms only and Japara Shareholders should seek independent professional advice regarding the tax consequences applicable to their own circumstances.

⊗ You may consider that there is potential for a superior proposal to emerge

It is possible that a more attractive proposal for Japara Shareholders could materialise in the future, such as a takeover bid with a higher offer price than the Scheme Consideration. However, as at the date of this Scheme Booklet, Your Directors have not received or become aware of any alternative superior proposal and have no reasonable basis for believing that an alternative superior proposal will be received.

2 Frequently asked questions

Question	Answer	More Information
Why have I received this Scheme Booklet?	<p>This Scheme Booklet has been made available to you because you are a Japara Shareholder and you are being asked to vote on the Scheme.</p> <p>This Scheme Booklet is intended to help you to consider and decide on how to vote on the Scheme at the Scheme Meeting.</p>	<p>Section 4 contains an overview of the Scheme and a copy of the Scheme is contained in Annexure B.</p>
What is the Scheme?	<p>The Scheme is a scheme of arrangement between Japara and Japara Shareholders at the Scheme Record Date. The Scheme will effect the acquisition of Japara by Calvary.</p> <p>A scheme of arrangement is a statutory procedure that is commonly used to enable one company to acquire another company.</p> <p>If the Scheme is approved and implemented, Japara Shareholders at the Scheme Implementation Date will receive a cash payment of \$1.40 per Japara Share.</p>	<p>Section 4 contains an overview of the Scheme and a copy of the Scheme is contained in Annexure B.</p>
What do the Japara Directors recommend and how do they intend to vote?	<p>Your Directors unanimously recommend that all Japara Shareholders vote in favour of the Scheme, in the absence of a superior proposal.</p> <p>Each Japara Director who holds Japara Shares intends to vote all Japara Shares held or controlled by them in favour of the Scheme, in the absence of a superior proposal.</p>	<p>Section 1.1 provides a summary of some of the reasons why the Japara Board considers that Japara Shareholders should vote in favour of the Scheme.</p> <p>Section 8.1 set out the interests of Japara Directors in Japara.</p>
What are the reasons to vote in favour of the Scheme?	<p>Reasons for voting in favour of the Scheme are set out in section 1.1 of this Scheme Booklet.</p>	<p>Section 1.1 provides a summary of some of the reasons why the Japara Board considers that Japara Shareholders should vote in favour of the Scheme.</p>
What are the reasons for not supporting the Scheme and for voting against the Scheme?	<p>Reasons for voting against the Scheme are set out in section 1.2 of this Scheme Booklet.</p>	<p>Section 1.2 sets out reasons why Japara Shareholders may wish to vote against the Scheme.</p>
What is the opinion of the Independent Expert?	<p>The Independent Expert has concluded that the Scheme is fair and reasonable and, therefore, is in the best interests of Japara Shareholders, in the absence of a superior proposal.</p>	<p>A copy of the Independent Expert's Report is contained in Annexure A.</p>
What if the Independent Expert changes its opinion?	<p>If the Independent Expert changes its opinion, this will be announced to the ASX. In such circumstances, the Japara Board will consider the Independent Expert's revised opinion and advise Japara Shareholders of its recommendation.</p> <p>The Japara Board may withdraw, adversely revise or adversely qualify its support of the Scheme or its recommendation that Japara Shareholders vote in favour of the Scheme, and Japara may terminate the Scheme Implementation Deed without paying the Reimbursement Fee to Calvary, if in any update of, or any revision, amendment or addendum to, the Independent Expert Report, the Independent Expert concludes that the Scheme is no longer fair and reasonable and in the best interests of Japara Shareholders (other than where the conclusion is due to the existence of a Competing Proposal).</p>	<p>Section 8.3 contains further information on the Scheme Implementation Deed.</p>

Question	Answer	More Information
<p>Is a superior proposal likely to emerge?</p>	<p>Since the announcement of the execution of the Scheme Implementation Deed on 26 July 2021, and up to the date of this Scheme Booklet, no superior proposal has emerged.</p> <p>Japara previously announced the receipt of conditional, non-binding indicative proposals to acquire 100% of the shares in Japara from both Calvary and another party. As also announced, the Japara Board agreed to provide both parties with confirmatory due diligence in order to develop binding proposals capable of being recommended to Japara Shareholders. This period of confirmatory due diligence resulted in the receipt of final proposals from both Calvary and the other party. Calvary's proposal offered more value to Japara Shareholders than the final proposal submitted by the other party.</p> <p>Your Directors have no reasonable basis for believing that a further proposal will be received which will be superior to the Calvary proposal.</p>	<p>N/A</p>
<p>Who is Calvary?</p>	<p>Calvary is a charitable Catholic not-for-profit organisation with more than 12,000 staff and volunteers, 14 public and private hospitals, 17 retirement and aged care facilities, and a national network of Community Care centres. Calvary operates across six states and territories within Australia and is an approved provider of residential aged care. Established in Sydney in 1885, by the arrival of the Sisters of the Little Company of Mary in Australia, Calvary's mission is to provide health care to the most vulnerable, including those reaching the end of their life.</p> <p>For further information about Calvary, visit: www.calvarycare.org.au.</p>	<p>Section 6 contains further information about Calvary.</p>
<p>How is Calvary funding the Scheme Consideration?</p>	<p>Calvary intends to fund the Scheme Consideration with a combination of debt and cash funding.</p>	<p>Section 6.5.(b) contains further information on funding arrangements.</p>
<p>Are there any conditions to be satisfied?</p>	<p>There are a number of conditions that will need to be satisfied or waived (where capable of waiver) before the Scheme can become effective.</p> <p>In summary, as at the date of this Scheme Booklet, the outstanding conditions include:</p> <ul style="list-style-type: none"> • approval by the Court; • approval by Japara Shareholders; • no Material Adverse Change occurs; • no Prescribed Occurrence occurs; • the representations and warranties given by Japara and Calvary in the Scheme Implementation Deed being true and correct; and • no legal restraints or impediments to the acquisition of Japara by Calvary through implementation of the Scheme, including the commencement of proceedings by a Government Agency. <p>Japara intends to announce on the ASX the satisfaction (or waiver) of the conditions to the Scheme.</p>	<p>Section 8.3.(a) contains further information on the conditions to the Scheme.</p>

Question	Answer	More Information
When do the conditions have to be satisfied by?	<p>Apart from the conditions relating to approval by Japara Shareholders and the Court, the conditions must be satisfied as at 8.00am on the Second Court Date.</p> <p>The Second Court Date is scheduled for 25 October 2021. If a condition is not satisfied or waived (where capable of waiver) by 8.00am on this date Japara will make an application to the Court to change the date of this hearing.</p> <p>The conditions must be satisfied or waived (where capable of waiver) by 26 January 2022, unless Japara and Calvary agree to extend this date. If the relevant conditions are not satisfied by that date, the Scheme will not be implemented.</p>	N/A
Can I sell my Japara Shares now?	<p>You can sell your Japara Shares on the market at any time before close of trading of the ASX on the Effective Date at the then prevailing market price (which may vary from the Scheme Consideration).</p> <p>Japara intends to apply to the ASX for Japara Shares to be suspended from official quotation on the ASX from close of trading on the Effective Date (which is currently expected to be 25 October 2021). You will not be able to sell your Japara Shares on market after this time.</p>	N/A
When and where will the Scheme Meeting be held?	<p>The Scheme Meeting will be held as a virtual meeting on 21 October 2021 commencing at 10.00am. Japara Shareholders and their authorised proxies, attorneys and corporate representatives may, participate in and vote at the Scheme Meeting via the online platform.</p>	The Notice of Meeting contained in Annexure D sets out details on the Scheme Meeting.
What vote is required to approve the Scheme?	<p>For the Scheme to proceed, the Scheme Resolution must be passed by:</p> <ul style="list-style-type: none"> • a majority in number (more than 50%) of Japara Shareholders who vote on the Scheme Resolution; and • at least 75% of the votes cast on the Scheme Resolution. <p>The Court has the discretion to waive the first of these two requirements if it considers it appropriate to do so.</p>	Section 4.3.(a) and the Notice of Meeting contained in Annexure D set out details on the Scheme approval requirements.
Am I entitled to vote at the Scheme Meeting?	<p>Each Japara Shareholder who is registered on the Register at 7.00pm on 19 October 2021 is entitled to participate in and vote at the Scheme Meeting.</p>	The Notice of Meeting contained in Annexure D sets out further details on your entitlement to vote.
How do I vote if I am not able to participate in the Scheme Meeting?	<p>If you would like to vote but cannot participate in the Scheme Meeting online, you can vote by appointing a proxy, attorney or corporate representative to participate and vote on your behalf.</p>	The Notice of Meeting contained in Annexure D sets out further details on how to vote at the Scheme Meeting and appointing a proxy, attorney or corporate representative.
Is voting compulsory?	<p>Voting is not compulsory. However, the Scheme will only be successful if it is approved by the requisite majorities of Japara Shareholders, so voting is important and Your Directors encourage you to vote.</p>	Section 4.3 sets out further details on Scheme approval requirements.
When will the result of the Scheme Meeting be known?	<p>The result of the Scheme Meeting will be available shortly after the conclusion of the meeting and will be announced to the ASX once available. Even if the Scheme Resolution is passed by the Scheme Meeting, the Scheme is subject to approval of the Court.</p>	N/A

Question	Answer	More Information
What happens to my Japara Shares if I do not vote, or if I vote against the Scheme, and the Scheme becomes effective?	If you do not vote, or vote against the Scheme, and the Scheme becomes effective, any Japara Shares held by you on the Scheme Record Date (currently expected to be 29 October 2021) will be transferred to Calvary and you will receive the Scheme Consideration, notwithstanding that you may not have voted or voted against the Scheme.	N/A
What is the total consideration payable per Japara Share under the Scheme?	If the Scheme is approved and implemented, each Japara Shareholder will be entitled to receive Scheme Consideration of \$1.40 cash for each Japara Share that they own as at the Scheme Record Date. No final dividend will be paid. The Scheme Consideration will be paid wholly in cash. Having regard to Japara's issued share capital, the proposed treatment of the Japara Performance Rights and the cash amount of \$1.40 per Japara Share payable under the Scheme, the maximum consideration payable by Calvary in connection with the Scheme will be approximately \$380,000,000.	Section 6.5.(a) sets out further details on Scheme Consideration.
Will brokerage be payable if the Scheme is implemented?	You will not incur any brokerage on the transfer of your Japara Shares to Calvary under the Scheme.	Section 1.1 sets out further details.
What are the tax implications of the Scheme to Japara Shareholders?	The taxation implications of the Scheme will depend on your particular circumstances. Section 7 of this Scheme Booklet provides a general description of the Australian tax consequences of the Scheme (assuming it becomes effective) for Japara Shareholders who participate in the Scheme. It does not constitute tax advice and should not be relied upon as such. Japara Shareholders should seek independent professional advice in relation to their own particular circumstances.	Section 7 sets out a general description of taxation implications of the Scheme.
When will I be paid?	Subject to the Scheme becoming effective, payment of the Scheme Consideration is expected to be made on 5 November 2021.	N/A
How will I be paid?	All Scheme Consideration payments will be made by direct deposit into your nominated Australian dollar bank account, as advised to the Japara Registry as at the Scheme Record Date. If you have not nominated an Australian dollar bank account, payment will be made by an Australian dollar cheque sent by post to your registered address as shown on the Register unless: <ul style="list-style-type: none"> • your registered address is in New Zealand; or • Japara believes that you are not known at your registered address, which will result in your Scheme Consideration being paid to a Japara bank account, to be held until you nominate an Australian dollar bank account into which a payment may be made, subject to relevant laws dealing with unclaimed money.	Section 4.2 sets out further details on the Scheme Consideration.

Question	Answer	More Information
What happens if the Scheme does not proceed?	<p>If the Scheme is not approved at the Scheme Meeting, or another condition to the Scheme is not satisfied or waived (where capable of waiver), the Scheme will not be implemented.</p> <p>If the Scheme is not implemented, Japara Shareholders will not receive the Scheme Consideration but will retain their Japara Shares. In these circumstances, Japara will, in the absence of any alternative or Competing Proposal, continue to operate as a stand-alone company listed on the ASX.</p>	Section 4.4 sets out further details on what happens if the Scheme does not proceed.
Where can I get further information?	For further information on the Scheme, you can call the Shareholder Information Line on 1300 857 499 (or +61 1300 857 499 if outside Australia) between 8.30am and 5.30pm (Melbourne Time), Monday to Friday, excluding public holidays.	N/A

3 How to vote

3.1 Your vote is important

For the Scheme to proceed, it is necessary that sufficient Japara Shareholders vote in favour of the Scheme.

If you are registered as a Japara Shareholder at 7.00pm (Melbourne time) on 19 October 2021, you will be entitled to vote on the Scheme.

3.2 Notice of Meeting

The Scheme will be voted on by Japara Shareholders at a meeting to be held on 21 October 2021, commencing at 10.00am (Melbourne time). The Scheme Meeting will be held virtually via an online platform at scheme.japara.com.au, except for those members of the Japara Board and management who are able to attend in person in a safe and permissible manner. Japara Shareholders are encouraged to participate in the Scheme Meeting using a desktop or mobile / tablet device with internet access.

Japara Shareholders who are unable to, or do not wish to, participate in the Scheme Meeting, or will not have access to a device or the internet, are encouraged to submit a directed proxy vote as early as possible and in any event by 10.00am (Melbourne time) on 19 October 2021 by completing and submitting a proxy form.

The Notice of Meeting is contained in Annexure D to this Scheme Booklet.

3.3 Procedure

If you are a Japara Shareholder entitled to vote at the Scheme Meeting, you may vote:

- **online**, by participating and voting via the online platform at scheme.japara.com.au;
- **by proxy**, by completing and submitting the proxy form in accordance with the instructions on that form. To be effective, proxy appointments must be received by the Japara Registry by 10.00am (Melbourne time) on 19 October 2021;
- **by attorney**, by appointing an attorney to participate in and vote at the Scheme Meeting on your behalf and providing a duly executed power of attorney to the Japara Registry by 10.00am (Melbourne time) on 19 October 2021; or
- **by corporate representation**, in the case of a corporation which is a Japara Shareholder, by appointing an authorised corporate representative to participate in and vote at the Scheme Meeting on your behalf and providing a duly executed certificate of appointment (in accordance with section 250D of the Corporations Act) prior to the Scheme Meeting.

Further information on how to participate and vote via the online platform, and ask questions during the Scheme Meeting, is set out in the Notice of Meeting contained in Annexure D to this Scheme Booklet and in the Scheme Meeting Online Guide available on the Scheme website at scheme.japara.com.au.

Registration via the online platform will open 30 minutes prior to the scheduled 10.00am (Melbourne time) start time of the Scheme Meeting. Logging into the online platform at least 15 minutes prior to the start time is recommended.

If you are in favour of the Scheme, you should vote in favour of the Scheme.

The Scheme will not proceed unless the Scheme is approved by Japara Shareholders.

3.4 Voting entitlement

Each Japara Shareholder who is registered on the Register at 7.00pm (Melbourne time) on 19 October 2021 is entitled to participate and vote at the Scheme Meeting virtually using the online platform, by proxy, by attorney or, in the case of a corporation which is a Japara Shareholder, by its representative appointed in accordance with the Corporations Act.

Further information on entitlements to vote is set out in the Notice of Meeting which is contained in Annexure D to this Scheme Booklet.

3.5 Joint Holders

In the case of Japara Shares held by joint holders, only one of the joint holders is entitled to vote. If more than one Japara Shareholder votes in respect of jointly held shares, only the vote of the shareholder whose name appears first in the share register will be counted.

4 Overview of the Scheme

4.1 Background to the Scheme

On 27 July 2021 Japara announced it had entered into the Scheme Implementation Deed with Calvary under which it is proposed that Calvary will acquire all Japara Shares on issue by way of the Scheme.

The full Japara Board reviewed and considered the proposal from Calvary in respect of the Scheme and Your Directors unanimously recommend that you vote in favour of the Scheme and intend to vote the Shares they own or control in favour of the Scheme, in each case in the absence of a superior proposal.

The interests of Japara Directors (including Chris Price as CEO and Managing Director) are disclosed in section 8.1 and Japara Shareholders should have regard to these interests when considering how to vote on the Scheme, including Mr Price's recommendation on the Scheme, which appears throughout the Scheme Booklet.⁵ The Japara Board considers that, notwithstanding these arrangements, it is appropriate for Mr Price to make a recommendation on the Scheme given his role in the operation and management of Japara and that Japara Shareholders would wish to know Mr Price's views in relation to the Scheme. Mr Price also considers that it is appropriate for him to make a recommendation on the Scheme.

4.2 Scheme Consideration

If the Scheme is approved and implemented and you remain a Japara Shareholder at the Scheme Record Date, your Shares will be acquired by Calvary on the Implementation Date and you will receive a cash payment of \$1.40 per Japara Share.

Payments will be made by direct deposit into your nominated Australian dollar bank account, as advised to the Japara Registry as at the Scheme Record Date. If you have not nominated an Australian dollar bank account, payment will be made by an Australian dollar cheque sent by post to your registered address as shown on the Register unless:

- your registered address is in New Zealand; or
- Japara believes that you are not known at your registered address,

which will result in your Scheme Consideration being paid to a Japara bank account, to be held until you nominate an Australian dollar bank account into which a payment may be made, subject to relevant laws dealing with unclaimed money.

4.3 Key steps in the Scheme

4.3.(a) Scheme approval requirements

The Scheme will only become effective and be implemented if it is:

- agreed to by the requisite majorities of Japara Shareholders at the Scheme Meeting to be held on 21 October 2021; and
- approved by the Court at the Second Court Hearing.

Agreement by Japara Shareholders requires the Scheme Resolution to be agreed by:

- a majority in number (more than 50%) of Japara Shareholders present and entitled to vote at the Scheme Meeting (either in person, by proxy, attorney or corporate representative); and
- at least 75% of the total number of votes cast on the Scheme Resolution at the Scheme Meeting by Japara Shareholders present and entitled to vote at the Scheme Meeting (either in person, by proxy, attorney or corporate representative).

The Court has the power to waive the first requirement stated above.

In the event that:

⁵ Subject to the Scheme becoming effective and the terms of the relevant Performance Rights and other FY2022 incentives continuing to be satisfied at such time, Chris Price, Japara CEO and Managing Director may be entitled to vesting of his 1,440,000 Performance Rights (on or about the Effective Date) and cash payments in relation to his FY2022 incentives (subject to the Japara Board's determination, having regard to performance against hurdles and elapsed time).

- the Scheme is agreed to by the requisite majorities of Japara Shareholders at the Scheme Meeting; and
- all other conditions (except Court approval of the Scheme) have been satisfied or waived (where capable of waiver),

then Japara will apply to the Court for orders approving the Scheme.

Each Japara Shareholder has the right to appear at the Second Court Hearing.

4.3.(b) Effective Date

If the Court approves the Scheme and all other conditions have been satisfied or waived, where capable of waiver, the Scheme will become effective on the date when a copy of the Court order approving the Scheme is lodged with ASIC. Japara will, on the Scheme becoming effective, give notice of that event to the ASX.

Japara intends to apply to the ASX for Japara Shares to be suspended from official quotation on the ASX from close of trading on the date the Scheme becomes effective.

4.3.(c) Scheme Record Date

Those Japara Shareholders on the Register as at 7.00pm on the Scheme Record Date (currently expected to be 29 October 2021) will be entitled to receive the Scheme Consideration in respect of the Japara Shares they hold as at the Scheme Record Date.

(1) Dealings on or prior to the Scheme Record Date

For the purpose of determining which Japara Shareholders are eligible to participate in the Scheme, dealings in Japara Shares will be recognised only if:

- in the case of dealings of the type to be effected using CHESS, the transferee is registered on the Register as the holder of the relevant Japara Shares as at 7.00pm on the Scheme Record Date (currently expected to be 29 October 2021); and
- in all other cases, registrable transmission applications or transfers in respect of those dealings are received by the Japara Registry on or before 7.00pm on the Scheme Record Date (and the transferee remains registered as at the Scheme Record Date).

For the purposes of determining entitlements under the Scheme, Japara will not recognise, or accept for registration, any transfer or transmission applications in respect of Japara Shares received after 7.00pm on the Scheme Record Date.

(2) Dealings after the Scheme Record Date

For the purpose of determining entitlements to the Scheme Consideration, Japara must maintain the Register in its form as at the Scheme Record Date (currently expected to be 29 October 2021) until the Scheme Consideration has been paid to the Japara Shareholders. The Register in this form will solely determine entitlements to the Scheme Consideration.

After the Scheme Record Date:

- all statements of holding for Japara Shares will cease to have effect as documents relating to title in respect of such Japara Shares; and
- each entry on the Register will cease to have effect except as evidence of entitlement to the Scheme Consideration in respect of the Japara Shares relating to that entry.

4.3.(d) Implementation Date

The Implementation Date is the fifth Business Day after the Scheme Record Date.

By the Business Day before the Implementation Date, Calvary must pay into a trust account nominated by Japara the aggregate Scheme Consideration payable to Scheme Shareholders.

On the Implementation Date, which is currently expected to be 5 November 2021, Japara will pay the Scheme Consideration received from Calvary to Scheme Shareholders.

Immediately after the Scheme Consideration is paid to Scheme Shareholders, the Scheme Shares will be transferred to Calvary without Scheme Shareholders needing to take any further action.

4.3.(e) Deed Poll

Calvary has executed the Deed Poll pursuant to which Calvary has undertaken in favour of each Scheme Shareholder to deposit, or procure the deposit, an amount equal to the aggregate amount of the Scheme Consideration payable to all Scheme Shareholders into a bank account operated by Japara as trustee for the Scheme Shareholders and take all other actions attributed to Calvary under the Scheme, subject to the Scheme becoming effective.

A copy of the Deed Poll is contained in Annexure C.

4.4 If the Scheme does not become effective

If the Scheme does not proceed, Japara Shareholders will continue to hold their Japara Shares.

In the absence of any alternative or Competing Proposal to the Scheme, Japara will continue as a stand-alone entity. Japara Shareholders will be exposed to the risks relating to Japara's business, including those as set out in section 5.9.

In the absence of an alternative proposal which is similar or superior to the Scheme, it is likely that the price at which Japara Shares trade will fall.

Depending on the reasons why the Scheme does not proceed, Japara may be liable to pay the Reimbursement Fee, or might be entitled to receive the Reverse Break Fee.

Information on the Reimbursement Fee and Reverse Break Fee is set out in sections 8.3.(d) and 8.3.(e).

Prior to the Scheme Meeting, transaction costs will have been incurred, or will be committed, by Japara in relation to the Scheme. Those transaction costs have either already been paid, or will be payable by Japara regardless of whether or not the Scheme is implemented. If the Scheme does proceed, additional costs will be incurred.

4.5 Warranties by Japara Shareholders

The Scheme provides that each Scheme Shareholder is taken to have warranted to Japara and Calvary on the Implementation Date, and appointed and authorised Japara as its attorney and agent to warrant to Calvary on the Implementation Date, that:

- all their Japara Shares (including any rights and entitlements attaching to those shares) which are transferred under the Scheme will, at the date of transfer, 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, and that they have full power and capacity to transfer their Japara Shares to Calvary together with any rights and entitlements attaching to those shares; and
- they have no existing right to be issued any Japara Shares, options or performance rights exercisable into Japara Shares, convertible in Japara or any other Japara securities.

4.6 Delisting of Japara

On a date after the Implementation Date to be determined by Calvary, Japara will apply:

- for termination of the official quotation of Japara Shares on the ASX; and
- to have itself removed from the official list of the ASX.

5 Information about Japara

5.1 Introduction

Japara is one of Australia's largest providers and developers of residential aged care, and has a large national footprint of aged care homes. Japara's team of ~5,900 nurses, carers and other support staff, currently care for ~4,000 residents across 50 homes located throughout Eastern Australia. Japara also operates five villages co-located with care homes and which provide senior living unit and apartment accommodation.

For the year ended 30 June 2021 Japara reported total revenue and other income of \$438.8 million, earnings before interest, tax, depreciation amortisation and impairment of non-current assets of \$19.8 million and a net loss after tax of \$14.1 million.

As at the date of this Scheme Booklet, Japara has on issue 267,247,328 Japara Shares and 3,855,538 Performance Rights as set out in section 8.4.

5.2 Overview of operations

Japara's core business is providing residential aged care services and its 50 homes are located across Victoria (33 homes), New South Wales (seven homes), South Australia (five homes), Queensland (three homes) and Tasmania (two homes), and comprise around 5,700 approved and provisional places, including over 4,500 operational places. Japara's operates 180 independent living units located adjacent to five of its residential care homes. Independent living accounts for less than 1% of Japara's operations by revenue.

Since its inception in 2005, Japara has successfully expanded its business by developing, extending and significantly refurbishing its existing homes, building new homes and selectively acquiring other homes.

Japara derives funding from two main sources being care funding (daily Federal Government funding and daily resident contributions) and accommodation funding (daily Federal Government funding and resident contributions in the form of daily payments and lump sum payments). Japara also borrows money from time to time to finance its activities.

Japara's key costs relate to staffing and other care related expenses including medical supplies, catering, cleaning, consumables, repairs and maintenance, energy, utilities and support office costs.

5.3 Japara's strategy

Japara seeks to maximise opportunities and position the Japara Group to deliver long-term sustainable returns to Japara Shareholders. Japara's strategy to deliver these returns is built on a robust operating and growth strategy.

5.3.(a) Operating strategy

Japara's operating strategy focuses on five core operational areas:

- **Facilities:** provision and maintenance of high quality accommodation to meet the needs of the community through:
 - providing places equipped to facilitate care to meet resident needs; and
 - achieving high occupancy levels of above industry averages.
- **Revenue:** internal processes to ensure receipt of Federal Government funding entitlements, including for resident acuity, through the implementation of funding application and general management systems to ensure appropriate resident classification.
- **Human resources:** ensuring appropriate home staffing and education through:
 - retaining required talent at all employee levels with an appropriate focus on compliance, skills and training;
 - matching the appropriate skill mix of staff with the care needs of residents; and
 - minimising reliance on external agency staff.
- **Cost management:** implementing cost controls, leveraging economies of scale via bulk purchasing arrangements and internal resourcing of major functions such as catering and laundry.

- **Corporate governance:** ensuring appropriate risk management and procedures are in place to minimise operational and compliance risk.

5.3.(b) Growth strategy

Japara's growth strategy centres around increasing the size of its aged care portfolio through the acquisition of existing aged care homes and through greenfield and brownfield developments.

5.3.(c) Acquisitions

Japara has established policies and procedures for the acquisition of additional aged care homes. Acquisitions are based on independent valuations undertaken by Japara's panel of valuers for both the business and real estate components. Japara undertakes formal legal, financial, property, operational and compliance due diligence on each home before completing any acquisition.

Typically, management targets homes where expertise can be applied in the short term to improve the performance of the home and grow earnings. Japara utilises its existing infrastructure and compliance platform to successfully execute acquisitions including the application of a set of strict investment criteria to identify and filter acquisition opportunities, subject to market conditions and availability of capital. Japara's key acquisition investment criteria include:

- **Lifecycle:** new or near new homes with minimum 15 year economic life.
- **Demand:** homes in locations that have unmet demand.
 - Determined through the Japara research index, which measures the supply and demand of the existing aged care homes in the local government area (**LGA**).
 - Acquisitions are only made when the Japara research index shows there is an undersupply of places in the LGA, and the LGA can support high occupancy.
- **Growth:** operational homes that provide potential for long term growth from income and RADs.
- **Cash flow:** homes that have a high operational income flow.
- **Value creation:** homes that provide an opportunity for Japara to execute strategic value enhancement and asset management strategies to enhance returns through:
 - purchasing undervalued assets which may be mispriced due to complexities of ownership, capital structure, planning controls or ineffective management processes;
 - countercyclical acquisitions and divestments;
 - asset management through asset repositioning, refurbishment, extension and redevelopment of existing assets; and
 - effective deal sourcing including opportunities that are off-market or subject to capital constraints, utilising Japara's network of contacts and market intelligence

5.3.(d) Developments

Japara undertakes greenfield and brownfield developments to increase its portfolio size, which involve building new, and extending existing homes where it owns the land and has obtained allocations for all necessary places.

Japara has established processes for identifying and evaluating development opportunities and internal hurdle rates of returns against which these opportunities are assessed. Japara's key investment criteria for developments are similar to those for acquisitions.

Japara has two types of brownfield developments, being:

- new homes that Japara intends to build to replace existing homes; and
- existing homes that are being expanded including the construction of additional rooms within a home.

5.4 Japara Board and senior management

5.4.(a) Board

The Japara Board comprises the following directors:

Linda Bardo Nicholls AO	Non-Executive Chairman
Chris Price	Chief Executive Officer and Managing Director
David Blight	Non-Executive Director
JoAnne Stephenson	Non-Executive Director
Dr Leanne Rowe AM	Non-Executive Director

5.4.(b) Senior executive team

Members of Japara's senior executive team are:

Chris Price	Chief Executive Officer and Managing Director
Anthony Rice	Chief Financial Officer and Chief Investment Officer
Lindon Le Griffon	Chief Operations Officer
Valeria Camara	Chief HR Officer
Jo Gatehouse	Chief Clinical Governance and Risk Officer
Stuart Nicolson	Chief Commercial Officer
Cameron Mackay	Chief Information Officer
Bruce Paterson	Company Secretary

5.5 Japara Directors' intentions

The Corporations Regulations require a statement by the Japara Directors of their intentions regarding Japara's business. If the Scheme is implemented, the current Japara Directors intend to resign and an alternate board will be determined by Calvary. It is for the reconstituted Japara Board to determine its intentions as to:

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

If the Scheme is implemented, Calvary will have 100% ownership and control of Japara. The current intentions of Calvary with respect to these matters are set out in section 6.6.

If the Scheme is not implemented, the Japara Directors intend to continue to operate in the ordinary course of the business.

5.6 Financial information

A copy of the Japara financial statements for the 12 months ending 30 June 2021 and 2020 is outlined in sections 5.6.(a) to 5.6.(c). Information on Japara's historical financial performance is extracted in section 3.7 of the Independent Expert's Report in Annexure A.

5.6.(a) Historical consolidated statement of profit or loss and other comprehensive income

	2021	2020
	\$'000	\$'000
Revenue	419,540	422,242
Other income	19,253	5,290
Total revenue and other income	438,793	427,532
Employee benefits expense	(339,551)	(315,064)
Resident costs	(41,087)	(39,074)
Occupancy costs	(23,038)	(21,622)
Depreciation and amortisation expense	(29,615)	(26,441)
Administrative expenses	(15,295)	(18,897)
Impairment of non-current assets	(519)	(291,923)
Earnings before interest and tax	(10,312)	(285,489)
Finance income	-	197
Finance costs	(8,799)	(7,590)
Loss before income tax	(19,111)	(292,882)
Income tax credit	5,005	795
Loss for the year	(14,106)	(292,087)
Other comprehensive income / (expense), net of income tax	1,702	(2,627)
Total comprehensive income / (expense) for the year	(12,404)	(294,714)
Loss attributable to members of the Group	(14,106)	(292,087)
Total comprehensive expense attributable to members of the Group	(12,404)	(294,714)

5.6.(b) Historical consolidated statement of financial position

	2021	2020
	\$'000	\$'000
ASSETS		
Current Assets		
Cash	43,551	48,286
Trade and other receivables	15,820	15,326
Non-current assets held for sale	4,466	2,261
Current tax receivable	-	1,860
Other assets	7,245	3,681
Total current assets	71,082	71,414
Non-current assets		
Trade and other receivables	2,458	2,574
Right-of-use assets	29,574	30,140
Property, plant and equipment	858,102	833,202
Investment property	50,525	48,925
Intangible assets	265,761	265,761
Total non-current assets	1,206,420	1,180,602
TOTAL ASSETS	1,277,502	1,252,016
LIABILITIES		
Current liabilities		
Trade payables and other liabilities	32,864	34,104
Borrowings	32,500	58,250
Current tax payable	1,907	-
Other financial liabilities	633,834	609,526
Employee provisions	45,727	42,954
Lease liabilities	2,862	2,338
Total current liabilities	749,694	747,172
Non-current liabilities		
Borrowings	223,250	180,750
Deferred tax liabilities	55,514	61,090
Employee provisions	5,643	5,608
Other financial liabilities	3,337	5,039
Lease liabilities	29,247	29,390
Total non-current liabilities	316,991	281,877
TOTAL LIABILITIES	1,066,685	1,029,049
NET ASSETS	210,817	222,967
EQUITY		
Issued capital	524,658	524,285
Share based payment reserve	185	304
Hedging reserve	(3,337)	(5,039)
Retained earnings	(310,689)	(296,583)
TOTAL EQUITY	210,817	222,967

5.6.(c) Historical consolidated statement of cash flows

	2021	2020
	\$'000	\$'000
Cash flows from operating activities		
Receipts from residents and Government funding	418,634	421,567
Government grant income	13,780	-
Payments to suppliers and employees	(413,864)	(390,603)
Income taxes refunded / (paid)	3,196	(3,316)
Interest received	-	231
Finance costs paid	(5,731)	(8,444)
Proceeds from RADs & ILU resident loans	205,825	232,302
Repayment of RADs/accommodation bonds & ILU resident loans	(180,905)	(176,539)
Net cash provided by operating activities	40,935	75,198
Cash flows from investing activities		
Purchase of land and buildings	-	(15,407)
Proceeds from sale of land and buildings	11,790	19,009
Purchase of plant and equipment	(8,105)	(6,458)
Capital works in progress	(62,422)	(71,006)
Proceeds from sale of surplus resident places	-	4,690
Deposits paid under land contracts	(87)	-
Net cash used by investing activities	(58,824)	(69,172)
Cash flows from financing activities		
Purchase of treasury shares	-	(617)
Dividends paid	-	(14,297)
Net proceeds from bank borrowings	16,750	28,500
Repayment of lease liabilities	(3,596)	(2,798)
Net cash provided by financing activities	13,154	10,788
Net increase in cash and cash equivalents held	(4,735)	16,814
Cash and cash equivalents at beginning of the year	48,286	31,472
Cash and cash equivalents at end of the year	43,551	48,286

5.7 Material changes to Japara's financial position since 30 June 2021

Other than:

- the accumulation of earnings in the ordinary course of trading; or
- as disclosed in this Scheme Booklet or as otherwise disclosed to the ASX by Japara,

within the knowledge of the Japara Board, the financial position of Japara has not materially changed since 30 June 2021, being the date of the Japara financial statements for the 12 months ended 30 June 2021 (released to the ASX on 30 August 2021).

Further information regarding Japara's financial performance is set out in the Independent Expert's Report which is contained in Annexure A to this Scheme Booklet.

5.8 Substantial holders of Japara Shares

As at the date of this Scheme Booklet, the substantial holders of Japara Shares accounted for 30.54% of total ordinary shares on issue.

Holder	Japara Shares held	Ownership (%)
Moelis Australia Limited and its associated entities	35,421,025	13.25%
Aurum Holdings Pty Ltd	24,649,373	9.22%
Ashens Properties Pty Ltd (Sudholz Family Discretionary Trust A/C) and its associate	21,558,333	8.07%
Total – substantial holders	81,628,731	30.54%

5.9 Risks relating to Japara

The Japara Board in its ordinary course of business assesses material risks associated with the operations of the Japara Group and takes steps to manage and mitigate them. The Japara Board considers that it is appropriate for Japara Shareholders, in considering the Scheme, to be aware that there are numerous risks, general and specific, which could materially adversely affect the future operating and financial performance of Japara, the value of Japara Shares and any future dividends. These risks will only continue to be relevant to you if the Scheme does not proceed and you retain your existing investment in Japara.

These risks include, but are not limited to, the following:

5.9.(a) General risks

The market price of Japara Shares and the chance of future distributions being made to Japara Shareholders are influenced by a number of factors, including:

- changes in investor sentiment and overall performance of the Australian and international stock markets;
- changes in general business, industry cycles and economic conditions including inflation, interest rates, exchange rates, commodity prices, employment levels and consumer demand;
- changes in government fiscal, monetary and regulatory policies, including funding for aged care;
- the nature of competition in the industry in which Japara operates;
- variations in Japara's operating results;
- recommendations by securities analysts;
- the operating and trading price performance of other comparable listed entities;
- changes to accounting standards and reporting standards; and
- pandemics, natural disasters and catastrophes, whether on a global, regional or local scale.

Some of these factors could affect the market price of Japara's Shares regardless of Japara's underlying operating performance.

5.9.(b) Japara specific risks

Risks that are specific to Japara's operations include the following:

(1) Reduction in occupancy levels

In the ordinary course of its business, Japara faces the risk that occupancy levels may fall below expectations, for example, with a nationwide severe outbreak such as influenza or COVID-19 or an excess supply of places in the market. Competition from newer homes and providers offering discounted terms can also impact occupancy levels. Lower occupancy levels adversely affect Japara's financial performance by reducing the amount of Federal Government care and accommodation funding it is entitled to, resident contributions, accommodation payments and Refundable Accommodation Deposits (**RADs**). A decrease in occupancy levels may also result in an increase in financing costs. Such occurrences are likely to lead to a decline in Japara's profitability.

(2) Change of regulatory framework or funding

The Australian residential aged care sector is highly regulated and significantly funded by the Federal Government. The provision of services is governed by the *Aged Care Act 1997* (Cth) and over 70% of Japara's revenue is from Federal Government care and accommodation funding. The receipt and use of RADs and the allocation of bed licences are also Federal Government regulated. Accordingly, regulatory and funding changes may have an adverse impact on the way Japara promotes, manages and operates its homes, its financial position and performance, and its developments program.

The Royal Commission into Aged Care Quality and Safety (**Royal Commission**) released its final report on 26 February 2021 making 148 recommendations covering quality, funding and sustainability reforms.⁶ The Federal Government responded to these recommendations in May 2021 with a five-year, five pillar aged care reform plan to address services and sustainability, quality and safety, workforce, governance and home care. Key proposed changes include:

- a new residential care funding model from October 2022;
- a new, value based Aged Care Act by July 2023;
- minimum care time for residents by October 2023; and
- discontinuing the Aged Care Approval Round and allocating residential care places to consumers as opposed to the current bed license arrangement from July 2024.

The Federal Government also proposes to consult with the sector to review the use of RADs for raising capital.

(3) Staff availability and wage increases

A portion of Japara's workforce are skilled healthcare workers whose services are in high demand from other aged care and health sector providers. There may also be a limited pool of such workers, particularly in regional and remote areas. Accordingly, there is a risk that Japara will not be able to attract and retain an adequate number of skilled healthcare workers for its existing and future operations. This risk has been exacerbated by COVID-19 where outbreak homes may require staff to isolate and restrictions are imposed to prevent staff working at multiple homes.

The majority of Japara's staff costs, relating to its skilled and unskilled care workforce, are set under State-based enterprise agreements which contain fixed increases over their terms. Japara negotiates with staff, through union representation, for future wage increases which is undertaken without knowledge of future Federal Government funding indexation levels. Accordingly, there is a risk that future increases in staff costs are higher than the increases in Federal Government funding, particularly as funding increases are currently set without reference to State-based aged care labour costs. Japara's staff costs as a percentage of total revenue for the 2021 financial year was approximately 77%. Increasing staff costs in excess of the increases in Federal Government funding may adversely affect Japara's financial performance.

(4) Decline in RADs

Residents with the financial means may choose to pay RADs when coming into a home. RAD values are determined having regard to the quality of the accommodation provided and local residential property market values. Japara may use RADs to assist in funding the development and refurbishment of its homes, to repay other RADs and for limited other purposes as prescribed by law. A number of factors can lead to a decline in RADs creating risk for Japara. These include:

- where a larger than expected number of RAD paying residents depart leading to a substantial and immediate outflow of funds;
- a reduction in the value of RADs paid by new residents compared with departing residents;
- a shift away from new residents choosing to pay RADs; and
- declining occupancy where RADs are repaid and not replaced.

A decline in RADs may have a material impact on Japara's cash flows and financial position.

⁶ Available at: <https://agedcare.royalcommission.gov.au/publications/final-report>.

(5) Large scale infectious outbreaks

Large scale infectious outbreaks (**Outbreaks**), such as influenza and COVID-19, may significantly impact the health and safety of Japara's residents and staff and its business operations. Other material business risks may also eventuate including a reduction in occupancy levels, staff availability and reputational damage.

Outbreaks require infection control measures to be implemented which may require additional staffing, particularly if home staff are themselves infected or unable to attend work. Additional personal protective equipment, cleaning and waste collection is required, as well as administrative support in communicating and dealing with residents, their families, health and other authorities. Sourcing additional staff, supplies and services may prove difficult should others have similar demands during Outbreaks. Related cost and delivery time frames may also increase. As homes are likely to be closed to accepting new residents during Outbreaks, a reduction in occupancy and associated revenue may result.

(6) Health and safety

The health, safety and wellbeing of residents, staff and visitors are critical to Japara for its on-going business operations. A poor or unsafe home and workplace can lead to injuries and discontentment amongst residents, relatives and staff, resulting in adverse financial performance, litigation and reputation issues for Japara.

(7) Loss of key personnel

Japara relies on a high quality management team with significant residential aged care sector experience. The inability to recruit or the loss of key members of Japara's management team at home and support office levels could adversely affect Japara's ability to operate its homes and its business to the required standards, to remain competitive and achieve its objectives.

This could undermine Japara's ability to effectively comply with regulations and may result in damage to its brand and a reduction in demand for its residential aged care services. These occurrences may adversely impact Japara's financial performance and position.

(8) Loss of approvals or accreditation

Residential aged care homes must be accredited to attract Federal Government care and accommodation funding. Such homes, including Japara's homes, are required at law to be operated by approved providers and are accredited in various ways.. The required approvals are generally subject to regular review and may be revoked in certain circumstances. If Japara does not comply with regulations and is unable to secure accreditation for the operation of its homes or future resident places, or if existing accreditation or approvals are adversely amended or revoked, this can affect Federal Government funding. In some circumstances, an accreditation breach may result in Japara being unable to admit new residents until rectified and being required to undertake training for officers and staff and to appoint an eligible adviser for the breach period to assist with compliance at its own cost. The foregoing can potentially result in the breach of bank lending covenants and adversely impact the financial performance and position and future prospects of Japara.

(9) Information technology breaches

Japara collects, stores and uses personal and sensitive information relating to its residents, their representatives and staff. Such information is typically in electronic format and therefore subject to risk of loss or breach resulting from incidents such as system failures, data theft and cyber-attacks. The aged care sector is a known target area for ransomware cyber-attacks given the nature of the information providers hold. Japara's reputation, business operations and financial performance may be adversely impacted in the event of an information technology data breach.

(10) Reputational damage

Japara operates in a commercially sensitive sector in which its reputation could be adversely impacted should it, or the residential aged care sector generally, suffer from any adverse publicity. Such publicity, like that resulting from the regulatory findings or COVID-19 outbreaks, may lead to a reduction in occupancy at Japara's homes and affect staff morale and retention, which may adversely impact Japara's financial performance and position and future prospects.

(11) Regulatory compliance, claims and litigation

Japara is required to comply with a number of regulatory regimes in the provision of care to residents, the employment of staff and as a publicly listed entity. Due to the nature of the services Japara provides, should it fail to meet certain requirements and standards, it is exposed to third party claims risk from residents, staff and others in the ordinary course of business.

Claims may include professional indemnity and public liability claims, WorkCover and employee practice claims, actions and penalties from statutory bodies and other litigation such as arising from coronial inquests. Specifically, over the past 18 months, Japara identified a number of instances where staff did not receive their correct entitlements under relevant industrial instruments. None of these instances were material. Japara has remediated these underpayments and voluntarily reported to the FWO. It is open to the FWO to prosecute Japara for civil penalties following investigation.

Japara may also be subject to securities related class actions including for breach of its continuous disclosure obligations under the Corporations Act.

These risks may adversely impact Japara's financial performance as significant expenditure may be incurred in responding to such matters. Japara's reputation may also be affected.

(12) Climate Risk

Climate change and global warming have been attributed to harmful effects world-wide on the environment, society and economic activity. Accordingly, these effects may potentially impact Japara as countries, including Australia, seek to decrease greenhouse gas emissions and move to lower-carbon economies and conserve natural resources. Additionally, physical effects from increased frequency in severe weather and other events pose risk for Japara's physical assets, human safety, and business operations. This includes from storms, heat waves, floods and bushfires to which some of Japara's homes are more exposed due to their geographical locations. Physical effects of climate change could also increase chronic illness levels of incoming residents, with associated additional care requirements.

Transitioning to a lower-carbon economy and more conservative use of natural resources may require or result in changes in policy, regulation, technology and markets. This may impact the availability and cost of resources (including water, energy, food and other consumables), supply and distribution chains and lead to reputational risk where socially demanded practices are not embraced.

5.10 Public information available for inspection

As a company listed on the ASX and a disclosing entity under the Corporations Act, Japara is subject to regular reporting and disclosure obligations. Broadly, these require Japara to announce price sensitive information as soon as it becomes aware of the information, subject to exceptions for certain confidential information. Japara's recent announcements are available on the ASX's website at www2.asx.com.au. Further announcements concerning developments at Japara, made in accordance with its reporting and disclosure obligations, will continue to be made available on this website after the date of this Scheme Booklet.

Japara is required to prepare and lodge with ASIC and the ASX both annual and half-yearly financial statements accompanied by a statement and report from the Japara Directors and an audit or review report. Copies of these and other documents lodged with ASIC may be obtained from or inspected at an ASIC office and are available on Japara's investor centre website at <https://investor.japara.com.au/Investor-Centre/>.

The ASX maintains files containing publicly disclosed information about all companies listed on the ASX. Information disclosed to the ASX by Japara is available on the ASX's website at www2.asx.com.au.

6 Information about Calvary

6.1 Introduction

This section 6.1 contains the information concerning Calvary and outlines how it is funding the Scheme Consideration and its intentions in relation to Japara. This section 6.1 forms part of the Calvary Information. It has been prepared by Calvary and is the responsibility of Calvary. Japara, the Japara Directors and Japara's officers and advisers do not assume any responsibility for the accuracy or completeness of this information.

6.2 Overview of Calvary

Calvary is a charitable Catholic not-for-profit organisation with more than 12,000 staff and volunteers, 14 public and private hospitals, 17 retirement and aged care facilities, and a national network of Community Care centres. Calvary operates across six states and territories within Australia and is an approved provider of residential aged care. Established in Sydney in 1885 with the arrival of the Sisters of the Little Company of Mary in Australia, Calvary's mission is to provide health care to the most vulnerable, including those reaching the end of their life.

Calvary is a charitable not-for-profit company and was incorporated as an unlisted public company limited by guarantee on 4 September 1997. Calvary is registered as a charity with the Australian Charities and Not-for-Profits Commission (**ACNC**).

The principal activities of the Calvary group are the provision of acute health services by private and public hospital facilities, sub-acute services, palliative care, residential aged care, independent living units, community and home care services.

In delivering these healthcare services, Calvary has developed models of care that have been specifically designed to consistently deliver high quality care and superior patient outcomes, that meet customer expectations, while also reducing complexity, risk and costs. This includes the continued development of home and community-based services to better manage chronic disease, aged, palliative and end of life care. Calvary's doctors, nurses and carers work closely with the Local Health Districts, Primary Health Networks and other stakeholders to improve the care journey of a patient and reduce their burden within what can be a complex system.

Calvary's strategy is centred on being the health, community and aged care provider of choice, delivering with equity and compassion integrated, seamless, safe and quality care appropriate to the individual and community's needs. To deliver this Calvary's key priorities include:

- a focus on quality and safety, through support for staff and the creation of respectful, collaborative relationships with patients, residents, families and community partners;
- care of its people and its working environments, by providing safe, equitable workplaces that are welcoming and respectful of all;
- partnering and planning for the present and the future, anticipating and responding to opportunities that will impact on the communities that Calvary serves; and
- caring for its resources, through upgrades and maintenance of facilities, infrastructure and technology, and pursuing innovative enterprise for the benefit of our people and environment.

From this, Calvary consistently strives to deliver highly valued, quality health services, that benefit from the expertise across each of its activities.

For further information about Calvary, visit www.calvarycare.org.au.

6.3 Calvary's board of directors

Calvary's board of directors as at the date of this Scheme Booklet is comprised of the following members:

James (Jim) Birch AM	Non-Executive Chairman
Patrick O' Sullivan	Non-Executive Deputy Chair
Agnes Sheehan	Non-Executive Director

Associate Professor Richard Matthews AM	Non-Executive Director
David Catchpole	Non-Executive Director
Jennifer Stratton	Non-Executive Director
Lucille Scomazzon	Non-Executive Director
Dr Annette Carruthers AM	Non-Executive Director
Lucille Halloran	Non-Executive Director

6.4 Rationale for proposed acquisition of Japara

The proposed acquisition of Japara aligns with Calvary's strategy, mission and values. This includes established aged care services expertise, with a focus on residential care that begins with the individual. This is achieved through focus on delivery of services that are of a high standard and offer exceptional quality care and experience for the residents.

Calvary believes that a combination of the Japara Group and the Calvary group is a compelling opportunity to create an aged care service platform with enhanced scale, leveraging the best in operational expertise and service delivery from each business. This combination represents an opportunity for Japara's management team, employees, as well as its residents to benefit from the strength of the combined platform.

6.5 Funding arrangements for the Scheme Consideration

6.5.(a) Cash consideration

The Scheme Consideration will be paid wholly in cash.

If the Scheme is approved and implemented, each Japara Shareholder will be entitled to receive \$1.40 cash for each Japara Share that they own as at the Scheme Record Date.

Having regard to Japara's issued share capital, the proposed treatment of the Japara Performance Rights (see section 8.4) and the cash amount of \$1.40 per Japara Share payable under the Scheme, the maximum consideration payable by Calvary in connection with the Scheme will be approximately \$380,000,000 (**Maximum Scheme Consideration**).

Calvary has undertaken in favour of each Japara Shareholder to deposit, or procure the deposit of an amount equal to the Scheme Consideration payable to all Japara Shareholders into a trust account operated by Japara as trustee for the Scheme Shareholders by the Business Day before the Implementation Date.

6.5.(b) Overview of funding arrangements

Calvary intends to fund the Scheme Consideration with a combination of debt and cash funding.

(1) Debt

Calvary has executed a binding debt commitment letter (**Commitment Letter**) with Australia and New Zealand Banking Group Limited, Westpac Banking and Corporation, National Australia Bank Limited and Perpetual Corporate Trust Limited as custodian for the Metrics Credit Partners Diversified Australian Senior Loan Fund (each a **Mandated Lead Arranger** or **MLA**). Under the Commitment Letter, the MLAs have committed to provide as original lenders various senior secured facilities (**Facilities**).

The proceeds available to Calvary under the Facilities, together with the Cash Reserves (see below in paragraph 6.5.(b)(2)), are in excess of the amount that could be required to fund the Maximum Scheme Consideration and the proposed refinancing of certain existing debt facilities of Japara.

Such proceeds are available to Calvary for the purpose of (amongst other things):

- funding the Scheme Consideration;
- refinancing of certain existing debt facilities of Calvary and Japara; and
- paying certain transaction fees and expenses incurred in connection with the Scheme and associated transactions.

The funding of the Facilities is subject to the satisfaction of certain conditions precedent, which are customary for facilities of this kind and include confirmation that:

- completion of the acquisition of the Scheme Shares has occurred or will occur in material respects in accordance with the Scheme Implementation Deed, and that there has not been any termination of, amendment to, or waiver of the Scheme Implementation Deed which would be materially prejudicial to the interests of the MLAs unless they have provided their prior written consent;
- Calvary has cash on balance sheet from sources other than the Facilities of at least a specified amount available to fund the Scheme Consideration;
- payment of certain fees and expenses due to the MLAs under the finance documents and associated fee letters will be made;
- the MLAs have received duly completed and executed finance documentation and security documentation in relation to the Facilities in customary form, and which are materially consistent with the terms set out in the Commitment Letter;
- the MLAs have received all required documentation in relation to applicable “know your customer” and “anti-money laundering” rules and regulations; and
- the MLAs have received various other customary documentary conditions precedent, including various legal opinions, certifications, borrowing requests and public search results.

It is expected that by the Second Court Date the Commitment Letter will be superseded by a definitive long form facilities agreement and related definitive security documentation to be executed by the parties thereto, the material terms and conditions of which are specified in the Commitment Letter.

It is expected that these conditions will be satisfied before the Second Court Date (other than certain conditions which are intended to be satisfied concurrently with, or prior to, the first drawdown under the Facilities immediately prior to the Implementation Date, including the payment of fees and expenses).

If all of the conditions precedent are satisfied or waived, the MLAs must provide the funds for their portion of the commitment under the Facilities. As at the date of this Scheme Booklet, Calvary is not aware of any reason why any of the conditions precedent to the Facilities will not be satisfied, and is confident they will be satisfied, in time to allow payment in full or the aggregate of the Scheme Considerations for the Scheme Shares as and when due under the terms of the Scheme.

Calvary also reserves the right to enter into other alternative debt financing arrangements to fund the Maximum Scheme Consideration and may decide to fund the Maximum Scheme Consideration through means other than by way the Facilities and Cash Reserves (defined below), in each case in accordance with the Scheme Implementation Deed.

(2) Cash

Calvary also intends to fund the Maximum Scheme Consideration by the existing cash and cash equivalents of Calvary. As at 30 June 2020 (being the last day of the last financial year for which Calvary has audited financial statements), Calvary had available internal cash reserves and cash equivalents with an aggregate value of approximately \$296,635,000 (**Cash Reserves**). The Cash Reserves have not been reserved for any other purpose.

As at the date of this Scheme Booklet, Calvary has not decided on the exact proportions in which the Maximum Scheme Consideration will be satisfied by funding sources from the Facilities and / or Cash Reserves.

(3) Reasonable basis

On the basis of the arrangement described in this section 6.5, Calvary is of the opinion that it has a reasonable basis for forming the view, and it holds the view, that it will have sufficient funds available to fund the payment of the Scheme Consideration and related transactions costs.

6.6 Intentions if the Scheme is implemented

This section 6.6 sets out the current intentions of Calvary in relation to:

- continuation of the aged care operations and business of Japara, including any deployment of significant assets of Japara;
- changes to the Japara Board;
- the future employment of the present employees of Japara and the management team;
- delisting of Japara from the ASX; and

- constitution (including conversion to a charity),

assuming Calvary acquires the Scheme Shares as a result of implementation of the Scheme.

The statements made in this section 6.6 are statements of present intention only and are based on the information concerning Japara (including certain non-public information made available by Japara to Calvary before entry into the Scheme Implementation Deed), and the general business environment which is known to Calvary at the time of preparation of this Scheme Booklet.

If the Scheme is implemented, Calvary intends to undertake a detailed review of the business' assets and operation for the purpose of integrating the existing Japara operations and business into the Calvary group. Calvary will only make final decisions following the completion of its review of Japara's business and based on the facts and circumstances at the relevant time. Accordingly, it is important to recognise that the statements set out in this section 6.6 are statements of present intention only and may change as new information becomes available or circumstances change.

6.6.(a) Business, operations and assets

Subject to the review referred to above, Calvary's current intention is to continue the present strategic direction of Japara, including actively pursuing the available growth and expansion opportunities.

Calvary is committed to ensuring that the services continue to operate to a high standard, offering exceptional quality care and experience for residents. Calvary will work with the Japara management team on the models of care, the systems and service offerings that can be leveraged across both organisations to extend the quality of care across all homes in its combined portfolio.

Based on its current understanding of the Japara business, Calvary intends that no major changes will be made to the Japara business (aside from converting Japara to a charitable not-for-profit organisation). Calvary will also explore potential operational improvements across the Calvary and Japara businesses with a view to continue the ongoing objective of the continuous improvement of the quality of care provided by the newly combined group, utilising the best practices of both organisations. Calvary will assess any potential operational improvements following Implementation.

6.6.(b) Head office

Calvary intends to maintain Japara's current office in Melbourne.

6.6.(c) Japara Board

Pursuant to the Scheme Implementation Deed, the Japara Board will be reconstituted with effect on and from the Implementation Date with the current Calvary Directors.

6.6.(d) Employees and management team

Calvary recognises that Japara's employees and management team are an integral part, and key to the success, of Japara's business and providing high quality care. Calvary also believes that the combination of Calvary's and Japara's operations will offer opportunities for Japara's employees and management as part of a much larger enterprise and a national provider of health and care services.

Calvary intends to make changes to roles as a result of Japara no longer being an ASX listed entity and becoming part of Calvary. As a consequence of the integration of Japara and Calvary, decisions in relation to the broader employee base of Japara have not yet been fully determined by Calvary, noting that Calvary is acquiring Japara so that it continues to operate providing aged care services on a national basis. However, on the basis of the information concerning Japara which is known to Calvary as at the date of this Scheme Booklet, Calvary's position is that the greater majority of Japara employees will be retained in line with current operations.

6.6.(e) Delisting

If the Scheme is implemented, Calvary will direct that Japara apply to the ASX for Japara to be removed from the official list of the ASX after the Implementation Date such that it will be an unlisted public company limited by shares.

6.6.(f) Constitution

Calvary is a charitable not-for-profit company which is registered as a charity with the ACNC. Calvary is committed to its charitable mission of caring for the sick, dying and those in need. To continue to pursue this mission and to integrate Japara into the Calvary group structure, Calvary intends to adopt a new charitable

constitution for Japara and the Japara subsidiaries and to register each of the necessary Japara entities as a charity with the ACNC. The newly combined group will be operated as a charity.

6.7 Calvary's interests in Japara Shares

6.7.(a) Interests in Japara Shares

Neither Calvary nor its Associates has a Relevant Interest in any Japara Shares.

6.7.(b) No dealings in Japara Shares in previous four months

Neither Calvary nor its Associates have provided or agreed to provide any consideration for any Japara Shares under any transaction or agreement during the period of four months before the date of this Scheme Booklet, except for the Scheme Consideration which Calvary has agreed to provide under the Scheme.

6.7.(c) No benefits given during previous four months

Neither Calvary nor its Associates have, in the four months before the date of this Scheme Booklet, given, or offered to give or agreed to give a benefit to another person where the benefit was likely to induce the other person or an Associate to:

- vote in favour of the Scheme; or
- dispose of Japara Shares,

where the benefit was not offered to all Japara Shareholders.

6.7.(d) Benefits of current Japara officers

Neither Calvary or any of its Associates will be making any payment or giving any benefit to any current officer of Japara or any of its subsidiaries as compensation or consideration for, or otherwise in connection with, their resignation from the respective offices Japara Group Members dependent on the Scheme being implemented.

6.7.(e) No interests of Calvary directors in Japara Shares

As at the date of this Scheme Booklet, none of the directors of Calvary have a Relevant Interest in any Japara Shares.

6.8 Regulatory approvals

Calvary does not require any regulatory approvals to fulfil its obligations under the Scheme Implementation Deed or implement the Scheme.

6.9 No other material information

Except as otherwise disclosed in this Scheme Booklet, there is no other Calvary Information that is material to the making of a decision in relation to the Scheme, being Calvary Information that is within the knowledge of the directors of Calvary, at the date of this Scheme Booklet, which has not previously been disclosed to Japara Shareholders.

7 Taxation implications for Japara Shareholders

7.1 Introduction

The following is a general description of the Australian tax consequences of the Scheme (assuming it becomes effective) for Japara Shareholders who participate in the Scheme. It does not constitute tax advice and should not be relied upon as such.

The description is based upon the Australian law and administrative practice in effect at the date of this Scheme Booklet, but is general in nature and is not intended to be an authoritative or complete statement of the laws applicable to the particular circumstances of a Japara Shareholder. Japara Shareholders should seek independent professional advice in relation to their own particular circumstances.

The comments set out below are relevant only to those Japara Shareholders who hold their Japara Shares on capital account. The description does not address the Australian tax consequences for Japara Shareholders who:

- hold their Japara Shares for the purposes of speculation or a business of dealing in securities (eg. as trading stock);
- acquired their Japara Shares pursuant to an employee share, option or rights plan;
- are subject to the taxation of financial arrangements rules in Division 230 of *Income Tax Assessment Act 1997* (Cth) in relation to gains and losses on their Japara Shares; or
- are non-residents of Australia who hold their Japara Shares in carrying on a business through a permanent establishment in Australia.

Japara Shareholders who are tax residents of a country other than Australia (whether or not they are also residents, or are temporary residents, of Australia for tax purposes) should take into account the tax consequences of the Scheme under the laws of their country of residence, as well as under Australian law.

7.2 Australian resident shareholders

7.2.(a) Capital Gains Tax (CGT)

Under the Scheme, Japara Shareholders will dispose of their Japara Shares to Calvary. This disposal will constitute a CGT event A1 for Australian CGT purposes for Japara Shareholders.

The time of the CGT event will be the date the Scheme is implemented.

7.2.(b) Calculation of capital gain or capital loss

Japara Shareholders may make a capital gain on the disposal of Japara Shares to the extent that the capital proceeds from the disposal of the Japara Shares are more than the cost base of those Japara Shares. Conversely, Japara Shareholders will make a capital loss to the extent that the capital proceeds are less than their reduced cost base of those Japara Shares.

(1) Cost base

The cost base of the Japara Shares generally includes the cost of acquisition and certain non-deductible incidental costs of their acquisition and disposal. The reduced cost base of the Japara Shares is usually determined in a similar, but not identical, manner.

(2) Capital proceeds

The capital proceeds received in respect of the disposal of each Japara Share should be \$1.40 per Japara Share, being the amount of the Scheme Consideration.

(3) CGT discount

Australian resident individuals, complying superannuation entities or trusts that have held Japara Shares for at least 12 months but do not index the cost base of the Japara Shares may be entitled to discount the amount of the capital gain (after application of capital losses) from the disposal of Japara Shares by 50% in the case of individuals and trustees or by 33⅓% for complying superannuation entities. The CGT discount will not be available to a Japara Shareholder that is a company. For

Australian resident trusts, the ultimate availability of the discount for beneficiaries of the trusts will depend on the particular circumstances of the beneficiaries.

Capital gains (prior to any CGT discount) and capital losses of a taxpayer in an income year are aggregated to determine whether there is a net capital gain. Any net capital gain is included in assessable income and is subject to income tax. Capital losses may not be deducted against other income for income tax purposes, but may be carried forward to offset against future capital gains (subject to satisfaction of loss recoupment tests for companies).

Japara Shareholders who have been foreign residents for tax purposes for part of their ownership will generally have their discount percentage reduced to take into account the period of foreign residency. If you think these modified CGT discount rules may apply to you, you should seek professional accounting or legal advice.

7.3 Non-resident shareholders

For a Japara Shareholder who:

- is not a resident of Australia for Australian tax purposes and was not previously an Australian resident who made an election to disregard a capital gain or capital loss in respect of their Japara Shares when they ceased to be an Australian tax resident; and
- does not hold their Japara Shares in carrying on a business through a permanent establishment in Australia,

the disposal of Japara Shares will generally only result in Australian CGT implications if:

- that Japara Shareholder together with its associates held 10% or more of the Japara Shares at the time of the CGT event or for any continuous 12 month period within 2 years preceding the CGT event (referred to as a 'non-portfolio interest'); and
- more than 50% of Japara's value is due to direct or indirect interests in Australian real property (as defined in the income tax legislation).

If you are a non-resident who holds a 'non-portfolio interest' in Japara or holds Japara Shares in carrying on a business through a permanent establishment in Australia, you should obtain independent advice as to the tax implications of sale, and whether any protection will be available under a relevant double tax treaty.

If you are a non-resident individual Japara Shareholder who has previously been a resident of Australia for tax purposes and chose to disregard a capital gain or loss in respect of your Japara Shares on ceasing to be a resident, you will be subject to Australian CGT consequences on disposal of the Japara Shares as set out in section 7.2.

As noted above, Japara Shareholders who have been foreign residents for tax purposes for part of their ownership will generally have their discount percentage reduced to take into account the period of foreign residency.

7.4 Foreign Resident Capital Gains Withholding

The foreign resident capital gains withholding regime may impose a 12.5% 'withholding' obligation (calculated by reference to the Scheme Consideration) on Calvary if:

- Calvary considers, or reasonably believes that a Japara Shareholder is a foreign resident; and
- the Japara Shareholder satisfies the 'non-portfolio interest' test referred to above.

It is expected that Calvary will not withhold any amount from the Scheme Consideration.

7.5 Goods and services tax (GST)

Japara Shareholders should not be liable to GST in respect of a disposal of those Japara Shares.

Japara Shareholders may be charged GST on costs (such as adviser fees they incur relating to their participation in the Scheme) that relate to the Scheme. Japara Shareholders may be entitled to input tax credits or reduced input tax credits for such costs, but should seek independent advice in relation to their individual circumstances.

8 Additional information

8.1 Interests of Japara Directors in Japara

As at the date of this Scheme Booklet, the number of Japara Shares held by or on behalf of the Japara Directors is as follows:

Director	Number of Japara Shares
Linda Bardo Nicholls AO	256,925
Chris Price	131,894
David Blight	90,000
JoAnne Stephenson	60,095
Leanne Rowe AM	114,000

Each Japara Board member:

- recommends that Japara 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 fair and reasonable and in the best interests of Japara Shareholders; and
- will (in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is fair and reasonable and in the best interests of Japara Shareholders) vote any Japara Shares held or controlled by them in favour of the Scheme.

In addition, as at the date of this Scheme Booklet, Chris Price holds 1,440,000 Performance Rights. The Japara Board has determined that, absent exceptional circumstances and subject to the Scheme becoming effective, all Performance Rights held by Japara employees, including those held by Mr Price, will vest on the date the Scheme becomes effective. Therefore, subject to the Scheme becoming effective and the terms of the relevant Performance Rights and other FY2022 incentives continuing to be satisfied at such time, Mr Price may be entitled to:

- vesting of his 1,440,000 Performance Rights (on or about the Effective Date), which would have a value of \$2,016,000; and
- cash payments in relation to his FY2022 incentives (after the Effective Date), subject to the Japara Board's determination and having regard to performance against hurdles and elapsed time.

The terms of the Performance Rights are set out in section 8.4.

No director of Japara has acquired or disposed of a Relevant Interest in any Japara securities in the four month period ending on the date immediately before the date of this Scheme Booklet.

The Japara Board has considered the payment of additional fees to Japara's non-executive directors for extra activities relating to the Scheme, as permitted under Japara's constitution. The Japara Board proposes to review such payment with hindsight having regard to the actual level of extra activities involved. Accordingly, no determination has been made at the date of this Scheme Booklet. A maximum of \$200,000 in total additional fees is contemplated, payable on or after the Effective Date. Any payment of additional fees to Japara's non-executive directors will be within the fixed aggregate cap previously approved by Japara Shareholders in general meeting for director remuneration purposes.

8.2 Interests of Japara Directors in Calvary

Shares in Calvary cannot be held by members of the public. Accordingly, no director of Japara has a Relevant Interest in any shares in Calvary and no director of Japara acquired or disposed of a Relevant Interest in any shares in Calvary in the four month period ending on the date immediately before the date of this Scheme Booklet.

8.3 Summary of Scheme Implementation Deed

On 26 July 2021, Japara and Calvary entered into a Scheme Implementation Deed under which Japara agreed to propose the Scheme. The Scheme Implementation Deed contains terms and conditions that are

standard for these types of agreements, including in relation to the parties' obligations to implement the Scheme and Japara's obligation to conduct its business in a certain way during the Scheme process.

A summary of the key elements of the Scheme Implementation Deed is set out below. A full copy of the Scheme Implementation Deed was lodged with the ASX on 27 July 2021 and can be obtained from the ASX's website at www2.asx.com.au or from Japara's investor centre website at <https://investor.japara.com.au/Investor-Centre/>.

8.3.(a) Conditions

Implementation of the Scheme is subject to the following conditions which must be satisfied or waived (where capable of waiver) before the Scheme can be implemented:

- **Restraints:** there are no legal restraints or impediments to the Scheme, including the commencement of proceedings by a Government Agency in respect of the Scheme on the date of the Scheme Implementation Deed and as at 8:00am on the Second Court Date;
- **Shareholder approval:** Japara Shareholders approve the Scheme;
- **Court approval:** the Court approves the Scheme;
- **No Prescribed Occurrence:** no Prescribed Occurrence occurs before 8:00am on the Second Court Date;
- **No Material Adverse Change:** no Material Adverse Change occurs before 8:00am on the Second Court Date; and
- **Representations and warranties:** the representations and warranties given by Japara and Calvary to each other are true and correct in all material respects as at the date of the Scheme Implementation Deed and as at 8:00am on the Second Court Date.

Full details of the conditions and the ability of Japara and Calvary to rely on the various conditions and the provisions relating to satisfaction or waiver of these conditions are set out in clause 3 of the Scheme Implementation Deed. As at the date of this Scheme Booklet, Japara is not aware of any reason why the conditions will not be satisfied.

8.3.(b) Business restrictions

The Scheme Implementation Deed requires that Japara carry on its business in the ordinary course. In addition, subject to some exceptions, Japara must not undertake certain activities without Calvary's consent. This includes, in summary:

- acquiring, leasing, licensing or disposing of any business, property, entity or other assets with a value in excess of \$2,000,000 (individually or in aggregate);
- entering into or materially varying any contract or commitment, under which the Japara Group makes annual payments in excess of \$2,000,000 or that generates \$2,000,000 or more in gross annual revenue;
- commencing, compromising or settling any claims or liabilities in excess of \$2,000,000, other than in respect of trade debts or where such settlement amount is covered by insurance;
- increasing the facility limit under any Japara Group debt facilities or establishing a new debt facility;
- providing financial accommodation, guarantees or indemnities to any person other than a Japara Group Member other than in the ordinary course of business;
- changing accounting policies or practices;
- hiring any employees or contractors, or materially varying the terms of any employees who have a total fixed remuneration in excess of \$250,000;
- modifying the remuneration or compensation of any employees or directors;
- purchasing plant and equipment or similar capital expenditure of more than \$5,000,000;
- materially amending the terms of engagement of a financial adviser or engaging any new financial adviser in relation to the Scheme;
- taking certain actions in relation to tax;
- entering into any related party transaction, other than on arms-length terms; or
- waiving any default by a third party where the financial impact of the waiver is likely to be in excess of \$2,000,000.

8.3.(c) Exclusivity

The Scheme Implementation Deed contains certain exclusivity arrangements in favour of Calvary. These arrangements are in line with market practice in this regard and may be summarised as follows:

- **No shop:** Japara must not solicit any enquiries, discussions or proposals that may encourage or lead to a Competing Proposal.
- **No talk:** Japara must not participate in any discussions or provide information that may encourage or lead to a Competing Proposal.
- **Notification:** If Japara is approached in relation to a Competing Proposal, or a proposed or potential Competing Proposal, Japara must notify Calvary within 48 hours, provide the identity of the relevant person making or proposing the Competing Proposal and the material terms of the Competing Proposal.
- **Matching right:** Japara is prohibited from entering into an agreement to undertake a Competing Proposal and must use its best endeavours to procure that none of the Japara Directors change their recommendation for the Scheme unless Japara has given Calvary at least 5 days to provide a matching or superior proposal to the terms of the Competing Proposal.

Japara is not required to comply with the no talk and notification provisions in the Scheme Implementation Deed if the Japara Board determines that complying with those provisions would be likely to constitute a breach of the fiduciary or statutory duties owed by the Japara Directors.

These exclusivity arrangements are set out in full in clause 12 of the Scheme Implementation Deed.

8.3.(d) Reimbursement Fee

In accordance with market practice, Japara has agreed to pay Calvary a cash reimbursement fee equal to 1% of the value of the aggregate Scheme Consideration (approx.\$3.8 million) (**Reimbursement Fee**) in certain circumstances. Those circumstances are, if before the earlier of the Second Court Date and the End Date:

- **Change of recommendation:** any member of the Japara Board withdraws, adversely revises or adversely qualifies their support of the Scheme or their recommendation that Japara Shareholders vote in favour of the Scheme or fail to recommend that Japara Shareholders vote in favour of the Scheme (in the absence of a superior proposal and subject to the Independent Expert concluding that the Scheme is fair and reasonable and in the best interests of Japara Shareholders):
 - unless the Independent Expert concludes in the Independent Expert's Report (or in any update of, or revision, amendment or addendum to that report), that the Scheme is not fair and reasonable and in the best interests of Scheme Shareholders (other than where the conclusion is due to the existence of a Competing Proposal);
 - unless Japara is entitled to terminate for material breach of the Scheme Implementation Deed by Calvary and that breach has not been remedied by Calvary within 10 Business Days' of receiving notice;
 - unless the adverse change, withdrawal, adverse modification or adverse qualification occurs because of a requirement or request by a court or Government Agency that member or members of the Japara Board abstain from making a recommendation that Japara Shareholders vote in favour of the Scheme; and
 - other than as a result of a failure of a Condition Precedent relating to restraints, Japara Shareholder approval, Court approval or Calvary representations and warranties;
- **Competing Proposal:** a Competing Proposal of any kind is announced by a third party and, within 9 months of the date of such announcement, a third party:
 - directly or indirectly acquires a Relevant Interest in or becomes the holder of or otherwise acquires, directly or indirectly, 50% or more of Japara Shares and that acquisition is unconditional;
 - acquires control (as determined in accordance with section 50AA of the Corporations Act, disregarding sub-section 50AA(4)) of Japara;
 - directly or indirectly acquires or become the holder of, or otherwise acquires, control of, all or a substantial part of Japara's business or assets or the business or assets of the Japara Group; or
 - otherwise directly or indirectly acquires or merges with Japara; or
- **Termination for material breach or breach of representations and warranties:** Calvary has terminated the Scheme Implementation Deed for:

- material breach of the Scheme Implementation Deed by Japara and that breach has not been remedied by Japara within 10 Business Days' of receiving notice; or
- breach of representations and warranties given by Japara under the Scheme Implementation Deed and that breach has not been remedied by Japara within 10 Business Days' of receiving Notice, and the Transaction does not complete.

The Japara Directors consider the Reimbursement Fee is reasonable and appropriate in amount, structure and effect. The fee is not payable if the Scheme does not proceed merely because Japara Shareholders do not vote in favour of the Scheme in sufficient numbers to satisfy the legal requirements.

For full details of the Reimbursement Fee, see clause 13 of the Scheme Implementation Deed.

8.3.(e) Reverse Break Fee

Calvary has agreed to pay Japara a cash reimbursement fee equal to 1% of the value of the aggregate Scheme Consideration (approx.\$3.8 million) (**Reverse Break Fee**) in certain circumstances. Those circumstances are, if:

- **Termination for material breach or breach of representations and warranties:** Japara has terminated the Scheme Implementation Deed for:
 - material breach of the Scheme Implementation Deed by Calvary at any time before 8.00am on the Second Court Date and that breach has not been remedied by Calvary within 10 Business Days' of receiving notice; or
 - breach of representations and warranties given by Calvary at any time before 8.00am on the Second Court Date under the Scheme Implementation Deed and that breach has not been remedied by Calvary within 10 Business Days' of receiving Notice, and the Transaction does not complete; or
- **Failure to pay Scheme Consideration:** the Scheme becomes effective but Calvary does not pay the Scheme Consideration in accordance with its obligations under the Scheme Implementation Deed, the Scheme and the Deed Poll.

For full details of the Reverse Break Fee, see clause 14 of the Scheme Implementation Deed.

8.3.(f) Termination

Either party can terminate the Scheme Implementation Deed before 8.00am on the Second Court Date:

- where the other party is in material breach of the Scheme Implementation Deed and that breach is not remedied by the breaching party within 10 Business Days' of receiving notice;
- in certain circumstances where an event occurs which would, or does, prevent certain Condition Precedents being satisfied;
- if Japara Shareholders have not agreed to the Scheme at the Scheme Meeting by the requisite majorities and neither party has given notice that Court approval be sought to exercise the Court's discretion; or
- if the Scheme is not effective by the End Date.

Japara may also terminate the Scheme Implementation Deed before the Second Court Date if a majority of the Japara Board withdraws, adversely revises or adversely qualifies their support of the Scheme or their recommendation that Japara Shareholders vote in favour of the Scheme, fail to recommend that Japara Shareholders vote in favour of the Scheme or makes a public statement indicating that they no longer recommend the Transaction or recommend a Competing Proposal.

Calvary may also terminate the Scheme Implementation Deed before the Second Court Date if any Japara Board member withdraws, adversely revises or adversely qualifies their support of the Scheme or their recommendation that Japara Shareholders vote in favour of the Scheme, fail to recommend that Japara Shareholders vote in favour of the Scheme or makes a public statement indicating that they no longer recommend the Transaction or recommend a Competing Proposal.

8.4 Japara executive incentive arrangements

8.4.(a) Overview of arrangements

Japara operates employee incentive plans under which short-term incentives (**STI**) and long-term incentives (**LTI**) are offered to executives and senior employees (**Plan Participants**) as an incentive and reward.

As at the date of this Scheme Booklet, Japara has on issue 3,855,538 unvested LTI Performance Rights relating to FY2021, which are subject to various vesting conditions, including time-based and performance conditions (**Performance Rights**).

8.4.(b) Implications of the Scheme for Plan Participants in the incentive plans

Having regard to a range of considerations, including that Japara will no longer be an ASX listed company following implementation of the Scheme, the Japara Board has determined, including in accordance with the terms agreed between Japara and Calvary in connection with the Scheme, to treat the existing employee incentive arrangements as detailed below.

The implications for Plan Participants as detailed below only apply to Plan Participants who hold Performance Rights and / or FY2022 STIs and LTIs as at the time the Scheme becomes effective. A Plan Participant may cease to hold Performance Rights and / or STIs and LTIs in the ordinary course in accordance with their terms prior to the Scheme becoming effective (for example, if the Plan Participant ceases to be employed by the Japara Group in certain circumstances).

Performance Rights

The Japara Board has determined that, absent exceptional circumstances and subject to the Scheme becoming effective, all Performance Rights will vest on the date the Scheme becomes effective.

FY2022 Incentives

The Japara Board has not yet made any decision in respect of the award of FY2022 STIs and LTIs which performance periods measure from 1 July 2021 to 30 June 2022 and 1 July 2021 to 30 June 2025, respectively. The CEO and Managing Director's (Mr Price's) maximum potential STI is up to 50% of his Total Fixed Remuneration (**TFR**), with award subject to performance against set performance measures and gateways determined by the Japara Board. For FY2022 the performance measures relate to the care and compliance performance at Japara's 50 residential aged care homes and the Scheme being approved by Japara Shareholders, or, if the Scheme does not proceed, against alternative performance measures (which are yet to be determined). Mr Price's maximum potential LTI is up to 100% of his TFR, with award based on Japara's performance against set earnings per share and total shareholder return growth hurdles and gateways determined by the Japara Board. Any award of these FY2022 incentives would be at the Japara Board's determination and have regard to progress against hurdles and the elapsed portion of the performance periods.

In the event that the Scheme becomes effective, the Japara Board has determined to accelerate the timing for the award and payment (or part payment) of FY2022 STI and LTI. Any FY2022 incentive award would be determined and paid in cash after the Effective Date.

CEO and Managing Director's recommendation

Japara Shareholders should have regard to the above matters when considering the CEO and Managing Director's (Mr Price's) recommendation on the Scheme, which appears throughout this Scheme Booklet. The Japara Board considers that, notwithstanding these arrangements, it is appropriate for Mr Price to make a recommendation on the Scheme given his role in the operation and management of Japara and that Japara Shareholders would wish to know Mr Price's views in relation to the Scheme. Mr Price also considers that it is appropriate for him to make a recommendation on the Scheme.

8.5 Benefits and agreements

8.5.(a) 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 Japara or the Japara Group as compensation for the loss of, or consideration for or in connection with his or her retirement from, office in Japara or the Japara Group in connection with the Scheme.

8.5.(b) Agreements connected with or conditional on the Scheme

There are no agreements or arrangements made between any Japara Director and any other person in connection with, or conditional on, the outcome of the Scheme, except as disclosed in this Scheme Booklet.

8.5.(c) Interests of Japara Directors in contracts with Calvary

None of the Japara Directors has any interest in any contract entered into by Calvary.

8.5.(d) Benefits under the Scheme or from Calvary

None of the Japara Directors has agreed to receive, or is entitled to receive, any benefit from Calvary which is conditional on, or is related to, the Scheme.

8.6 ASIC and ASX relief

8.6.(a) Paragraph 8302(h) of Part 3 of Schedule 8 of the Corporations Regulations

Paragraph 8302(h) of Part 3 of Schedule 8 of the Corporations Regulations requires this Scheme Booklet to set out whether, within the knowledge of the Japara Directors, the financial position of Japara has materially changed since the date of the last balance sheet laid before Japara in general meeting (being its financial statements for the financial year ended 30 June 2020) or sent to Japara Shareholders in accordance with section 314 or 317 of the Corporations Act and, if so, full particulars of any change. ASIC has granted Japara relief from this requirement so that this Scheme Booklet only needs to set out whether, within the knowledge of the Japara Directors, the financial position of Japara has materially changed since 30 June 2021 and, if so, full particulars of any change. This is on the basis that Japara discloses in announcements to the ASX any material changes to its financial position that occur after the date of lodgement of this Scheme Booklet for registration with ASIC but prior to the Scheme being approved by the Court. Japara will ensure that a copy of its financial report for the financial year ended 30 June 2021 is made available, free of charge, to anyone who requests a copy before the Scheme is approved by order of the Court. Japara Shareholders can also access a copy of Japara's financial report for the financial year ended 30 June 2021 from the ASX website at www2.asx.com.au and Japara's investor centre website at <https://investor.japara.com.au/Investor-Centre/>.

8.6.(b) Section 250N of the Corporations Act

Section 250N of the Corporations Act requires Japara to hold its annual general meeting for the financial year ended 30 June 2021 by no later than 30 November 2021. Japara has applied to ASIC under section 250P of the Corporations Act to extend the period within which it would otherwise be required to hold this meeting by three months. Japara will announce to the ASX whether ASIC has granted the extension requested as soon as the decision is available.

8.6.(c) ASX relief

The ASX has granted Japara a waiver of ASX Listing Rule 6.23.3 to the extent necessary to permit the treatment of the Performance Rights as set out in section 8.4.

8.7 Consents and disclosures

8.7.(a) Consents

This Scheme Booklet contains statements made by, or statements said to be based on statements made by:

- Calvary in respect of the Calvary Information only; and
- Deloitte as the Independent Expert.

Each of those persons named above has consented to the inclusion of each statement it has made in the form and context in which the statements appear and has not withdrawn that consent at the date of this Scheme Booklet.

The following parties have given and have not, before the time of registration of this Scheme Booklet with ASIC, withdrawn their consent to be named in this Scheme Booklet in the form and context in which they are named:

- Macquarie Capital (Australia) Limited as financial adviser to Japara;
- Herbert Smith Freehills as legal adviser to Japara; and
- Link Market Services Limited as the Japara Registry.

8.7.(b) Disclosures and responsibility

Further, each person named in section 8.7.(a):

- has not authorised or caused the issue of this Scheme Booklet;
- 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:
 - Calvary in respect of the Calvary Information only; and
 - Deloitte, in relation to its Independent Expert's Report, and
- to the maximum extent permitted by law, expressly disclaims all liability in respect of, makes no representation regarding, and takes no responsibility for, any part of this Scheme Booklet other than a reference to its name and the statement (if any) included in this Scheme Booklet with the consent of that party as specified in this section 8.7.(b).

8.8 No unacceptable circumstances

The Japara Directors believe that the Scheme does not involve any circumstances in relation to the affairs of Japara that could reasonably be characterised as constituting 'unacceptable circumstances' for the purposes of section 657A of the Corporations Act.

8.9 Other information material to the making of a decision in relation to the Scheme

Except as set out in this Scheme Booklet, 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 Japara Director, at the time of lodging this Scheme Booklet with ASIC for registration, which has not previously been disclosed to Japara Shareholders.

8.10 Supplementary information

If, between the date of lodgement of this Scheme Booklet for registration by ASIC and the Effective Date, Japara becomes aware that:

- a material statement in this Scheme Booklet is false or misleading;
- there is a material omission from this Scheme Booklet;
- a significant change affecting a matter in this Scheme Booklet has occurred; or
- a significant new matter has arisen which 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,

Japara will prepare a supplementary document to this Scheme Booklet.

The form which the supplementary document may take, and whether a copy will be made available or sent to each Japara Shareholder, will depend on the nature and timing of the new or changed circumstances.

In all cases, the supplementary document will be available from Japara's investor centre website at <https://investor.japara.com.au/Investor-Centre/> and from the ASX's website at www2.asx.com.au.

9 Glossary and interpretation

9.1 Glossary

The meanings of the terms used in this Scheme Booklet are set out below:

Term	Meaning
ACNC	Australian Charities and Not-for-Profits Commission.
ASIC	Australian Securities and Investments Commission.
Associate	has the same meaning as in section 12 of the Corporations Act.
ASX	ASX Limited (ABN 98 008 624 691) and, where the context requires, the financial market that it operates.
Australian Privacy Principles	Schedule 1 of the <i>Privacy Act 1988</i> (Cth).
Business Day	a day that is not a Saturday, Sunday or a public holiday or bank holiday in Melbourne, Sydney or Canberra.
Calvary	Little Company of Mary Health Care Limited (ABN 11 079 815 697).
Calvary Director	a member of the board of directors of Calvary.
Calvary Information	the information contained in: <ol style="list-style-type: none"> 1 the paragraph commencing “Any forward-looking statements included in the Calvary Information” in the subsection headed ‘Disclaimer as to forward-looking statements’ in the Important Notices; 2 the answer to the question “Who is Calvary?” in section 2; and 3 section 6.
CHES	Clearing House Electronic Sub-register System.
CGT	Capital Gains Tax.
Competing Proposal	any proposal, offer, expression of interest, agreement, arrangement or transaction which, if entered into or completed substantially in accordance with its terms, would result in a third party (either alone or together with any Associate(s)): <ol style="list-style-type: none"> 1 directly or indirectly acquiring or having the right to acquire (a) a Relevant Interest in; (b) a legal, beneficial or economic interest (including by way of an equity swap, contract for difference or similar transaction or arrangement) in; (c) or control of, 20% or more of the Japara Shares; 2 acquiring control of Japara; 3 directly or indirectly acquiring or become the holder of, or otherwise acquiring or having a right to acquire, a legal, beneficial or economic interest in, or control of, all or a substantial part of Japara’s business or assets or the business or assets of the Japara Group; 4 otherwise directly or indirectly acquiring or merging with Japara; or 5 requiring Japara to abandon, or otherwise fail to proceed with, the Transaction, whether by way of takeover bid, scheme of arrangement, reverse takeover, shareholder approved acquisition, capital reduction, buy-back, sale or purchase of shares, other securities or assets, assignment of assets and liabilities, incorporated or unincorporated joint venture, dual-listed company (or other synthetic merger), deed of company arrangement, any debt for equity arrangement recapitalisation, refinancing or other transaction or arrangement. <p>Each successive material modification or variation of any proposal, agreement, arrangement or transaction in relation to a Competing Proposal will constitute a new Competing Proposal.</p>
Conditions Precedent	each of the conditions set out in clause 3.1 of the Scheme Implementation Deed.
Corporations Act	the <i>Corporations Act 2001</i> (Cth).

Term	Meaning
Corporations Regulations	the <i>Corporations Regulations 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 Japara and Calvary.
Deed Poll	the deed poll executed by Calvary on 10 September 2021 pursuant to which Calvary acknowledge and confirm their obligations under the Scheme. A copy of the Deed Poll is contained in Annexure C.
Deloitte	Deloitte Corporate Finance Pty Limited (ABN 19 003 833 127).
EBITDA	earnings before interest, taxes, depreciation and amortisation, as adjusted by applying the principles set out in the Scheme Implementation Deed.
Effective Date	the date on which the Scheme comes into effect pursuant to section 411(10) of the Corporations Act.
End Date	26 January 2022, unless extended in accordance with the Scheme Implementation Deed.
FWO	Fair Work Ombudsman.
Government Agency	any foreign or Australian government or governmental, semi-governmental, administrative, fiscal or judicial body, department, commission, authority, tribunal, agency or entity (including any stock or other securities exchange), 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 (including the Aged Care Quality and Safety Commission, the Fair Work Ombudsman, the Fair Work Commission, ASIC and the Takeovers Panel).
GST	Goods and Services Tax.
HIN	Holder Identification Number.
Implementation Date	the fifth Business Day after the Scheme Record Date, or such other date after the Scheme Record Date as the parties agree in writing or is ordered by the Court or required by the ASX.
Independent Expert	means Deloitte.
Independent Expert's Report	the report prepared by the Independent Expert dated 17 September 2021 contained in Annexure A.
Japara	Japara Healthcare Limited (ABN 54 168 631 052).
Japara Board	the board of directors of Japara.
Japara Director or Your Director	a member of the Japara Board.
Japara Group	Japara and each of its Related Bodies Corporate and a reference to a 'Japara Group Member' or a "member of the Japara Group" is to Japara or any of its Related Bodies Corporate.
Japara Information	the information contained in this Scheme Booklet, other than the Calvary Information and the information contained in Annexure A.
Japara Registry	Link Market Services Limited, Tower 4, 727 Collins Street, Melbourne.
Japara Share	a fully paid ordinary share in the capital of Japara.
Japara Shareholder	each person registered in the Register as a holder of Japara Shares.
LGA	local government area.
Listing Rules	the official listing rules of the ASX.
LTI	long-term incentive.
Material Adverse Change	an event, matter, change, condition or circumstance that (i) occurs or is reasonably likely or is announced after the date of the Scheme Implementation Deed or (ii) occurs on or before the date of the Scheme Implementation Deed but which only becomes known to Calvary after the date of the Scheme Implementation Deed (each a Specified Event) which whether

Term	Meaning
	<p>individually or when aggregated with all events, matter or circumstance has, or would be reasonably likely to have, the effect of:</p> <ol style="list-style-type: none"> 1 diminishing the total assets of the Japara Group, taken as a whole, by at least \$30,000,000 against what it would reasonably have been expected to have been but for such Specified Event; 2 diminishing the recurring or prospective EBITDA of the Japara Group, taken as a whole, of at least \$5,000,000 against what it would reasonably have been expected to have been but for such Specified Event, <p>in each case, disregarding an event, matter, change, condition or circumstance:</p> <ol style="list-style-type: none"> 3 arising from any infectious or contagious disease, including the Covid-19 pandemic; 4 required or expressly permitted by the Scheme Implementation Deed, the Scheme or the transactions contemplated by any of them; 5 that was fairly disclosed: <ol style="list-style-type: none"> a) in the materials provided to Calvary prior to execution of the Scheme Implementation Deed, including any consequences reasonably foreseeable from the matters disclosed; b) that was disclosed in documents that were publicly available prior to the date of the Scheme Implementation Deed from public filings with ASX or ASIC; 6 agreed to in writing by Calvary; 7 arising as a result of any generally applicable change in law or governmental policy; 8 arising from changes in economic or business conditions; 9 arising from any act of terrorism, outbreak or escalation of war (whether or not declared) or major hostilities, an act of God, lightning, storm, flood, fire, earthquake or explosion, cyclone, tidal wave, landslide, other natural disaster or adverse weather conditions; or 10 arising out of the announcement of the Transaction or the Scheme (including any loss of or adverse change in the relationship of Japara or its Related Bodies Corporate with their respective employees, customers, creditors, suppliers, lessors or any Government Agency).
NBIP	non-binding indicative proposal.
Notice of Meeting	the notice of meeting relating to the Scheme Meeting which is contained in Annexure D.
Performance Right	a performance right issued under Japara's equity incentive plan adopted on 24 April 2014 and amended on 15 October 2015.
Prescribed Occurrence	<p>other than:</p> <ol style="list-style-type: none"> 1 as required or permitted by the Scheme Implementation Deed, the Scheme or the transactions contemplated by either; 2 as fairly disclosed in the materials provided to Calvary prior to the date of the Scheme Implementation Deed; 3 as agreed to in writing by Calvary; or 4 as fairly disclosed by Japara in an announcement made by it to ASX, or a publicly available document lodged by it with ASIC, (which would be disclosed in a search of ASIC's records that are open to public inspection) prior to the date of the Scheme Implementation Deed, <p>the occurrence of any of the following after the date of the Scheme Implementation Deed:</p> <ol style="list-style-type: none"> 5 Japara converting all or any of the Japara Shares into a larger or smaller number of shares; 6 Japara resolving to reduce its share capital in any way; 7 a Japara Group Member entering into a buy-back agreement or resolving to approve the terms of a buy-back agreement under the Corporations Act; 8 a member of the Japara Group issuing shares or granting a performance right or an option over its shares, or agreeing to make such an issue or grant such an option, other than on vesting or exercise of, or in respect of, a Japara equity incentive as agreed between Calvary and Japara;

Term	Meaning
	<p>9 any member of the Japara Group issues, or agrees to issue, securities convertible into shares (including any issue or agreement to issue performance rights or options or debt securities);</p> <p>10 a Japara Group Member making any change to its constitution other than where a Japara Group Member that is not material in the context of the Japara Group (taken as a whole) makes a change to its constitution that does not materially affect the Transaction or the Japara Group (or its business);</p> <p>11 any member of the Japara Group:</p> <ul style="list-style-type: none"> a) reclassifying, combining, splitting or redeeming or repurchasing directly or indirectly any of its shares; or b) announcing, making, declaring, determining as payable paying or distributing any distribution dividend, bonus or other share of its profits or assets, or returning or agreeing to return any capital to its members (whether in cash or specie); <p>12 a member of the Japara Group disposing, or agreeing to dispose, of the whole, or a substantial part, of its business or property (whether by way of a single transaction or series of related transactions);</p> <p>13 a Japara Group Member granting a security interest, or agreeing to grant a security interest, in the whole, or a substantial part, of its business, assets or property or of Japara Group other than a lien securing an obligation that is not yet due which arises by operation of law, legislation or which arises in the ordinary course of the Japara Group's business;</p> <p>14 a "default", "event of default" or "review event" occurs under Japara's existing facilities with lending banks;</p> <p>15 any Japara Group Member creates any new security-based (or phantom security-based) incentive plan or scheme, modifies the Japara equity incentive, or issues or makes any offers to participate in the Japara equity incentive;</p> <p>16 Japara Shares cease to be quoted, or are suspended from quotation, on ASX;</p> <p>17 an insolvency event occurs in relation to a material Japara Group Member;</p> <p>18 any material Japara Group Member ceasing, or threatening to cease, the whole or a material part of its business; or</p> <p>19 any Japara Group Member authorises, agrees, commits or resolves to do any of the matters set out above.</p>
Register	the share register of Japara.
Regulatory Authority	includes ASX or ASIC, a government or governmental, semi-governmental or judicial entity or authority, a minister, department, office, commission, delegate, instrumentality, agency, board, authority or organisation of any government and any regulatory organisation established under statute.
Reimbursement Fee	has the meaning given in section 8.3.(d).
Related Body Corporate	has the same meaning given to it in the Corporations Act.
Relevant Interest	has the same meaning as given by sections 608 and 609 of the Corporations Act.
Scheme or Scheme of Arrangement	the scheme of arrangement between Japara and the Scheme Shareholders under which all Scheme Shares will be transferred to Calvary in accordance with Part 5.1 of the Corporations Act, substantially in the form contained in Annexure B, together with any amendment or modification made pursuant to section 411(6) of the Corporations Act.
Scheme Booklet	this document.
Scheme Consideration	in respect of each Scheme Share, \$1.40 cash.
Scheme Implementation Deed	the Scheme Implementation Deed between Japara and Calvary dated 26 July 2021. A summary is set out in section 8.3, and a full copy can be obtained from Japara's investor centre website at https://investor.japara.com.au/Investor-Centre/ .
Scheme Meeting	the virtual meeting of Japara Shareholders ordered by the Court to be convened under section 411(1) of the Corporations Act.
Scheme Record Date	5.00pm on the fifth Business Day after the Effective Date.
Scheme Resolution	the resolution to agree to the terms of the Scheme.

Term	Meaning
Scheme Share	a Japara Share held by a Scheme Shareholder as at the Scheme Record Date.
Scheme Shareholder	each person who is a Japara Shareholder at the Scheme Record Date.
Second Court Date	the first day on which an application made to the Court for an order pursuant to section 411(4)(b) of the Corporations Act approving the Scheme is heard, or if the application is adjourned for any reason, the first day on which the adjourned application is heard.
Second Court Hearing	the hearing of the application made to the Court for an order pursuant to section 411(4)(b) of the Corporations Act approving the Scheme.
Shareholder Information Line	1300 857 499 (or +61 1300 857 499 if outside Australia).
STI	short-term incentive.
SRN	Securityholder Reference Number.
Transaction	the acquisition of Japara by Calvary through implementation of the Scheme.
VWAP	volume weighted average price.

9.2 Interpretation

In this Scheme Booklet:

- words of any gender include all genders;
- words importing the singular include the plural and vice versa;
- an expression importing a person includes any company, partnership, joint venture, association, corporation or other body corporate and vice versa;
- a reference to a section or annexure, is a reference to a section of or annexure to, this Scheme Booklet as relevant;
- a reference to any legislation includes all delegated legislation made under it and amendments, consolidations, replacements or re-enactments of any of them;
- headings and bold type are for convenience only and do not affect the interpretation of this Scheme Booklet;
- a reference to time is a reference to Melbourne, Victoria time;
- a reference to dollars, \$, A\$, AUD, cents, ¢ and currency is a reference to the lawful currency of the Commonwealth of Australia;
- an accounting term is a reference to that term as it is used in accounting standards under the Corporations Act, or, if not inconsistent with those standards, in accounting principles and practices generally accepted in Australia; and
- the words “include”, “including”, “for example” or “such as” when introducing an example, do not limit the meaning of the words to which the example relates to that example or examples of a similar kind.

Deloitte.

Japara Healthcare Limited

Independent expert's report and Financial Services Guide

17 September 2021



Financial Services Guide (FSG)

What is an FSG?

An FSG is designed to provide information about the supply of financial services to you.

Why are we providing this FSG to you?

Deloitte Corporate Finance Pty Limited (DCF) (AFSL 241457) has been engaged by Japara Healthcare Limited (Japara) to prepare an independent expert's report (our Report) in connection with the proposed acquisition of all the issued shares in Japara by way of scheme of arrangement (Proposed Scheme). Japara will provide our Report to you.

Our Report provides you with general financial product advice. This FSG informs you about the use of general financial product advice, the financial services we offer, our dispute resolution process and our remuneration. Our contact details are in the document that accompanies this FSG.

What financial services are we licensed to provide?

We are authorised to provide financial product advice and to arrange for another person to deal in financial products in relation to securities, interests in managed investment schemes, government debentures, stocks or bonds, to retail and wholesale clients. We are also authorised to provide personal and general financial product advice and deal by arranging in derivatives and regulated emissions units to wholesale clients, and general financial product advice relating to derivatives to retail clients.

We are providing general financial product advice

In our Report, we provide general financial product advice as we have not taken into account your personal objectives, financial situation or needs, and you would not expect us to have done so. You should consider whether our general advice is appropriate for you, having regard to your own personal objectives, financial situation or needs.

If our advice is in connection with the acquisition of a financial product, you should read the relevant offer document carefully before making any decision about whether to acquire that product.

How are we remunerated?

Our fees are usually determined on a fixed fee or time cost basis plus reimbursement of any expenses incurred in providing the services. Our fees are agreed with, and paid by, those who engage us. You are not responsible for our fees.

We will receive a fee of approximately \$225,000 exclusive of GST in relation to the preparation of our Report. This fee is not contingent on the outcome of the Proposed Scheme.

17 September 2021

Deloitte Corporate Finance Pty Limited, ABN 19 003 833 127, AFSL 241457 of Level 1 Grosvenor Place, 225 George Street, Sydney NSW 2000

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Member of Deloitte Asia Pacific Limited and the Deloitte Network.

Apart from these fees, DCF, our directors and officers, and any related bodies corporate, affiliates or associates, and their directors and officers, do not receive any commissions or other benefits.

All employees receive a salary, and, while eligible for annual salary increases and bonuses based on overall performance, they do not receive any commissions or other benefits as a result of the services provided to you.

The remuneration paid to our directors reflects their individual contribution to the organisation and covers all aspects of performance.

We do not pay commissions or provide other benefits to anyone who refers prospective clients to us.

Associations and relationships

The Deloitte member firm in Australia (Deloitte Touche Tohmatsu) controls DCF. Please see www.deloitte.com/au/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu.

We, and other entities related to Deloitte Touche Tohmatsu, do not have any formal associations or relationships with any entities that are issuers of financial products. However, we may provide professional services to issuers of financial products in the ordinary course of business.

In the last 2 years Deloitte has provided advice and services to Japara that are not connected with the Proposed Scheme. None of the individuals who were involved in preparing this report were involved in providing the advice or services.

What should you do if you have a complaint?

If you have a concern about our Report, please contact us:

The Complaints Officer
PO Box N250
Grosvenor Place
Sydney NSW 1220
complaints@deloitte.com.au
Fax: +61 2 9322 7000

If an issue is not resolved to your satisfaction, you can lodge a dispute with the Australian Financial Complaints Authority (AFCA). AFCA provides fair and independent financial services dispute resolution free to consumers.

www.afca.org.au
1800 931 678 (free call)
Australian Financial Complaints Authority Limited
GPO Box 3 Melbourne VIC 3001

What compensation arrangements do we have?

Deloitte Australia holds professional indemnity insurance that covers the financial services we provide. This insurance satisfies the compensation requirements of the Corporations Act 2001 (Cth).



The Directors
Japara Healthcare Limited
Q1 Building Level 4
1 Southbank Boulevard
Southbank VIC 3006

17 September 2021

Dear Directors

Re: Independent expert's report

Introduction

On 27 July 2021, Japara entered into a Scheme Implementation Deed with Little Company of Mary Health Care Ltd (Calvary) for the acquisition of all of the issued shares in Japara by way of a scheme of arrangement (Proposed Scheme). The consideration offered by Calvary to holders of Japara shares is \$1.40 cash per share.

An overview of the Proposed Scheme is provided in Section 1 of our detailed report, and full details are included in the Scheme Booklet issued by Japara.

Purpose of the report

Section 411 of the Corporation Act 2001 (Section 411) regulates schemes of arrangement between companies and their shareholders. Part 3 prescribes the information to be provided to shareholders in relation to schemes of arrangement.

Whilst an independent expert's report in respect of the Proposed Scheme is not required to meet any statutory obligations, the directors of Japara (the Directors) have requested that Deloitte Corporate Finance Pty Limited (Deloitte Corporate Finance) provide an independent expert's report advising whether, in our opinion, the Proposed Scheme is in the best interests of shareholders.

This report is to be included in the Scheme Booklet to be sent to shareholders and has been prepared for the exclusive purpose of assisting shareholders in their consideration of the Proposed Scheme. Neither Deloitte Corporate Finance, Deloitte Touche Tohmatsu, nor any member or employee thereof, undertakes responsibility to any person, other than the shareholders and Japara, in respect of this report, including any errors or omissions however caused.

Basis of evaluation

In preparing this report, we have had regard to ASIC Regulatory Guide 111 in relation to the content of expert's report and ASIC Regulatory Guide 112 in respect of the independence of experts.

To assess whether the Proposed Scheme is in the best interests of Japara shareholders, we have adopted the test of whether the Proposed Scheme is either fair and reasonable, not fair but reasonable, or neither fair nor reasonable, as set out in ASIC Regulatory Guide 111.

Further information on the basis of evaluation is set out in Section 2.

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Summary and conclusion

In our opinion, the Proposed Scheme is fair and reasonable to, and therefore in the best interests of, Japara shareholders. In arriving at this opinion, we have had regard to the following factors.

The Proposed Scheme is fair

According to ASIC Regulatory Guide 111, in order to assess whether the Proposed Scheme is fair, the independent expert is required to compare the market value of a Japara share on a control basis with the consideration offered.

The Proposed Scheme is fair if the value of the consideration is equal to or greater than the value of a Japara share. Set out in the table below is that comparison:

Table 1: Comparison of our valuation of a Japara share to the consideration

\$	Section	Low	High
Estimated market value of one Japara share	5.1	1.12	1.47
Cash consideration		1.40	1.40

Source: Deloitte Corporate Finance analysis

The consideration offered by Calvary is towards the high end of our estimate of the market value of a Japara share. Accordingly it is our opinion that the Proposed Scheme is fair.

Valuation of Japara

We have estimated the enterprise value of Japara by applying the market multiples approach and also considered the discounted cash flow approach.

Table 2: Japara valuation summary

	Section	Unit	Low	High
Market multiples approach	5.3	\$m	450	536
Discounted cash flow approach	5.4	\$m	415	530
Enterprise value (selected)		\$m	450	530
Add: Surplus assets	5.5	\$m	67	81
Less: Net debt	5.6	\$m	(213)	(213)
Equity value		\$m	304	398
Number of shares	5.7	m	271	271
Value per share		\$	1.12	1.47

Source: Deloitte Corporate Finance analysis

The valuation range is wider than might normally be expected. This range reflects the uncertainty associated with the impacts of the COVID-19 pandemic, Royal Commission into Aged Care Quality and Safety and residential aged care funding reform on enterprise value and Japara's higher debt relative to peers.

Under the market multiples approach we have assessed the EBITDA to be in the range of \$60m to \$63m, as outlined in Section 5.3.1, based on our analysis of a normalised EBITDA and having regard to the current market environment and management's plans for the business. In assessing this EBITDA, we included a notional RAD income estimate for Japara of \$27m. We did this as both Regis Healthcare Limited (Regis) and Estia Health Limited (Estia), the two most comparable listed aged care operators, include notional RAD income in their EBITDA. We therefore made this adjustment to enable us to assess the companies on a like-for-like basis.

The selected earnings multiple of 7.5 times to 8.5 times (on a control basis) was based on the earnings multiples of listed comparable companies, Regis and Estia¹.

The discounted cash flow approach requires the determination of an appropriate discount rate and the projection of future cash flows. We selected a nominal after tax discount rate in the range of 9.0% to 11.0% to discount the estimated future cash flows to their present value. We considered a number of future cash flow scenarios having regard to the uncertainty with respect to medium-term and long-term projections in the current environment. The range under the discounted cash flow approach is therefore wide. Consequently, we only consider it appropriate to use it as a secondary approach and to select our enterprise value range primarily based on the market multiples approach.

We also cross-checked our estimated enterprise value using implied enterprise value per bed.

Further details of our valuation of Japara are set out in Section 5.

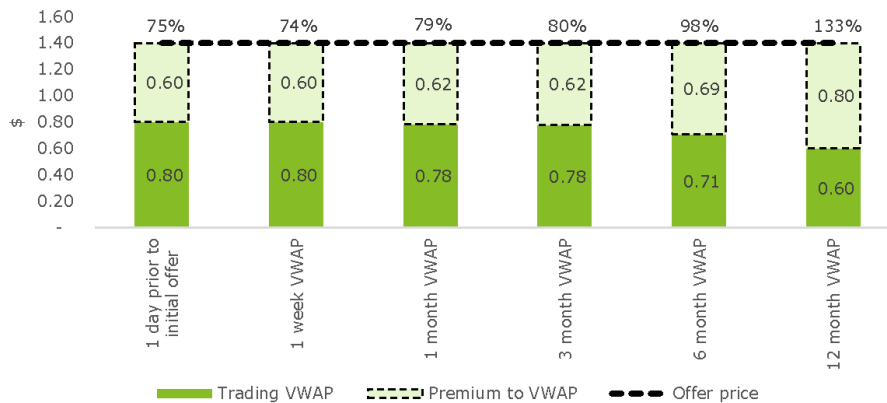
The Proposed Scheme is reasonable

In accordance with ASIC Regulatory Guide 111 an offer is reasonable if it is fair. On this basis, in our opinion the Proposed Scheme is reasonable. We have also considered the following factors in assessing the reasonableness of the Proposed Scheme.

Shareholders are receiving a substantial premium to the share price of Japara prior to the announcement of the initial approach from Calvary

The consideration of \$1.40 per share offered to shareholders under the Proposed Scheme represents a significant premium to trading prices in Japara shares throughout the 12-month period prior to the announcement of the Proposed Scheme, as highlighted below.

Figure 1: Implied premium of the consideration to trading prices of Japara shares



Note:

There may be other references to the implied premium of the consideration to trading in Japara shares within the Scheme Booklet. The numbers quoted may be different due to differing sources of the underlying data or basis on which they have been calculated.

Source: Capital IQ, Deloitte Corporate Finance analysis

¹ Our valuation implies a multiple on our selected EBITDA range excluding notional RAD income of 13.5 times to 15.0 times. However, there are challenges in the comparability of this multiple given the aforementioned accounting policies adopted by Regis and Estia

The premium implied by the consideration to recent share trading prices is significant and higher than the range of premiums observed in the Australian market. Such a premium is reflective of a number of factors, in particular:

- a premium for the control of Japara. Whilst Australian studies indicate takeover premiums typically range between 20% and 40% of the portfolio holding value, these figures are influenced by a number of factors of which control is just one
- likely negative market sentiment for aged care businesses as a result of uncertainties associated with the Royal Commission, regulatory and funding reforms, and the COVID-19 pandemic
- the potential to optimise Japara's operations, in particular synergies in respect of its wages and cost base, and the potential to save costs that Japara currently incurs, being a publicly listed company
- some element of the benefits associated with a Not-for-profit (NFP) owning a residential aged care operator, which then results in savings including corporate tax, payroll tax and fringe benefits tax.

We also note that the consideration represents a premium to the median broker share price target prior to the initial offer and prior to the announcement of the Proposed Scheme.

There is certainty in the cash consideration

The Proposed Scheme represents an opportunity for shareholders to realise their investment in Japara without incurring any transaction costs.

If the Proposed Scheme is unsuccessful, shareholders will continue to be exposed to the risks and rewards associated with a listed investment in the Australian aged care sector. There is significant uncertainty associated with the impacts of the COVID-19 pandemic, Royal Commission and residential aged care regulatory and funding reform on Japara and the aged care sector.

The likelihood of an alternative superior offer emerging is low

Since the announcement of the initial approach from Calvary, RSL RDNS Care Limited is the only other party to come forward with an alternative proposal. Since the Proposed Scheme was announced, no other party has come forward making a superior offer. As such, we consider the likelihood of another more superior proposal emerging to be low.

Japara's share price is likely to fall if the Proposed Scheme is not implemented and no superior proposal emerges

It is common for the share price of a target company that is subject to a takeover offer to trade at or around the price of the takeover offer during the offer period, particularly if the market has formed the view that the takeover will proceed at that price. Since the announcement of the Proposed Scheme, Japara's shares have traded at a small discount to the price being offered under the Proposed Scheme.

In the absence of an alternative offer and in the event that the Proposed Scheme is unsuccessful, Japara's share price is likely to experience significant decline in the short term.

If the Proposed Scheme does not proceed, shareholders will continue to be subject to the risks and uncertainties associated with Japara's business and general market risks

In the event the Proposed Scheme does not proceed, Japara will continue to pursue a number of initiatives which carry execution risks caused by external factors that will be outside the control of management and the directors. In addition, Japara will remain a listed entity which will expose shareholders to general investment risks such as market volatility, general economic conditions and the demand for listed securities. Such risks can be higher for smaller companies like Japara.

The Proposed Scheme eliminates these risks for shareholders by allowing them to exit their investment in Japara at a significant premium to the levels achieved prior to the announcement date of the Proposed Scheme.

Calvary is likely to realise additional benefits from ownership of Japara

Our assessment of fairness has reflected certain benefits of control available to market participant buyers of Japara. NFP entities, such as charities registered with the Australian Charities and Not-for-Profits Commission including Calvary, are eligible to access certain Commonwealth tax concessions from the Australian Taxation Office, namely income tax and fringe benefits tax -exemption. Being endorsed as exempt from income tax by the Australian Taxation Office means the NFP entity does not need to pay any income tax (including capital gains tax) and does not need to lodge income tax returns. ANFP character and charitable purpose also permits it to apply for exemptions from some state-based taxes such as payroll tax and stamp duty which are determined by the relevant Office of State Revenue on a case-by-case basis. In our opinion, the top end of our valuation range reflects the case that Calvary and other NFPs are able to extract these benefits and are paying a portion of them in the consideration offered.

Opinion

In our opinion, the Proposed Scheme is fair and reasonable to Japara shareholders. It is therefore in the best interests of Japara shareholders.

An individual shareholder's decision in relation to the Proposed Scheme may be influenced by his or her particular circumstances. If in doubt the shareholder should consult an independent adviser, who should have regard to their individual circumstances.

This opinion should be read in conjunction with our detailed report which sets out our scope and findings.

Yours faithfully



Tapan Parekh

Authorised Representative (Number 461009)
Deloitte Corporate Finance Pty Limited (AFSL Number 241457)

Glossary

Reference	Definition
ACAR	Aged Care Approval Round
ACFA	Aged Care Financing Authority
ACFI	Aged Care Funding Instrument
ASIC	Australian Securities and Investments Commission
Calvary	Little Company of Mary Health Care Ltd or Calvary Health Care Limited
COPO	Commonwealth Own Purpose Outlays
COVID-19	Novel Coronavirus
DAP	Daily accommodation payments
Deloitte	Deloitte Touche Tohmatsu
Deloitte Corporate Finance	Deloitte Corporate Finance Pty Ltd
EBITDA	Earnings before interest, tax, depreciation and amortisation
Estia	Estia Health Limited
EV	Enterprise value
FTE	Full time equivalent
FY	Financial year ended 30 June
H1FYxx	First half of financial year ended 30 June 20xx
H2FYxx	Second half of financial year ended 30 June 20xx
ILU	Independent living unit
Japara	Japara Healthcare Limited
m	Million
Management	Japara management
NFP	Not-for-profit
NPAT	Net profit after tax
pobd	Per occupied bed day
Proposed Scheme	The proposed acquisition of all the issued shares in Japara by way of scheme of arrangement by Calvary for \$1.40 per share
RAD	Refundable accommodation deposit
Regis	Regis Healthcare Limited
Royal Commission	Royal Commission into Aged Care Quality and Safety

Table of contents

1	Overview of the Proposed Scheme	8
2	Basis of evaluation	10
3	Profile of Japara	12
4	Industry considerations	30
5	Valuation approach and assumptions	35
	Appendix 1: Valuation methodologies	43
	Appendix 2: Comparable entities	44
	Appendix 3: Comparable transactions	45
	Appendix 4: Context to this report	46

1 Overview of the Proposed Scheme

1.1 Background to the Proposed Scheme

On 27 July 2021, Japara announced that it had entered into a Scheme Implementation Deed with Calvary for the acquisition of all the issued shares in Japara for \$1.40 per share (the Scheme Implementation Deed).

Japara shareholders will have the opportunity to vote on the Proposed Scheme at a shareholders meeting which is expected to be held in October 2021.

Further detail on the background of the Proposed Scheme is set out in Section 4 of the Scheme Booklet.

1.2 Background to the offer

On 30 April 2021, Japara announced that it had received an unsolicited, indicative, conditional and non-binding proposal from Calvary to acquire all of the shares in Japara for \$1.04 per share by way of a Scheme of Arrangement.

Subsequent to its initial offer, on 7 June 2021, Japara announced that it had received a revised indicative and non-binding offer from Calvary at \$1.20 per share. Following this revised offer, the Japara Board granted Calvary access to information to allow it to undertake due diligence and develop a binding proposal capable of being recommended to shareholders.

On 15 June 2021, Japara announced that it had received an indicative, conditional and non-binding proposal from RSL Care RDNS Limited, part of the Bolton Clarke Group, to acquire all of the shares in Japara for \$1.22 per share. Bolton Clarke is an Australian NFP provider of home care, retirement living and residential aged care. The Japara Board also granted access to information to Bolton Clarke Group to allow it to undertake due diligence.

Following a six week due diligence period, on 27 July 2021, Japara announced that it had entered into the Scheme Implementation Deed with Calvary.

The Japara Board also considered a number of alternatives to Calvary's offer including the competing proposal from Bolton Clarke Group, and standalone value creation from the execution of Japara's existing strategy, before entering into the Scheme Implementation Deed.

1.3 Background to Calvary

Calvary is a charitable Catholic NFP organisation which was established in Sydney in 1885 by the arrival of the Sisters of the Little Company of Mary in Australia. The principal activities of the Calvary Group are the provision of acute health services through private and public hospital facility, sub-acute services, palliative care, residential aged care, independent living units, community and home care services.

Calvary has 12,000 staff and volunteers and operates 14 public and private hospitals, 17 retirement and aged care facilities and a national network of community care centres in the Australian Capital Territory, New South Wales, Victoria, South Australia and Tasmania.

As a charity registered with the Australian Charities and Not-for-Profits Commission, Calvary is eligible to access certain Commonwealth tax concessions from the Australian Taxation Office, namely income tax and fringe benefits tax -exemption. Being endorsed as exempt from income tax by the Australian Taxation Office means Calvary does not need to pay any income tax (including capital gains tax) and does not need to lodge income tax returns. Calvary's NFP character and charitable purpose also permits it to apply for exemptions from some state-based taxes such as payroll tax and stamp duty which are determined by the relevant Office of State Revenue on a case -by-case basis.

Further information about Calvary is contained in Section 6 of the Scheme Booklet.

1.4 Key conditions of the Proposed Scheme

The Proposed Scheme is subject to various conditions, the most significant are as follows:

- shareholder approval, including the majority of shareholders present and voting and 75% of the votes cast supporting the resolution
- no prescribed occurrences or material adverse changes as described under the Scheme Implementation Deed
- no court or government agency issuing a temporary or permanent restraint on the Proposed Scheme.

All of the conditions listed above could be viewed as largely procedural.

Further detail on the conditions of the Proposed Scheme are set out in Section 3.1 of the Scheme Implementation Deed.

Calvary has exclusivity up until 26 January 2022 with a reimbursement fee of \$3.8m² payable by Japara if:

- Japara receives a competing proposal which is completed within 9 months, or
- Japara Board changes their recommendation in respect of the Proposed Scheme unless the change in recommendation is as a result of the independent expert concluding that the Proposed Scheme is not fair and reasonable, request by a court or government agency or non-satisfaction of a condition precedent which is not as a result of a break by Japara.

Section 13.2 of the Scheme Implementation Deed contains further details on the reimbursement fee.

A reverse break fee of \$3.8m² is payable by Calvary to Japara if the transaction does not complete, or the Proposed Scheme becomes effective but Calvary does not pay the Scheme Consideration. Section 14.2 of the Scheme Implementation Deed contains further details of the reverse break fee.

1.5 Intentions if the Proposed Scheme proceeds

If the Proposed Scheme proceeds, Calvary will own all of the shares in Japara. Calvary intends to have Japara removed from the official list of the ASX and continue to operate Japara as a provider of aged care services and register each necessary member of the Japara Group as a charity with the Australian Charities and Not-for-Profits Commission. The newly combined group will be operated as a charity as part of the Calvary Group.

Further information about Calvary's intentions is contained in Section 6.6 of the Scheme Booklet.

² An amount equal to 1% of the value of the aggregate Scheme Consideration as defined in Section 1 of the Scheme Implementation Deed

2 Basis of evaluation

2.1 Guidance

Schemes of arrangement can include many different types of transactions, including being used as an alternative to a Chapter 6 takeover bid. The basis of evaluation selected by the expert must be appropriate for the nature of each specific transaction.

Section 640 of the Corporations Act 2001 (Section 640) requires an independent expert's report in connection with a takeover offer to state whether, in the expert's opinion, the takeover offer is fair and reasonable. Where the scheme of arrangement has the same effect as a takeover, the form of analysis used by the expert should be substantially the same as for a takeover bid, however, the opinion reached should be whether the proposed scheme is 'in the best interests of the members of the company'. Accordingly, if an expert were to conclude that a proposal was 'reasonable' if it was in the form of a takeover bid, it will also be able to conclude that the proposed scheme is in the best interests of the members of the company.

ASIC Regulatory Guide 111

This regulatory guide provides guidance in relation to the content of independent expert's reports prepared for a range of transactions.

ASIC Regulatory Guide 111 refers to a 'control transaction' as being the acquisition (or increase) of a controlling stake in a company that could be achieved, for example, by way of a takeover offer, scheme of arrangement, approval of an issue of shares using item 7 of s611, a selective capital reduction or selective buy back under Chapter 2J.

In respect of control transactions, under ASIC Regulatory Guide 111 an offer is:

- fair, when the value of the consideration is equal to or greater than the value of the shares subject to the proposed scheme. The comparison must be made assuming 100% ownership of the target company.
- reasonable, if it is fair, or, despite not being fair, after considering other significant factors, shareholders should accept the offer under the proposed scheme, in the absence of any higher bids before the close of the offer.

To assess whether the Proposed Scheme is in the best interests of Shareholders, we have adopted the tests of whether the Proposed Scheme is either fair and reasonable, not fair but reasonable, or neither fair nor reasonable, as set out in ASIC Regulatory Guide 111.

ASIC Regulatory Guide 112 primarily focuses on the independence of experts and provides little guidance on evaluating transactions.

2.2 Fairness

ASIC Regulatory Guide 111 defines an offer as being fair if the value of the offer price is equal to or greater than the value of the securities subject to the offer. The comparison must be made assuming 100% ownership of the target company.

Accordingly, we have assessed whether the Proposed Scheme is fair by comparing the consideration offered with the value of a share in Japara on a control basis.

The Japara shares have been valued at market value, which we have defined as the amount at which the shares would be expected to change hands between a knowledgeable and willing but not anxious buyer and a knowledgeable and willing but not anxious seller, neither of whom is under any compulsion to buy or sell.

Special purchasers may be willing to pay higher prices to reduce or eliminate competition, to ensure a source of material supply or sales, or to achieve cost savings or other synergies arising on business combinations, which could only be enjoyed by the special purchaser. Our valuation of a Japara share has not been premised on the existence of a special purchaser.

We have assessed whether the Proposed Scheme is fair by comparing the value of a Japara share to the value of the Consideration to be received from Calvary. We have assessed the value of each Japara share by estimating the current value of Japara on a control basis and dividing this value by the number of shares on issue.

2.3 Reasonableness

ASIC Regulatory Guide 111 considers an offer in respect of a control transaction, to be reasonable if either:

- the offer is fair
- despite not being fair, but considering other significant factors, shareholders should accept the offer in the absence of any higher bid before the close of the offer.

To assess the reasonableness of the Proposed Scheme we considered the following factors in addition to determining whether the Proposed Scheme is fair:

- the likely market price and liquidity of Japara shares in the absence of the Proposed Scheme
- cash flows or other benefits available to Calvary upon achieving 100% ownership of Japara
- the value to an alternative bidder and the likelihood of an alternative offer being made
- the advantages and disadvantages of alternatives other than the Proposed Scheme
- other implications associated with Japara shareholders rejecting the Proposed Scheme.

2.4 Limitations

This report should be read in conjunction with Appendix 4.

3 Profile of Japara

3.1 Company overview

Founded in 2005, Japara is an owner, operator and developer of residential aged care facilities. Japara employs approximately 5,900 nurses, carers and other support staff and cares for more than 4,000 residents across 50 nursing homes on the Eastern Seaboard of Australia (including Tasmania and South Australia).

Japara’s core business is providing residential aged care services by facilitating “ageing in place” and servicing the full spectrum of resident care including caring for residents with dementia. Japara also owns and operates retirement villages comprising 180 ILUs, adjacent to five of its aged care facilities.

Japara’s growth over the years has been underpinned by acquisitions, along with its development strategy. Currently, Japara’s development program encompasses 13 projects at various stages of development.

As at 26 July 2021 (the day prior to the announcement of the Proposed Scheme), Japara had a market capitalisation of \$311m.

3.1.1 Company history

Key milestones in Japara’s history are set out in the table below.

Table 3: Corporate timeline

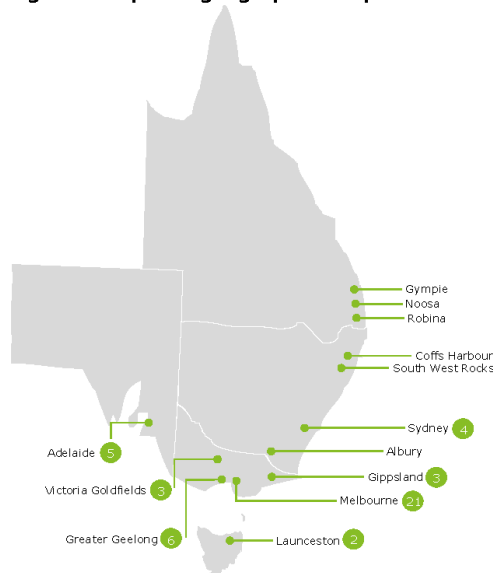
Year	Events
2005	Founded by Andrew Sudholz Added 3 aged care facilities including Central Park in Victoria
2006	Added 7 aged care facilities including Elanora and Millward in Victoria
2007	Added 16 aged care facilities in Victoria including Rosanna Views, Lower Plenty Garden Views and Goonawarra aged care facilities and 1 aged care facility in New South Wales
2008	Added 5 aged care facilities in Victoria including St Judes and Capel Sands and 1 aged care facility in South Australia
2009-2014	Added 4 aged care facilities in Victoria including Scottvale
2014	Listed on the ASX with a marketing capitalisation of \$525m and a portfolio of 3,131 places and 139 ILUs across 35 facilities Acquisition of Whelan Care’s four facility portfolio for \$39.5m, adding 258 beds and 41 serviced apartments
2015	Acquisition of four facilities from Profke for \$79.5m, adding 587 beds across the facilities
2017	Entities associated with Moelis Australia Limited become a substantial shareholder in Japara
2018	Acquisition of four facilities from Riviera Health, adding 265 operational beds, 242 bed licenses (non-operating) and 4.3 hectares of land for \$39m The Royal Commission into Aged Care Quality and Safety was established First case of COVID-19 in Australia was reported in Victoria on 25 January 2020, with a further 3 cases reported in NSW later that day
2020	COVID-19 declared a pandemic by the World Health Organisation on 11 March 2020 First reported case of COVID-19 in an Australian aged care facility on 4 March 2020 Victorian COVID-19 outbreak (2 nd wave) leads to a lockdown of almost 4 months, and COVID-19 outbreaks in five of Japara’s aged care facilities, along with COVID-19 being detected at three other facilities Aurrum Holdings Pty Ltd becomes a substantial shareholder in Japara.
2021	Final report for the Royal Commission released Takeover offers received from Calvary and competing bidder, RSL Care RDNS Limited (part of the Bolton Clarke Group)

Sources: Japara IPO prospectus, ASX announcements, Deloitte Corporate Finance analysis

3.1.2 Portfolio overview

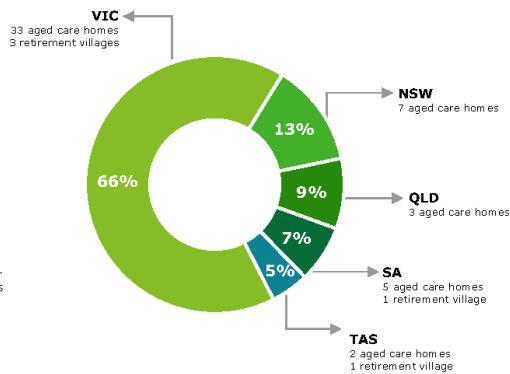
The figures below set out the footprint of the Japara portfolio:

Figure 2: Japara’s geographic footprint



Source: Management

Figure 3: Geographic diversity¹



Note:
1. includes operational beds and ILUs.
Sources: Management, Deloitte Corporate Finance analysis

The portfolio is heavily concentrated in Victoria with 33 homes, including 21 in greater metropolitan Melbourne, 6 in Geelong and 6 in the surrounding area. The remaining facilities are located in New South Wales (7 homes), Queensland (3 homes), South Australia (5 homes) and Tasmania (2 homes). Of the 50 facilities, 46 are owned by Japara as freehold interests and the remaining 4 are leased from third parties.

3.2 Aged care operations

Key drivers to the performance of a residential aged care portfolio include occupancy, revenue per bed and average RAD values. A summary of Japara’s aged care portfolio is set out in the figure below.

Table 4: Overview of Japara’s portfolio by state as at 30 June 2021

State	Total facilities	Operational beds	Occupancy ¹	Revenue / bed (\$)	EBITDA / bed (\$)	Average RAD ² (\$)
Victoria	33	3,004	88.0%	93,134	3,256	380,147
New South Wales	7	547	93.1%	87,743	3,058	381,587
Queensland	3	406	82.8%	95,945	7,529	412,459
South Australia	5	330	95.8%	99,766	8,696	307,185
Tasmania	2	220	94.5%	94,940	5,103	364,706
Total / Average	50	4,507	88.5%	93,307	4,105	376,028

Notes: Numbers may be subject to rounding
1. as at 30 June 2021
2. average RAD for RAD only paying residents as at 30 June 2021.
Sources: Management, Deloitte Corporate Finance analysis

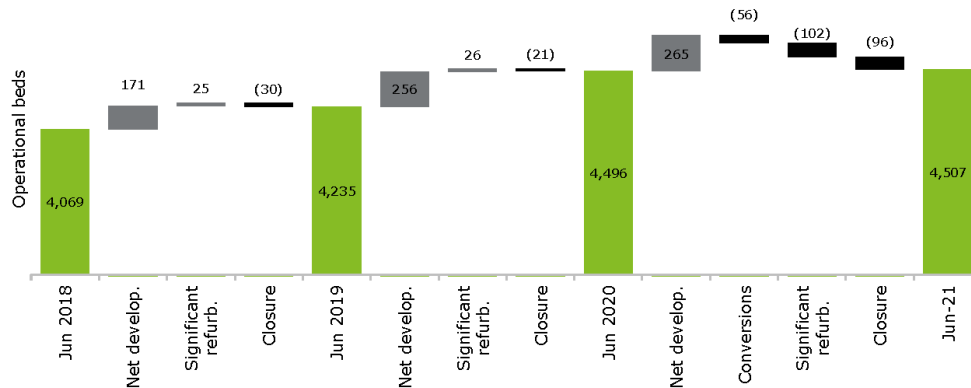
Overall performance over the last twelve months has been significantly impacted by the COVID-19 pandemic as well as other business specific factors.

Victoria was more heavily impacted by COVID-19 outbreaks than other states, resulting in lower occupancy than the portfolio average. Japara’s occupancy is broadly in line, or marginally higher than other listed competitors and other for-profit operators in Australia.

3.2.1 Number of beds

Following a period of acquisitions over recent years, Japara’s portfolio has recently grown as a result of greenfield and brownfield developments, as set out in the figure below.

Figure 4: Change in number of operational beds



Source: Japara investor presentations

In respect of the change in bed numbers, we highlight the following:

- beds from net developments in FY19 were from the opening of new facilities, The Highbury, Rye Sands and Brighton-Le-Sand, and completion of the extensions at the Kingston Gardens and Mirridong homes
- beds from net developments in FY20 were from the opening of new facilities, Robina Rise and The Regent, added 211 beds, completion of the extensions at Brighton-Le-Sands, Kingston Gardens and Mirboo North facilities and refurbishments at Cordelia Grove (Japara Angelsea), Balmoral Grove and Elouera
- in FY21, increased operational beds were driven by new facilities opened in H1FY21, Corymbia (Belrose) and Trugo Place (Newport), and extension at Albury
- a number of significant refurbishments were completed in FY19 to FY20 which resulted in beds coming back online. 42 beds were taken offline in H1FY21 at Japara Angelsea, Torquay and Balmoral Grove to undertake significant refurbishment. The refurbishment at George Vowell is awaiting council approval through the Victorian Civil and Administrative Tribunal, with 13 rooms remaining vacant
- conversions in FY21 reflect the loss of beds when converting double rooms into single rooms
- bed closures in FY19 relate to the closing down of Kiverton Park Nursing Home. Closures in FY20 relate to Wyong while closures in FY21 relate to the Wyong (50) and Forest View (46).

As noted above, a key feature of the portfolio has also been the conversion of multi-resident rooms into single resident rooms, for which there is growing demand. In addition, there has also been focus on substantial renovation and refurbishment works. In the last 5 years, 83% of operational beds have been the subject of major refurbishment, whilst the proportion of multi-bedrooms has reduced to 9%.

3.2.2 Occupancy

Occupancy of the Japara portfolio has more recently been impacted by the general supply of new beds in the market as well as the COVID-19 pandemic. Set out below are Japara’s operational metrics, including occupancy for its portfolio of aged care homes.

Table 5: Operational metrics

	H2FY19	H1FY20	H2FY20	H1FY21	H2FY21
Number of homes	49	50	51	50	50
Operational places ¹	4,235	4,385	4,496	4,479	4,507
Average occupancy	92.2%	92.6%	91.9%	89.2%	88.0%
Industry average occupancy	93.9%	92.4%	91.5%	91.0%	n/a

Notes:

n/a = Not available

1. At end of the period.

Sources: Japara FY21 Investor presentation, Stewart Brown report on Aged Care, December 2020

Historically the Japara portfolio has displayed higher than industry occupancy rates. Since January 2019, occupancy levels have decreased due to the following factors:

- the release of new developments. These include The Highbury (60 beds), Rye Sands (99 beds), Brighton Le-Sands (60 beds), Mirridong (16 beds) in H1FY19 and Robina Rise (106 beds), Mirboo North (18 beds), Kingston Gardens Stage 2 (64 beds), Brighton Le Sands Stage 2 (25 beds) in H1FY20³ and The Regent (105 beds), Newport (120 beds) and Belrose (102 beds) in H2FY20⁴
- the onset of the COVID-19 pandemic from March 2020 reduced on-site tours of facilities and facilities with live outbreaks were restricted from admitting new residents. (33 out of 50 homes are in Victoria and of these, 5 were affected by COVID-19 outbreaks in H1FY21). This impact is discussed further below
- occupancy in H2FY21 was lower than H1FY21 and continues to remain subdued in the first 6 weeks since 1 July 2021 due to the continued lockdowns in Sydney and Melbourne which has impacted tours of facilities, visitation limitations and screening and isolation of new residents
- occupancy rates have decreased across the sector due to a substantial increase in development activity in the residential aged care sector, along with an increase in the supply of home care and declining residential aged care utilisation by all age groups.

3.2.3 Sources of funding

Japara receives revenue from the Federal Government and residents:

- **Government funding:** is the predominant funding source for Japara. All of Japara’s residential aged care homes are approved by the Department of Health and are eligible to receive funding contributions. Funding is in the form of subsidies and supplements, based on an ACFI assessment which assesses the care needs of residents, Government supported resident mix at the facility and the financial means of the resident
- other Government funding is also available for transitional care and therapy-focused packages for older people after a hospital stay
- **resident contributions:** comprise a basic daily fee paid by residents for the provision of care services. These are based on daily rates set by the Government and are means tested. Japara may also charge additional fees for additional services based on agreed terms and conditions.

Residents may also pay for their accommodation with three options to choose from:

- **DAP:** daily accommodation payment for a room, calculated on a daily basis and charged to the resident monthly. The DAP charge is calculated by reference to the value of the room and an interest rate set by the Government
- **RAD:** refundable accommodation deposits are lump sum payments made by incoming residents with the financial means, that acts as the price of the room within Japara’s facilities in lieu of a

³ Japara FY2020 Full Year Results Investor Presentation

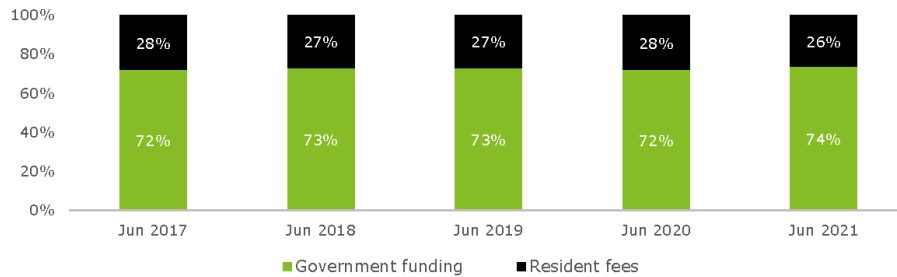
⁴ Japara Market Update – ASX Announcement dated 27 May 2021

DAP. The value of the RAD is tied to the market value of the room, subject to factors such as the level of care and median house price. RADs are fully refundable upon departure

- **Combination:** a mix of RADs and DAPs.

Accommodation costs may be subsidised by the Government for concessional residents. The proportion of Government and resident funding as at 30 June each year is presented in the figure below.

Figure 5: Proportion of Government and resident funding

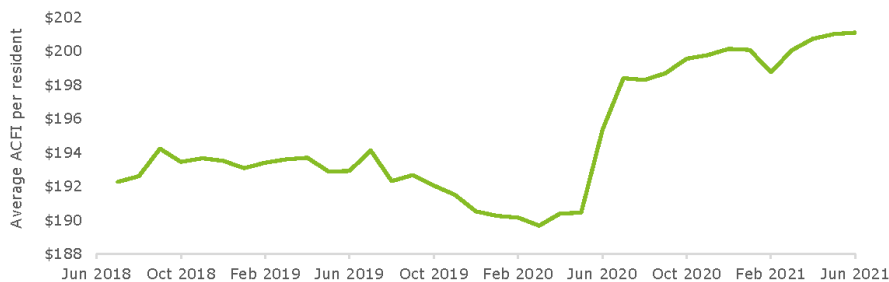


Sources: Japara FY18 - FY20 annual reports, Japara FY21 financial statements

The proportion of funding derived from Government compared to resident funding has remained steady since 2017.

Japara claims a residential care subsidy, measured by ACFI, to cover the cost of care of each resident. The amount of ACFI received per resident is dependent on an assessment of an individual resident’s required level of care relating to their daily living activities, behaviour and complex health care needs. ACFI rates are adjusted annually in line with movements in the COPO indexation, which factors in annual increases in wage costs, the Consumer Price Index and a safety net adjustment.

Figure 6: Historical weighted average ACFI per resident¹



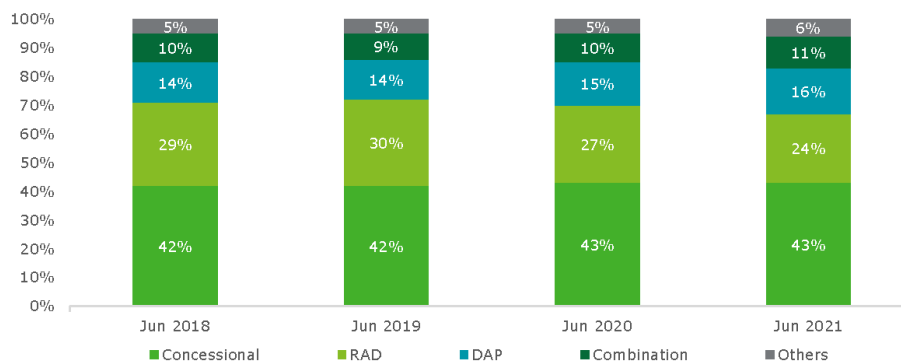
Note:
1. weighted by operational beds per home.
Source: Management

ACFI received by Japara has broadly grown in line with COPO. However, over time, and as a result of structural changes in the industry, Japara has increasingly pivoted its services towards residents requiring higher levels of care, including residents with dementia and higher acuity. ACFI increased in FY21 due to the appointment of a specific manager to focus and facilitate ACFI reassessments which in turn improved ACFI received per resident. The increase was also aided by COVID-19 Government grant income. Management expects ACFI levels to stabilise going forward.

3.2.4 Mix of RADs and DAPs

As noted above, residents may select to pay for accommodation via RAD, DAP or a combination of the two. Concessional residents are not required to contribute to their accommodation, and their accommodation is subsidised by the Government. The balance of places is primarily comprised of respite beds.

Figure 7: Resident payment preferences



Source: Japara investor presentations

The preferred accommodation payment method of non-concessional residents within the Japara portfolio is RADs. Since June 2018, there has been a general shift towards DAPs. This trend has been driven by a shift in consumer preferences, driven by a lowering of the maximum permissible interest rate, from which DAPs are calculated (which lowers the DAP and consequently makes it more attractive to residents as a form of payment).

Table 6: Average RAD price

\$	FY18	FY19	FY20	FY21
Victoria	350,637	358,418	369,276	380,147
New South Wales	330,745	320,721	339,626	381,587
Queensland	290,527	304,704	373,287	412,459
South Australia	288,029	286,694	296,287	307,185
Tasmania	333,767	350,940	342,438	364,706
Average	340,222	345,894	359,782	376,028

Sources: Management, Deloitte Corporate Finance analysis

The average RAD has increased between FY18 to FY21 driven by increases in the quality of beds. New home openings and the ongoing refurbishments being undertaken and conversion of multi-resident rooms to single rooms with attached en-suites, as well as growth in property prices led to increase in beds. The increase in Queensland can be attributed to the small number of facilities in that state and the development of the Robina facility.

3.2.5 Staff costs

Japara has 5,895 staff across several functions as listed below.

Table 7: Staff

Function	Number in FY21	% of total
Registered Nurses	772	13%
Enrolled Nurses	401	7%
Clinical Management and Administration	309	5%
Other facility staff	4,413	75%
Total	5,895	100%

Source: Management

Japara is subject to State-based enterprise agreements and awards which stipulate, amongst other things, payment and annual escalation of wages and other allowances, hours of work, employment conditions, leave and other entitlements. Japara has a workforce comprised of permanent and casual staff, which represent c.73% and c.27% of staff respectively. Separate to Japara's staff, Japara uses agencies in a small number of facilities to supplement roster shifts, or as needed in other facilities where the existing staff are unavailable e.g. if the existing staff need to be isolated due to a COVID-19 outbreak. Agency hours comprise less than 2% of total hours worked.

3.3 Retirement villages

Japara also owns 180 ILUs within 5 retirement villages which are located adjacent to residential care homes. Retirement village revenue is derived from deferred management fee agreements and monthly licence income which accounts for less than 1% of Japara’s revenue.

Table 8: Key retirement portfolio metrics as at 30 June 2021

Facility	State	Year of construction	Deferred management fee ¹	Occupancy	Independent Living Units	
					No. of dwellings	Value ² (\$m)
Balmoral Grove	VIC	1998 2008 ³	5.0% to 25.0%	100.0%	33	2.3
Barongarook Gardens	VIC	2002	2.5% to 25.0%	86.7%	30	2.1
Cosgrove Cottages	TAS	1985	4.0% to 20.0%	64.7%	68	5.0
Sydney Williams	VIC	2000	5.0% to 30.0%	87.5%	8	1.0
The Homestead	SA	2017	5.0% to 25.0%	56.1%	41	5.2

Notes:

- depending on tenure
- value based on valuations undertaken for financial reporting purposes and as segmented in the statement of financial position between receivables, investment property and resident loan obligations
- year of south wing extension.

Sources: Management, Deloitte Corporate Finance analysis

On a stand-alone basis, Japara’s retirement villages are considered small, however, are co-located with Japara’s aged care facilities assets and provide a complementary offering.

3.4 Impact of the COVID-19 pandemic

Given Japara’s concentration in Victoria, the COVID-19 outbreak in that state during FY20 had a direct impact on operations. Outbreaks affected 5 homes during 2020 (Gonnawarra in Sunbury, Millward in Doncaster East, Elanora in Brighton (VIC), The Regent in Mount Waverley and Central Park in Windsor), whilst COVID-19 was also confirmed for staff at the Corymbia home in Belrose New South Wales in July 2021. This resulted in confirmed cases in both residents and staff.

As a result of the pandemic, Japara’s operations were impacted in the following ways:

- reduced occupancy due to limitations on tours, fewer referrals from the hospital system and reduced consumer preference to enter aged care, partly due to isolation requirements on admission
- additional wage costs on increased infection control measures such as staff training, increased cleaning and personal protective equipment requirements
- staff required to isolate which impacted rostering and increased agency usage
- Japara responded through various measures, including frequent resident and staff testing, visitation and new resident admission restrictions and greater infection control and more frequent cleaning.
- Japara reported a FY21 net loss of \$14.1m due to higher than expected COVID-19-related costs and lower revenue (from reduced occupancy).

Certain Government grants helped cover COVID-19 related expenses (refer to section 4.4), partially offsetting some of the financial impact, including:

- \$7.2m under the Federal Government Aged Care Support Program for outbreak expenses
- \$2.0m (not yet received) in reimbursements under the Support for Aged Care Workers in COVID-19 program.

Japara has also employed 6 surge nurses on a full-time basis who have experience with dealing with COVID-19 like outbreaks in healthcare facilities. These nurses have been deployed to support any COVID-19 outbreaks at aged care facilities

3.5 Development pipeline

Japara’s development pipeline includes greenfield projects, brownfield refurbishment, expansion of existing facilities and the greenfield development of senior living accommodation co-located with Japara’s existing residential aged care homes.

In light of the current uncertain outlook created by COVID-19 and uncertain funding outlook, Japara's management has opted to defer decisions on future development commencements until there is greater certainty.

3.5.1 Greenfield developments

The greenfield development portfolio comprises 311 proposed beds across Victoria and Queensland. The table below summarises Japara's current greenfield developments.

Table 9: Greenfield developments

Development	Location	Program Status	Proposed beds	Book value
Mitchelton	Brisbane, QLD	Tendered (on hold)	106	\$7.5m
Lysterfield	Melbourne, VIC	Tendered (on hold)	90	\$5.9m
Hope Island	Gold Coast, QLD	Tender	115	\$5.2m
Total			311	\$18.6m

Sources: Management, Japara FY21 investor presentation, Japara FY21 financial statements

They comprise multi-level facilities and have bed approved licences (or the possibility of transferring licences from other sites). The book value disclosed above represents the acquisition costs, together with the costs incurred since acquisition to progress the development.

3.5.2 Brownfield developments

The brownfield development portfolio comprise 120 proposed beds across Victoria and South Australia:

Table 10: Brownfield properties

Development	Location	Program Status	Estimated resident admission	Net new beds	Book value
Barongarook Gardens	Colac, VIC	Town planning	n/d	25	n/a
Brighton	Adelaide, SA	Tender (on hold)	n/d	38	n/a
Kelaston	Ballarat, VIC	Tendered (on hold)	n/d	27	n/a
Lower Plenty Garden	Melbourne, VIC	Tender	n/d	30	n/a
Total				120	

Note:

n/d = not determined as yet

Sources: Management, Japara FY21 investor presentation, Japara FY21 financial statements

Whilst these projects are relatively close to commencement, they are currently on hold.

3.5.3 Senior living/co-located care developments

The two senior living facilities are in the town planning stage in Victoria.

Table 11: Senior living developments

Retirement village	Location	Program Status	Total ILUs	Aged care places	Expected completion	Book value
George Vowell	Mt Eliza, VIC	Town planning	95	0	n/d	\$2.5m
Elanora	Brighton, VIC	Town planning	95	0	n/d	\$10.6m
Total			190	-		\$13.1m

Notes:

n/d = not determined as yet

Sources: Japara FY21 investor presentation, Japara FY21 financial statements

The book value disclosed above represents the acquisition costs, together with the costs incurred since acquisition to progress the development. Valuations commissioned from a third party assessed the value of the properties at \$10.9m.

In addition to the above, Japara is also considering the redevelopment of the existing Cosgrove Cottages retirement village in Launceston, Tasmania.

3.5.4 Active portfolio management

Japara continues to actively manage its portfolio, with recent notable activity including:

- **Wyong (NSW):** Closed in August 2020 and sold during H2FY21 for net proceeds of \$1.6m
- **Capel Sands (VIC):** In May 2021, Japara announced the exchange of contracts for a sale and lease back of this facility for proceeds of \$8.2m and a yield of 6.3%. The transaction was settled on 29 June 2021 and the lease payments commenced in July 2021
- **Glennig Valley (NSW):** Japara sold the site in H2FY21 for net proceeds of \$1.0m
- **Forest View (NSW):** Japara entered into an agreement to sell the Forest View facility for \$4.5m with the residents moved to the Belrose facility. The transaction is expected to be settled in early 2022.

3.5.5 Other non-operational assets

Japara holds 1,198 non-operational place licences and ACAR allocations. Japara also has a development pipeline, with planning permits, for 834 beds, where these licenses could be utilised (subject to approvals). However, with the Federal Government’s announcement of the deregulation of licensing of aged care places, licences will no longer be allocated to aged care providers, but rather, will be allocated directly to residents.

3.5.6 Surplus land

Japara also owns parcels of land at Kelaston, Henley Manor, Mitcham, Oaklands, Reservoir, Kingston Way Estate and Lakes Entrance.

The book value of these properties is \$19.1m and represents the acquisition costs, together with the costs incurred since acquisition to progress the considerations around development. Valuations commissioned from a third party assessed the value of the properties at \$16.6m.

3.6 Securities in Japara

3.6.1 Substantial shareholders

As at 29 July 2021, substantial shareholders accounted for 30.5% of total ordinary shares on issue.

Table 12: Substantial Japara shareholders as at 29 July 2021

Holder	Securities held (No.)	Ownership (%)
Moelis Australia Limited and its associated entities	35,421,025	13.3%
Aurum Holdings Pty Ltd	24,649,373	9.2%
Ashens Properties Pty Ltd (Sudholz Family Discretionary Trust A/C) and its associate	21,558,333	8.1%
Subtotal – Substantial holders	81,628,731	30.5%
Other shareholders	185,627,597	69.5%
Total ordinary shares on issue	267,247,328	100.0%

Note:

Numbers may not calculate due to rounding.

Sources: Management, Deloitte Corporate Finance analysis

3.6.2 Capital structure

Japara’s equity capital as at 29 July 2021 is set out below.

Table 13: Equity in Japara

Security type	Total number of securities
Ordinary shares	267,247,328
Long term incentive performance rights	3,855,538
Total securities on issue	271,102,866

Sources: Scheme Implementation Deed dated 27 July 2021, Japara FY20 Annual Report

As part of Japara's equity incentive plan, eligible senior executives were each granted long term performance rights of up to 100% of their total fixed remuneration as part of their FY21 incentive remuneration. These rights may vest in the form of shares subject to a gateway and achieving growth performance hurdles over a four-year performance period from 1 July 2021. The senior executives were also each provided with a short-term incentive opportunity entitling them to earn up to 25% of their total fixed remuneration, subject to gateways and achieving performance hurdles measured over the financial year. Awarded FY21 short term incentives will be settled in cash by Japara.

As at 30 June 2021, Japara had \$345m in committed bank debt facilities with cash and undrawn debt of \$132.8m. Japara's debt facilities as at 30 June 2021 are summarised in the table below:

Table 14: Summary of debt facilities and net debt position

Debt facility type	Value drawn	Facility amount	Maturity
General purpose debt facility	\$113.0m	\$165.0m	September 2023
Development debt facility	\$141.3m	\$165.0m	September 2023
Multi option facility	\$1.5m	\$15.0m	September 2023
Total debt	\$255.8m	\$345.0m	
Cash	\$43.6m		
Net debt	\$212.2m		

Source: Japara FY21 investor presentation

The debt facilities are secured by mortgages over the freehold properties and charges over the businesses operated by Japara.

Japara manages interest rate risk through the use of hedging arrangements. As at 30 June 2021, Japara holds two interest rate swaps to effectively fix the base rate payable on a balance of \$125m, as set out below.

Table 15: Hedging summary

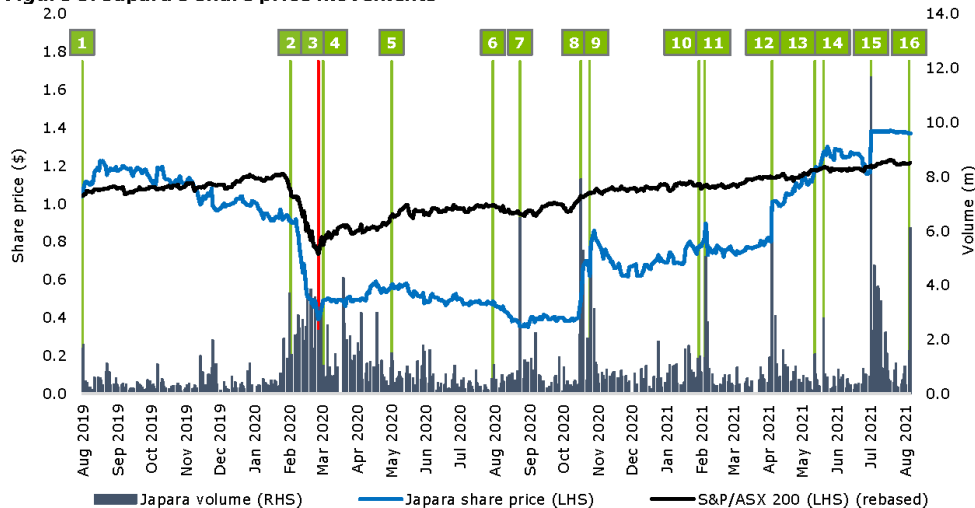
Instrument	Nominal amount (\$m)	Interest rate (%)	Commencement date	Maturity date
Interest rate swap 1	75.0	1.65%	April 2019	October 2022
Interest rate swap 2	50.0	1.69%	January 2020	September 2023

Source: Japara FY21 financial statements

3.6.3 Trading in Japara shares

The figure below illustrates movements in Japara’s share price on the ASX for the last two years.

Figure 8: Japara’s share price movements



Sources: S&P Capital IQ, ASX announcements, Deloitte Corporate Finance analysis

As at 26 July 2021, 70% of the issued capital in Japara had traded in the preceding twelve-month period. This is broadly in line, albeit higher, than Japara’s listed peers in the aged care sector, Estia (63%) and Regis (50%).

Key announcements identified in the chart above are set out in the following table.

Table 16: Key events and announcements

#	Date	Announcement
1	Aug 19	Japara reported earnings results for FY19, with revenue up by c.7.1% as compared to FY18, mainly on account of full year revenues from the Riviera acquisition and recurring EBITDA was reported to be up by 2.5%, year on year
2	Feb 20	Management revised earnings guidance downwards, expecting a 10% decrease on FY19 EBITDA, citing industry headwinds, a challenging funding environment and lower occupancy
3	Mar 20	Onset of national lockdowns in Australia as result of the escalating health crisis caused by the COVID-19 pandemic. Japara share price decreased by 44.4% between 1 March and 31 March 2020
4	Mar 20	Japara withdraws earnings guidance due to the uncertainty of the impact of COVID-19 and volatility in financial markets and the broader economy Japara entered into a contract with YWC Pty Ltd for a sale and leaseback of the Japara Springvale site. The sale proceeds were c.\$13.3m net of costs and reflect a yield of 5.6%
5	May 20	Japara announces an expected non-cash impairment charge of \$270m to \$300m and continued challenging operating conditions
6	Aug 20	Japara reports earnings results for FY20, with EBITDA down by 34% on FY19, primarily due to an elevated cost base brought on by the COVID-19 pandemic, as well as sector wide occupancy pressure
7	Sep 20	Department of Health publishes 'COVID-19 outbreaks in Australian residential aged care facilities' weekly report releasing COVID-19 infection numbers of residents at Japara facilities during Victorian outbreak
8	Nov 20	Sudsie Pty Ltd (associate of Ashens Properties) increased its holding in Japara and notice of a new substantial shareholder, Aurrum Holdings.

#	Date	Announcement
9	Nov 20	Regis Healthcare, an ASX-listed aged care operator, receives a takeover offer from Washington H. Soul Pattinson and Company Limited. Media articles at the time suggested that the aged care industry was one of the hardest hit sectors in the economy due to the concentration of COVID-19 deaths in the aged care homes and regulatory uncertainty surrounding the Royal Commission into Aged Care and Safety. This led to a heightened interest from suitors, particularly private equity firms, in the three main listed players Regis, Estia and Japara ⁵
10	Feb 21	Japara reported a 67% decrease in EBITDA for H1FY21 compared to the prior corresponding period, withholds full year earnings guidance and no interim dividend declared
11	Mar 21	The final report for the Royal Commission was released. Further details on the Royal Commission are provided in Section 4.4
12	Apr 21	Calvary Health made an offer to acquire 100% of the shares in Japara \$1.04 per share
13	Jun 21	Calvary Health increased its offer to acquire Japara shares for \$1.20 per share
14	Jun 21	RSL Care RDNS Limited, part of the Bolton Clarke Group, made an offer to acquire the shares in Japara for \$1.22 per share
15	Jul 21	Japara entered into the Proposed Scheme with Calvary Health for the acquisition of all the issued shares in Japara at a price of \$1.40 per share (an implied equity value of \$379.5m)
16	Aug 21	Japara reported earnings results for FY21, with revenue up by 2.6% and EBITDA down 39.8% as compared to FY20, mainly due the impact of the COVID-19 pandemic and the Royal Commission into Aged Care and Safety

Sources: S&P Capital IQ, ASX announcements, Australian Government Department of Health website, Deloitte Corporate Finance analysis

⁵ AFR Article 'Soul Patts lobs bid for Regis Healthcare' dated 19 November 2020

3.7 Financial performance

We have summarised the profit and loss statements of Japara for the 4 years ended 30 June 2021 in the table below.

Table 17: Japara's financial performance

\$m (unless otherwise stated)	Audited FY18	Audited FY19	Audited FY20	Audited FY21
Government funded income	260.6	286.2	305.5 ¹	306.4
Transitional care funding	2.4	1.5	1.3	2.0
Resident funded fees	98.5	107.2	115.4	111.2
Other income	11.7	4.8	5.3	19.3 ¹
Total operating revenue	373.2	399.8	427.5	438.8
Employee costs	(259.0)	(277.6)	(315.1)	(339.6)
Resident costs	(31.9)	(34.2)	(39.1)	(41.1)
Occupancy costs	(21.3)	(22.6)	(21.6)	(23.0)
Administrative expenses	(10.4)	(15.8)	(18.9)	(15.3)
Total operating expenses	(322.5)	(350.2)	(394.7)	(419.0)
Operating EBITDA	50.7	49.6	32.9	19.8
Depreciation and amortisation	(17.2)	(20.0)	(26.4) ²	(29.6) ²
Impairment expense	-	-	(291.9)	(0.5)
Net finance expense	(3.8)	(5.9)	(7.4)	(8.8)
Income tax expense	(6.4)	(7.2)	0.8	5.0
NPAT	23.3	16.4	(292.1)	(14.1)
EPS (cents)	8.71	6.13	(109.03)	(52.66)
Interim dividend per share (cents)	4.00	2.80	2.00	-
Final dividend per share (cents)	3.75	3.35	-	-

Operating metrics				
Revenue growth (%)	3.0	7.1	6.9	2.6
EBITDA margin (%)	13.6	12.4	7.7	4.5
Government funded revenue ³ pobjd (\$)	199.0	201.1	209.2	215.7
Resident funded revenue pobjd (\$)	76.9	77.0	79.0	86.5
Total revenue pobjd (\$)	275.9	278.1	288.2	302.7
Operating expenses pobjd (\$)	238.5	246.4	262.4	288.1
EBITDA pobjd (\$)	37.4	31.7	25.8	14.0
Operational beds ⁴	4,069	4,235	4,496	4,507
Occupancy (%)	93.2	93.0	92.2	88.6
Number of Staff	5,451	5,628	6,064	5,868
Average bond value (\$000s)	340.2	345.9	359.8	376.0
RAD : Combination : DAP (%)	55:18:27	56:18:26	52:19:29	47:21:32

Notes:

- Includes additional ACFI funding in support of COVID-19 of \$5.5m in FY20 and COVID-19 related government grants of \$16.0m in FY21
 - Includes ROU depreciation. AASB 16 Leases was adopted from 1 July 2019
 - Includes government funded income and transitional care funding
 - operational places at the end of the respective financial year.
- Sources: Management, Japara FY19 - FY20 annual reports, Japara FY21 financial statements, Deloitte Corporate Finance analysis

Operating revenue growth between FY18 and FY21 was achieved through the completion of greenfield and brownfield developments over the period, as well as the full year impacts of the 4 facilities acquired from Riviera Health in FY18. This was partially offset by weaker occupancy in FY20, due to the initial impacts of the COVID-19 pandemic. In FY21, revenue remained stable despite lower occupancy relative to the previous year primarily due to COVID-19 related Government funding.

Increases in revenue from the Government between FY18 to FY21 primarily relate to increased funding correlated to the increased number of operational beds from completed developments. The yearly increases are also due to indexation increases in Government aged care funding and additional COVID-19 grants (see section 3.4) to the amount of \$5.5m in FY20, as reflected in the yearly increase in Government funded revenue on a pobd basis.

Increases in resident funded fees between FY18 and FY21 is primarily associated with the higher intake of residents as operational beds increase. On a pobd basis, resident funded revenue increased from \$76.9 to \$85.9 pobd between FY18 and FY21. This is due to increased indexation of the maximum basic daily fee.

Other income includes changes to the fair value of investment property, net gains/losses on acquisitions, gain on disposal of assets and other income. Other income in FY18 included a gain on acquisition of the Riviera portfolio of \$9.6m. Growth in other income in FY21 was largely driven by approximately \$16.0m received in COVID-19 government grants. Government Grants were used to cover the qualifying expenses relating COVID-19 infection control at Japara's facilities.

Total operating expenses increased by \$96.4m between FY18 and FY21, due to yearly increases in the number of new places over the same period. Operating expenses were also impacted by non-recurring costs from the implementation of COVID-19 control measures in FY20 and active infection control measures in FY21 as five of Japara's Victorian facilities experienced COVID-19 outbreaks. The non-recurring costs include increased biosecurity measures, outbreak planning and training, personal protective equipment costs and additional cleaning rosters which were largely offset by the COVID-19 Government Grants mentioned above.

On a pobd basis, operating expenses increased from \$238.5 pobd in FY18 to \$288.4 pobd in FY21. This growth trend was driven by step-up in employee costs due to yearly rate increases from state-based enterprise bargaining agreements, increased resident costs due to the implementation of various initiatives as a result of the Royal Commission and increases in administrative costs including costs incurred relating to the Royal Commission.

In summary, EBITDA margins were compressed between FY18 and FY21 as a consequence of wages and the costs of compliance increasing at rates higher than revenue (which largely only increased by COPO escalation).

NPAT followed the same path as EBITDA. However, in FY20 a substantial impairment charge was taken in response to COVID-19 and the Royal Commission. Excluding the impact of the impairment, Japara would have generated a marginal loss in FY20. NPAT was also negative during FY21, with further margin compression driven by the lower occupancy and increased operating expenses mentioned above.

Dividends paid decreased each year from FY18 to FY20, with no final dividend paid in FY20 and no dividends paid in FY21. This reflects decreasing profitability from Japara's operations due to the factors noted above.

3.7.1 Normalisation of EBITDA

The normalisation adjustments for FY18 to FY21 are presented in the table below.

Table 18: Normalised EBITDA

\$m	FY18 ¹	FY19 ¹	FY20	FY21
Reported EBITDA	50.7	49.6	32.9	19.8
Addback: Royal Commission costs	-	1.8	1.8	0.4
Deduct: Asset revaluations	(11.3)	(4.5)	(4.9)	(3.1)
Addback: Restructure and leave provisions	4.3	0.7	3.4	0.8
Addback: Development related	3.7	1.0	1.8	1.9
Addback: Expected credit losses adjustment	-	-	1.9	-
Normalised EBITDA	47.4	48.6	36.9	19.9
Deduct: AASB16 impact (lease rental expenses)	-	-	2.4	2.9
Normalised EBITDA (pre-AASB16)	47.4	48.6	34.5	17.5

Note:

1. FY18 and FY19 reported EBITDA was on a pre-AASB 16 basis and consequently lease rental expenses are already deducted from Reported EBITDA

Sources: Japara FY19, FY20 and FY21 investor presentations, Deloitte Corporate Finance analysis

In respect of the non-recurring adjustments, we highlight the following:

- the adjustments do not attempt to adjust for the financial impact of the COVID-19 pandemic, including lower occupancy, additional staffing or training costs or Government grants received
- Japara incurred direct and indirect costs of \$1.8m in FY19 and FY20 and \$0.4m in FY21 related to the Royal Commission's enquiries
- assets revaluation adjustments include the following:
 - sale of bed licences relating to the disposal of otherwise non-income generating surplus licences
 - fair value gains or losses on investment property
 - net gain on acquisition of the Riviera portfolio of \$9.6m in FY19
 - the disposal of vacant land in Highton, VIC which resulted in gains of \$3.0m in FY20, which was offset by a revaluation loss on other land of \$0.3m
 - gains of \$1.4m primarily from the sale and leaseback of Capel Sands and \$1.6m upward revaluation of land and investment property in FY21.
- restructuring and leave provision adjustments include:
 - restructuring costs incurred in FY18 from redundancies of \$3.4m and corporate office reallocation provision and discontinued projects of \$0.9m
 - restructuring costs incurred in FY20 from redundancies at Japara's Support Office as part of a cost saving initiative in response to COVID-19 and closure of the Wyong home of \$1.2m
 - long service leave provisions in FY20 due to decreases in interest rate assumptions
 - restructuring costs incurred in FY21 relate to the closure of the Wyong home in August 2020 and Forest View in June 2021.
- a net increase in the expected credit loss provision of \$1.9m as a result of the wider economic impact of COVID-19 to reflect the increased risk that some residents are no longer able to fund their full aged care costs.

In addition to the above, we have also adjusted for the rental expense incurred on the facilities that Japara leases from third parties.

3.8 Financial position

We have summarised in the table below the financial position of Japara as at 30 June 2019, 30 June 2020 and 30 June 2021.

Table 19: Japara's financial position

\$m	Audited FY19	Audited FY20	Audited FY21
Trade and other receivables	14.6	15.3	15.8
Trade and other payables	(35.6)	(34.1)	(32.9)
Other current assets and liabilities	(30.8)	(37.4)	(40.4)
Net working capital	(51.7)	(56.2)	(57.4)
Property, plant and equipment	787.8	833.2	858.1
Intangible assets	555.3	265.8	265.8
RAD liabilities	(530.6)	(584.5)	(610.7)
Deferred tax liabilities	(62.9)	(61.1)	(55.5)
Other non-current assets and liabilities	(1.6)	(3.0)	(3.2)
Lease liabilities (net of ROU assets)	-	(1.6)	(2.5)
Funds employed	748.0	448.8	451.9
Investment property	10.7	21.2	22.6
Retirement investment property ¹	4.5	2.7	4.8
Non-current assets held for sale	2.2	2.3	4.5
Cash and cash equivalents	31.5	48.3	43.6
Borrowings	(210.5)	(239.0)	(255.8)
Interest rate swaps	(2.4)	(5.0)	(3.3)
Net cash/(debt)	(181.4)	(195.7)	(215.5)
Net assets	532.1	223.0	210.8

Note:

1. Includes retirement village investment property, net of resident loans.

Sources: Management, Japara FY20 annual report, FY21 financial statements, Deloitte Corporate Finance analysis

Trade and other receivables primarily comprise resident debtors, whereas trade and other payables comprise operational payables, capital works payables, accrued wages and other liabilities. Other current assets and liabilities includes current employee provisions for redundancies, long service leave and annual leave. The \$6.3m increase in employee provisions in FY20 relates to redundancies at Japara's Support Office as part of a cost saving initiative in response to COVID-19, further redundancies of staff due to the closure of the Wyong home as well as adjustments to the long service leave provision assumptions. No further COVID-19 related redundancies occurred in FY21.

Property, plant and equipment comprises of land and buildings, property investments and capital works in progress. This includes the value of the property and buildings of Japara's aged care facilities, recognised at cost. Any capital improvements or developments on these properties are recorded at cost. In FY20 and FY21, the property, plant and equipment increased as a result of capital expenditure relating to development activity.

Intangible assets comprise goodwill and resident places. An impairment charge of \$289.5m was taken on goodwill in FY20 due to lower cash flow forecasts as a result of market uncertainty arising as a result of COVID-19. This was the key driver for the reduction in net assets in FY20. No further significant impairments occurred during FY21.

RADs are recorded at an amount equal to the proceeds received, net of retention and any other amounts deducted from the deposit. Growth in RADs has been driven by the increase in operational beds, along with increases in RAD values (which in turn are driven by residential property prices).

Investment property comprises land to be developed into retirement villages or held for capital appreciation, along with the value of Japara's existing retirement villages (net of resident loan obligations). The value is based on an external independent expert's assessment of the price expected to be realised upon sale. The increase between FY19 and FY20 is the result of \$10.5m in acquisitions during the year, offset by decreases in the value of the retirement villages as a result of cyclical movements in turnover of residents in the villages. There were no acquisitions during FY21, however investment properties increased in value by \$1.6m through capital appreciation.

Assets held for sale includes land and buildings that have yet to be sold or have been sold but not yet settled. In FY20, this related to the vacant site at the Glenning Valley and land at Wyong and Bundaberg. In FY21, this related to the Forest View facility which is expected to settle in early FY22.

A right-of-use asset and a corresponding lease liability were recognised from FY20, in line with the adoption of AASB16.

Borrowings comprise Japara's debt facilities as discussed in Section 3.6.2.

3.9 Strategy and outlook

Management anticipates improved profitability in FY22 as the business emerges from COVID-19 impacts and higher occupancy rates are realised. Management's outlook and plan for FY22 can be summarised as follows:

- occupancy levels are projected to increase relative to FY21 as completed developments ramp up in FY22 and other facilities reach pre COVID-19 levels, pending the impact of ongoing lockdowns in NSW and VIC
- increased fees as a result of the uplift in basic fee of \$10 per bed per day, but offset by the discontinuation of various Government COVID-19 support payments
- a decline in staff expenses POBD which previously increased as a result of measures associated with combating COVID-19
- new beds coming online following the completion of the Trugo Place and Corymbia facilities
- increase in RAD inflows, also as a result of the completion of the above facilities.

Management do not anticipate any new facilities to commence development during FY22 with all other brownfield projects also currently on hold.

3.9.1 Equity analysts' perspectives

The table below sets out the equity analysts' consensus estimates for Japara based on broker reports available to us as at 31 August 2021.

Table 20: Summary of broker consensus estimates (mean FY22 to FY23)

\$m	Audited FY20	Audited FY21	Consensus estimates FY22	Consensus estimates FY23
Revenue	427.5	438.8	477.7	505.8
EBITDA	32.9	19.8	41.2	45.2
Revenue growth (%)	n/a	2.6%	8.9%	5.9%
EBITDA margin (%)	7.7%	4.5%	8.6%	8.9%

Sources: S&P Capital IQ, Japara FY21 financial statements, equity research analysts' reports, Deloitte Corporate Finance analysis

The consensus estimates are based on coverage by 4 equity research analysts published on or after 3 May 2021. We highlight the following:

- projected revenue growth is anticipated to be driven by more beds being online (due to the completion of developments and refurbishments), greater occupancy following the impacts of the COVID-19 pandemic on occupancy during FY21 and the new basic daily fee supplement announced in the 2021-22 Federal Budget of \$10 per occupied bed per day

- there is an expectation that occupancy will remain subdued in the near term due to the increasing use of home care and excess beds from aged care developments with the industry. However, we also highlight that as a result of the impacts of the latest outbreak of the Delta variant to COVID-19, there is the risk that the consensus estimates disclosed above may be viewed as optimistic
- cost pressure is expected to continue due to rising labour costs and a limited ability to increase how much the resident pays for care
- Revenue and EBITDA does not include any notional RAD income.

More generally, analysts also made the following observations:

- the Royal Commission had a negative impact on the aged care sector, which also caused deferral of admissions and a reduction in occupancy along with disruption, volatility and uncertainty. The Government's response to outcomes of the Royal Commission through the 2021-22 Federal Budget, increasing funding for the sector. Further discussion of the Royal Commission and Federal Budget is in section 4.4
- there is uncertainty over possible changes to the funding structure in the future as one of the Royal Commissioners recommended refundable deposits be abolished by 2025 and replaced with a user-fee, means tested system subject to governance by a pricing authority
- over the long term, the aged care sector is expected to be well positioned to an increasing demand profile due to Australia's ageing population. However, there is uncertainty over the impact of further implementation of other recommendations from the Royal Commission and the Government's responses on the unit economics of funding compared to the cost of staffing and quality measures, as well as the continuity of RAD funding.

4 Industry considerations

The following sections summarise the key factors impacting in the Australian aged care industry.

4.1 Australia has an ageing population

The proportion of the Australian population that is aged 80 years and over has grown and is expected to continue to grow into the medium term, as set out in the table below.

Table 21: Population 80+ projection by state

State	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
ACT	3.0%	3.1%	3.1%	3.2%	3.3%	3.3%	3.4%	3.4%	3.6%	3.7%	3.9%
NSW	4.2%	4.2%	4.2%	4.3%	4.3%	4.4%	4.5%	4.6%	4.7%	4.9%	5.0%
NT	1.0%	1.0%	1.1%	1.2%	1.3%	1.3%	1.4%	1.5%	1.5%	1.6%	1.7%
QLD	3.6%	3.6%	3.7%	3.8%	3.9%	4.0%	4.1%	4.3%	4.4%	4.7%	4.9%
SA	4.9%	5.0%	5.0%	5.1%	5.2%	5.3%	5.4%	5.5%	5.7%	6.0%	6.2%
TAS	4.6%	4.7%	4.8%	4.9%	5.1%	5.2%	5.4%	5.6%	5.8%	6.1%	6.4%
VIC	4.0%	4.0%	4.0%	4.0%	4.1%	4.1%	4.2%	4.2%	4.3%	4.3%	4.3%
WA	3.4%	3.5%	3.6%	3.7%	3.8%	3.9%	4.0%	4.1%	4.2%	4.4%	4.6%
National	3.9%	4.0%	4.0%	4.1%	4.1%	4.2%	4.3%	4.4%	4.5%	4.7%	4.9%

Sources: Australian Bureau of Statistics, Deloitte Corporate Finance analysis

The proportion of Australian's aged 80 years and over is expected to increase across all Australian states and territories. Japara has a particular concentration of facilities in the Victorian market, where the proportion of the 80+ year old population is expected to increase, albeit at a lower rate than the national average.

Typically, residents in aged care facilities are 80+ years old. The table below sets out the number of aged care places, relative to the 80+ year old population as at 30 June 2020.

Table 22: Operational places as % of 80+ population

State	Number of operational places	80+ population	Operational beds as a % of population +80
ACT	2,681	13,580	19.7%
NSW	75,239	354,126	21.2%
NT	1,248	2,937	42.5%
QLD	43,801	194,956	22.5%
SA	19,583	89,455	21.9%
TAS	5,413	26,263	20.6%
VIC	59,560	276,007	21.6%
WA	20,009	98,595	20.3%
National	227,534	1,055,919	21.5%

Sources: Department of Social Services, Australian Bureau of Statistics, Australian Institute of Health and Welfare, Deloitte Corporate Finance analysis

The states in which Japara has the majority of its beds, being Victoria, followed by NSW, have a number of operational places relative to the 80+ population which is broadly in line with the national average.

4.2 The aged care sector is highly regulated

The majority of aged care services in Australia are provided through government programmes and supplemented to some extent by informal carers. Broadly, subsidised aged care services in Australia can be divided into two categories⁶:

- **Home care and support:** provides care and services to the elderly to assist them to live in their own homes
- **Residential care:** provides housing and around-the-clock care for the elderly with more complex needs who prefer, or require, care in a dedicated facility. Care can be offered on a short-term (respite) or long-term (permanent) basis.

Over the last 10 years, substantial changes to the aged care sector have been made such that more focus has been placed on home care.

The supply of residential aged care places is currently restricted through a licensing system. The Government controls the number, type and location of new aged care places. Bed licences are allocated through ACAR which typically occur on an annual basis. In the 2021 Budget, the Government announced that the 2021 ACAR would be the last, and from July 2024 residential care places will be assigned directly to eligible consumers. This is a significant shift from the current allocation to providers, which is expected to give consumers more choice and increase the level of competition experienced by operators.

4.3 Impact of COVID-19

The outbreak of the COVID-19 pandemic significantly impacted residential aged care facilities, where elderly residents are typically frail, have pre-existing health conditions, and where the proximity of aged care workers and residents elevates the risk of transmission. Nearly two-thirds of COVID-19 related deaths in Australia were residents in aged care homes⁷. Over 220 aged care homes reported COVID-19 outbreak with c.685 deaths as at March 2021⁸.

Residential aged care facilities have experienced falling occupancy (particularly facilities impacted by outbreaks) and are incurring higher costs to deal with the COVID-19 pandemic. The 2021 ACFA reports that in FY20 c. 1.0% of total expenses were considered COVID-19 related, with the majority accounted for labour costs and preventative measures. We highlight that only a small portion of FY20 was impacted by COVID-19.

In response to the pandemic, the Government mandated lockdowns and visitor restrictions at residential aged care facilities, and introduced mandatory vaccination and infection prevention and control guidelines. The Federal Government announced a health package to support the health care services including aged care facilities. A significant portion of the funding was allocated to educate and train aged care workers about infection control, and to enable aged care operators to hire additional nurses and workers. Another initiative as a part of the funding was to enhance infection control capabilities and address additional costs towards staffing, training, managing visitors and communication with the family.

4.4 Royal Commission and Federal Budget

Following a number of incidents reported publicly about inadequate care at certain aged care facilities, the Federal Government announced the Royal Commission into Aged Care Quality and Safety, on 8 October 2018.

The Royal Commission's findings included:

- insufficient and uncertain funding for the provision of the care and services
- poor integration with the health care system

⁶ Department of Health, Report on the Operation of the Aged Care Act, 1997- 2019-2020 edition,

⁷ Australian Institute of Health and Welfare, 2021, *People using aged care*, viewed 5 August 2021, <<https://www.gen-agedcaredata.gov.au//Topics/People-using-aged-care#COVID-19%20and%20people%20using%20aged%20care>>

⁸ IBIS World, Aged care residential services in Australia, April 2021

- use of chemical and physical restraints
- malnutrition, lack of care for people with dementia.

The standard of quality and safety were raised as the major concerns that attracted a negative impact from capital investors in this sector along with disruption, volatility and uncertainty. The recommendations were detailed in the final report by the Royal Commission released in March 2021, included foundation of a New Aged Care system by replacing the Aged Care Act 1997 with a new Act to address all the issues in this sector and define rights for the residents.

The 2020–21 Federal Budget addressed the impacts of the COVID-19 pandemic, including:

- the **'COVID-19 Response Package ageing and aged care'** measure which provides a further \$700m over four years to continue the Government's response to the pandemic in aged care
- **COVID-19 Support:** \$245.0m for further lump sum payments for residential aged care providers, and the continuation of increased supplements for rural, remote and specialist homelessness providers.
- a total of \$103.4m to fund preparedness measures, including infection control and \$92.4m to expand support for aged care workers in COVID-19 grants in hotspot areas.

The 2021–22 Budget incorporated the Australian Government's response to the Royal Commission. The Government expects to spend \$25.9b in FY22. Key elements of the Government's response including:

- a basic daily fee supplement increase of \$10 per resident per day, in addition to interim funding to support residential care facilities from 1 July 2021
- ACAR will be replaced by an allocation directly to consumers, increasing competition in the sector, as noted in Section 4.2
- mandated care requirements of 200 minutes per resident per day (on average) from 1 October 2023. Facilities will be required to report and publish care staffing minutes and report to residents and their families on the care delivered
- continued investment in the new Australian National Aged Care Classification (AN-ACC) funding model, which is intended to replace the current ACFI funding model in October 2022. The new funding model is intended to be more stable and cost efficient
- 80,000 additional home care packages are to be released in FY22 and FY23, allowing eligible seniors to stay at their home longer, rather than entering residential aged care.

The key themes across the Royal Commission and the Federal Budget include the prioritisation of safety, long term support, health and quality living for elderly people. The measures introduced are expected to increase the demands on management and governance of residential aged care services, through greater transparency and accountability provisions, increased reporting requirements, increased quality regulatory activities and strengthened prudential requirements. Furthermore, it is expected to provide additional choice to residents, and increase competition in the sector.

4.5 Employee entitlements

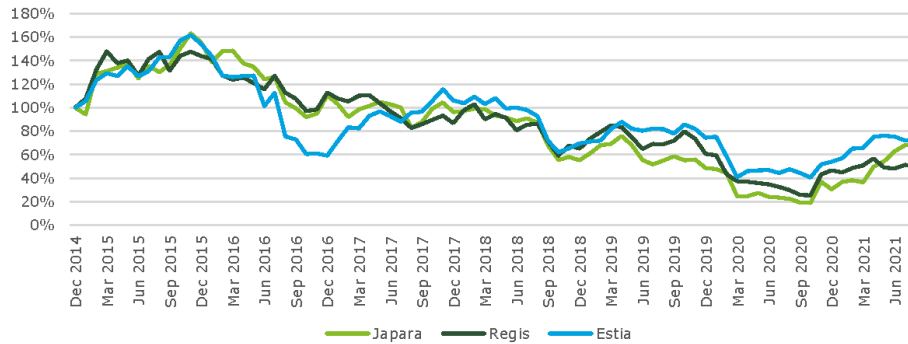
Sectors which use substantial levels of casual or contractor arrangements, or more broadly under agreements with labour conditions attached (such as is the case with enterprise bargaining agreements) are currently exposed to substantial risks associated with the underpayment of employee entitlements. Issues typically arise due to the abundance of entitlement or conditions which can be difficult to track in payroll systems. Whilst this issue has been evident across a number of sectors, it has recently been highlighted as a risk in the Australian aged care sector.

4.6 Transaction activity

In 2014 and the following period there was an element of industry consolidation as larger for profit operators expanded to build scale, and saw smaller unprofitable operators acquired. Three of the major aged care providers, Japara, Regis and Estia were listed in 2014 and acquired smaller facilities as a part of their expansion plan.

Appetite for investment in the residential aged care sector diminished after 2015, due to uncertainty related to Government reforms and deteriorating financial performance due to the competitive environment and compliance costs. This resulted in smaller unprofitable operators being acquired by larger players for economies of scale benefits. The additional demand of the COVID-19 pandemic has also impacted investor sentiment.

Table 23: Trading in the shares of the ASX listed Australian aged care operators



Note: rebased to 100% as at 31 December 2014
Sources: Capital IQ, Deloitte Corporate Finance analysis

Whilst the aged care sector continues to undergo reform, and continues to be impacted by the COVID-19 pandemic, the completion of the Royal Commission has reduced some uncertainty, and investor sentiment appears to be returning to the sector.

However, there remain concerns on the part of the private sector with regards to the sectors exposure to substantial risks, Government funding uncertainty and related questions over long-term returns.

4.7 Competitive environment

The residential aged care market is a highly fragmented market, with no one operator holding market share greater than 3%. There are a significant number of residential aged care providers, and the industry has a mix of not-for-profits, government and for-profit operators. Not for profit providers represent the largest portion of ownership, representing 55% of places. It is also expected that consolidation of providers will eventuate given the benefits of scale of larger operators.

The major listed players in the aged care sector in Australia include Japara, Regis and Estia. Set out below are key portfolio metrics for these operators, alongside industry benchmarks.

Table 24: Industry benchmarks as per FY21 results

	Unit	Japara	Regis	Estia	Industry average	
					Stewart Brown	ACFA ¹
Total number of homes	No.	50	64	69	n/a	n/a
Operational places	No.	4,507	7,144 ²	6,224	n/a	321 ³
Development pipeline	No.	431	637	406	n/a	n/a
Occupancy	%	88.6	88.9	91.2	90.8	85.4
Government revenue pobd ⁴	\$	215.7	208.4	215.4	188.3	196.3
Revenue pobd ⁴	\$	302.2	304.4	296.2	n/a	296.6
Government revenue / total revenue ⁴	%	71.4	68.5	72.7	n/a	66.2
Staff expenses/ revenue ⁴	%	77.3	73.9	72.3	n/a	n/a
EBITDA margin ^{4,5}	%	3.8	9.7	10.0	n/a	8.5
EBITDA per bed ^{4,5,6,7}	\$	3,718	9,535	9,892	3,436	9,632
RAD : Combination : DAP ⁸	%	47:21:32	58:34:8	54:23:23	23:23:54	40:22:38
Average RAD	\$000s	376.0	432.0	326.9	446.6	326.0
% freehold properties ⁹	%	92.0	100	89.9	n/a	n/a
Gearing (Net debt / EV)	%	40.4	19.4	19.4	n/a	9.7
Concessional ratio	%	43.3	44.5	44.9	n/a	n/a

Notes:

n/a = not available

pobd = per occupied bed day

1. values are as at 30 June 2021, and present for-profit operators, unless stated otherwise

2. average number of places for the year

3. average size of a for profit operator

4. for Regis and Estia, these metrics exclude notional RAD income

5. excludes change in fair value of investment properties and gain on disposal of assets

6. calculated using FY21 EBITDA divided by number of operational places as at 30 June 2021. Regis was calculated on a different basis (average number of places for FY21), due to availability of information

7. EBITDA used for per bed calculation includes all other costs

8. presented excluding concessional/supported residents

9. calculated by number of properties.

Sources: Results presentations for Japara, Regis and Estia, Stewart Brown report (2021), ACFA Report (2021)

The Stewart Brown report is based on a survey of 1,174 aged care homes, comprising 95,097 beds. The figures presented above include only for-profit operators. On the other hand, the ACFA report is compiled from data collected from residential aged care provider "Aged Care financial reports" and the Department of Health, and consultations with sector participants.

The ACFA figures present metrics of for-profit operators. The 2021 report publishes metrics for FY20. However, given the significant impact of COVID-19 in FY21, there is limited comparability.

The concessional residents for Japara over FY18 to FY21 as compared to peers is presented in the table below.

Table 25: Concessional residents for peers

Aged care operator	FY18	FY19	FY20	FY21
Japara	43.0%	42.0%	43.2%	43.3%
Regis	45.0%	45.5%	45.8%	44.5%
Estia	43.5%	44.9%	45.7%	44.9%

Note:

Ratio calculated as Concessional residents / Total Residents

n/a - not available

Sources: Investor presentations for Regis, Estia and Japara for FY19, FY20 and FY21

Japara's concessional resident ratio has been stable over time and is in line with comparable companies.

5 Valuation approach and assumptions

5.1 Valuation summary

We have estimated the current market enterprise value of Japara to be in the range of \$450m to \$530m. After adding surplus assets and deducting net debt, this implies a value of between \$1.12 and \$1.47 per share.

A summary of our valuation is set out in the following table:

Table 26: Japara valuation summary

	Section	Unit	Low	High
Market multiples approach	5.3	\$ m	450	536
Discounted cash flow approach	5.4	\$ m	415	530
Enterprise value (selected)		\$ m	450	530
Add: Surplus assets	5.5	\$ m	67	81
Less: Net debt	5.6	\$ m	(213)	(213)
Equity value		\$ m	304	398
Number of shares	5.7	m	271	271
Value per share		\$	1.12	1.47

Source: Deloitte Corporate Finance analysis

In estimating the enterprise value, we have had primary regard to the application of the market multiples approach but then used the discounted cash flow approach as secondary support. Our rationale for selecting these approaches is as follows:

- The market multiples approach confers the benefit of having the valuation reference point of two very comparable listed businesses. However, it still requires exercise of judgement to reflect the differences between the businesses
- The discounted cash flow approach allows for significantly more flexibility in financial projections. However, it presents challenges with respect to being able to accurately project medium to long-term cash flows, especially due to uncertainties created by COVID-19 and known and possible future regulatory and funding changes to the aged care sector in Australia and how they may apply to Japara
- Given the above challenges associated with the application of the discounted cash flow approach, we consider it was more appropriate to place greater emphasis on the outcomes of the market multiples approach in selecting our enterprise value range.

Having regard to the above factors, we have selected an enterprise value range of between \$450m and \$530m.

We have added to this enterprise value the value of assets which are not reflected in our valuations utilising the discounted cash flow or market multiples approaches, and deducted the value of net debt to arrive at the equity value of Japara. These items are discussed in Section 5.5 and 5.6.

The equity value (which has been assessed on a control basis) has then been translated into a value per Japara share based on the number of shares on issue.

The valuation range is wider than might normally be expected. However, we consider this reasonable recognising the substantial uncertainties associated with projected earnings posed by factors such as COVID-19, regulatory and funding changes to the aged care sector and the high gearing.

The analysis supporting the valuation assumptions adopted is set out in the following sections.

5.2 Selection of valuation methodologies

We estimated the value of the business enterprise of Japara using the market multiples method, before adding the value of surplus assets and deducting net debt. Refer to Appendix 1 for a detailed discussion on the various valuation methodologies which can be adopted in valuing entities and businesses.

The market multiples approach involves applying a multiple to estimated earnings. In this regard, we note:

- there are two listed companies in Australia with operations sufficiently comparable to Japara from which a meaningful comparison can be made and an appropriate multiple can be ascertained
- Japara is not required to undertake significant capital expenditure in the near future, making the market multiples an appropriate methodology.

We also undertook a discounted cash flow analysis having regard to a high-level model developed by Japara management in conjunction with their financial advisors. We modified this model to take account of a number of scenarios we felt were necessary to recognise the uncertainty on future earnings posed by COVID-19. However, given the challenges associated with the application of the discounted cash flow approach, we consider it was more appropriate to place greater weighting emphasis on the outcomes of the market multiples approach and only use the discounted cash flow approach as a secondary approach.

In addition, we also cross-checked our estimated enterprise value using implied EV/bed values which is a common rule of thumb used in the sector.

Our valuation of Japara has been undertaken on a control basis, consistent with the requirements of ASIC RG111.

5.3 Market multiples approach

Set out below is a summary of our application of the market multiples approach.

Table 27: Valuation based on earnings multiple

	Section	Unit	Low	High
EBITDA ¹	5.3.1	\$m	60	63
Earnings multiple	5.3.2	Times	7.5	8.5
Enterprise value		\$m	450	536

Note:

1. Including notional RAD income.

Source: Deloitte Corporate Finance analysis

We have selected EBITDA as an appropriate measure of earnings 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 a better comparison with earnings multiples of other comparable companies. In addition, EBITDA is more commonly and consistently forecast by equity research analysts and thus results in more accurate implied multiples for the comparable companies which form our market benchmarks.

However, the different accounting policies of the two most comparable companies to Japara mean that we needed to make an adjustment for notional RAD income in order to make Japara's earnings comparable to those companies. An alternative approach would be to remove the notional RAD income included within the earnings of the comparable companies. However, there are challenges with adopting such an approach as there isn't sufficient disclosure within the broker estimates of forecast earnings for the comparable companies to be able to accurately undertake this. We have also adjusted earnings to deduct rent expense, in order to capture the differences between operators who lease a portion of their facilities. These adjustments are discussed further below.

5.3.1 Assessment of normalised EBITDA

In selecting the EBITDA range, we have considered the following:

- the historical financial performance of Japara, adjusted for abnormal or non-recurring revenues and expenses, as set out in Table 18. We also considered the industry headwinds brought on by the Royal Commission and Federal Budget, COPO and wage escalation rates, and impacts of the COVID-19 pandemic and how they are likely to have impacted historical earnings
- management's FY22 budget, the consensus estimates for FY22 as set out in Table 20, and the recent performance in FY21
- the new basic daily fee supplement of \$10 per occupied bed per day as announced in the 2021-2022 Federal Budget, which is effective from 1 July 2021. This is anticipated to generate \$15.3m of additional revenue in FY22
- notional RAD income of c. \$27m, which recognises the current maximum permissible interest rate and average expected level of RADs expected over FY22. As mentioned above, this adjustment was made to recognise that the two most comparable businesses that we used to assess the appropriate EBITDA multiple (discussed further below) include similar notional income in their revenues and EBITDA. Our calculation of the notional RAD income has been undertaken on the same basis as what we understand the comparable businesses to be undertaking
- anticipated ramp-up of recently completed developments, in particular Corymbia and Trugo Place, and the delivery of significant refurbishments, and the resultant additional earnings from these facilities
- the challenges to forecast earnings posed by the most recent lockdowns in NSW, Victoria and other states as a result of the Delta variant of COVID-19. In considering this we also had regard to trends in vaccination rates and current expectations of when lockdowns will be lifted. We highlight that the COVID-19 pandemic poses substantial risks to earnings for Japara and the aged care sector more generally
- the potential to save costs that Japara currently incurs, being a publicly listed company
- adjustments to earnings for assets captured in other parts of the valuation, such as the earnings from the senior living business, to ensure we do not double count their value.

Based on the above considerations, we have adopted an EBITDA in the range of \$60.0m to \$63.0m including notional RAD income of \$27m. This range is:

- broadly consistent with the normalised FY20 EBITDA of \$61.5m⁹
- is higher than the normalised EBITDA for FY21 of \$44.5m⁹, which recognises that the maintainable earnings of Japara will benefit from the new basic daily fee supplement of \$10 per occupied bed and is likely to experience some level of recovery from COVID-19
- slightly lower than FY22 consensus EBITDA inclusive of notional RAD income of \$68m. The broker forecasts were prepared before the breakout of the delta variant and also do not take account of the adjustments necessary for lease rentals.

5.3.2 Assessment of earnings multiple

In selecting an appropriate earnings multiple for Japara, we have considered earnings multiples observed from share market prices of listed companies with operations comparable to Japara and the implied multiple paid to acquire companies with operations similar to Japara.

Earnings multiples derived from share market trading do not reflect the market value for control of a company as they are for portfolio holdings in the subject companies. The difference between the market value of a controlling interest and a minority interest is referred to as the premium for control.

The owner of a controlling interest has the ability to do many things that the owner of a minority interest does not. These include:

- control the cash flows of the company, such as dividends, capital expenditure and compensation for management
- determine the strategy and policy of the company
- make acquisitions, or divest operations
- control the composition of the board of directors.

⁹ Based on historical earnings as set out in Table 18, plus notional RAD income of c. \$27m

Whilst Australian studies indicate takeover premiums range between 20% and 40% of the portfolio holding value, these figures are influenced by a number of factors of which, control is just one.

Selection of comparable companies and transactions

We have identified two listed aged care operators that we consider comparable to Japara.

The relevant valuation metrics of Regis and Estia are presented in the table below:

Table 28: Comparable company valuation metrics

	FY21 Revenue ¹	FY21 EBITDA margin ¹	FY22 EBITDA multiple ¹
Regis	\$784.4m	17.6%	5.4x
Estia	\$665.4m	15.6%	6.4x

Note:

1. Includes notional RAD Income

Source: Capital IQ, Deloitte Corporate Finance analysis

Regis, Estia and Japara have been compared in Table 24. In addition, further information on their valuation multiples is presented in Appendix 2. We highlight the key considerations below:

- Regis operates 64 facilities, with a total of 7,144 operational beds across Australia. The majority of beds are located in Queensland and Victoria. Estia operates 69 aged care facilities with 6,224 beds. The majority of beds are located in Victoria, New South Wales and South Australia
- Regis has a development pipeline of 637 beds, representing 8.9% of operational beds. Estia has a development pipeline of 406 beds, representing 6.5% of operational beds
- Both companies have the same year end as Japara. The historical multiples (set out in Appendix 2) illustrate the impact of COVID-19 whilst the multiples based on FY22 earnings illustrate the impact of anticipated improved performance
- Regis owns all of its facilities whilst Estia leases a small part of its facilities. Given the impact of IFRS-16 (which results in companies not recognising lease rental expenses in their earnings), all things being equal, we estimate that Estia's multiples when adjusted for lease rental expenses, are likely to be slightly lower than that disclosed above
- Regis was the subject of an unsuccessful takeover offer in late 2020. Whilst this party subsequently withdrew their proposal, there could be some aspect of a takeover premium implicit in Regis' valuation and consequently in its EBITDA multiple.

We also considered other companies that operate in the broader healthcare services sector, for example companies that provide hospital, dental and other health services. However, in the current environment, we consider the comparability of this group to Japara, or more broadly the aged care sector, is limited given the more direct impacts of COVID-19 and also the regulatory and funding uncertainties in the aged care sector. The EBITDA multiples of these companies are substantially higher than the aged care operators but, noting our observations on the differences (which is drawn out in the difference in the revenue growth rates and margins also set out in Appendix 2), we consider that the discount is warranted.

In recent years, as a result of the Royal Commission and COVID-19 there have been very limited transactions involving businesses in the aged care sector. Transactions involving businesses in the aged care sector prior to the Royal Commission (more than 3 years ago) are not relevant because the environment these businesses operated in was very different.

Selected multiple

We have selected an EBITDA multiple in the range of 7.5x to 8.5x on a control basis, having regard to the following:

- Japara is significantly smaller than its listed counterparts with 4,507 beds, compared to Regis and Estia who have 7,144 and 6,224 beds, respectively
- Japara generates higher revenue per occupied bed relative to its listed counterparts, which is largely driven by higher acuity levels

- In FY21, Japara generated an EBITDA margin of 3.8% compared to 9.7% and 10.0% for Regis and Estia, respectively¹⁰. This represents a significant opportunity to optimise the future earnings of Japara. In this regard, Japara management have commenced a process to gain efficiencies through greater use of rostering and scheduling systems and other initiatives. However, in the current environment the delivery of any benefits is likely to be over the long-term and carry substantial risks and costs
- Whilst historically Japara's development activity has been significant (as illustrated in Figure 4), with the current industry dynamics, Japara has slowed its development pipeline. In addition, we also highlight that the remaining developments and other surplus assets have been separately valued below
- the aged care sector has recently seen interest from NFP entities. This interest was highlighted in the approaches that Japara received from Calvary and RSL Care RDNS Limited, both NFP entities. NFP entities benefit from certain tax exemptions, including company tax, fringe benefits tax and payroll tax, which, in the context of a control transaction would mean that a NFP buyer would be capable of paying more than a for profit entity, resulting in a higher multiple than would be suggested by market trading.

5.4 The discounted cash flow method

The discounted cash flow approach estimates enterprise value by discounting a company's future cash flows to their net present value provided that the future cash flows that are expected to be derived from a business are capable of being estimated with a reasonable degree of confidence.

The discounted cash flow method requires the determination of the following:

- future cash flows of the business
- an estimate of the terminal value growth rate
- an appropriate discount rate to be applied to the future cash flows.

Our considerations on each of these factors are presented below.

5.4.1 Future cash flows

In developing the FY22 budget, Management has undertaken a detailed review. Japara's budgeting and review process typically commences prior to the financial year end, when budgets are prepared at a facility level with input from the managers of each facility and regional managers. Following a benchmarking exercise, these budgets are ultimately reviewed by the Chief Operating Officer. These budgets are then consolidated with the budgets of other support functions before being reviewed by the finance team, the CFO and the CEO.

Set out below are the key considerations in Management's development of the budget:

- an increase in the number of operational beds compared to FY21 due to completion of development projects and refurbishments
- an improvement in occupancy rates is expected to be attributable to net increases at recently completed developments and the trend toward long term historical averages
- ACFI is projected to increase in FY22, attributable to the annual COPO increase and ongoing acuity uplift
- the new basic daily fee increase of \$10 per resident per day
- group staff costs are expected to decline in FY22
- discontinuation of Government COVID-19 support payments and grants
- expenses as a percentage of revenue to improve as the business benefits from economies of scale, and lower waste disposal and medical costs as certain costs related to the COVID-19 pandemic are expected to decrease. This is partially offset by EBA and other wage inflation

¹⁰ These margins are disclosed in Table 24 above and in order to compare the companies on a like-for-like basis, notional RAD income has been removed from Regis and Estia's earnings and revenue

- relative to FY21 actuals, support office costs are expected to decline mainly due to discontinuation of retention bonuses
- cash flows include rent expense, and are therefore prepared on a pre-AASB 16 basis
- capital expenditure is expected to be lower than historical levels due to greenfield and development projects being on hold

In using the forecasts, we considered some adjustments were warranted. These included:

- a lower occupancy rate in FY22 due to the ongoing lockdowns in Sydney and Melbourne
- government funded revenue pabd assumed to increase at COPO for subsequent years
- assumed no increase in operational beds from the level in the FY22 budget as all developments have been separately captured in our valuation of surplus assets in Section 5.5
- removal of senior living EBITDA as this is captured in our valuation of surplus assets in Section 5.5.

We adopted an effective tax rate of 30.0%, which is consistent with the historical effective tax rate and aligns with the Australian corporate tax rate.

We projected out the cash flows for a further 4 years on the expectation that the business and the sector should have returned to a normalised level by then. What this normalised level is and what the path to achieving that normalised level looks like carries a lot of risks and uncertainties and consequently we had regard to a number of scenarios which are discussed below. In addition, we also attempted to capture the risks carried within the cash flow projections (whether they be over the short, medium or long term) within our assessment of the discount rate which is also discussed below.

5.4.2 Terminal growth rate

We have estimated a terminal value at the end of the forecast period using the perpetuity growth formula. A long-term growth rate of 2.0% p.a. has been adopted having regard to long term inflation rates in Australia and the outlook for the sector.

5.4.3 Discount rate

The discount rate used to equate the future cash flows to a present value reflects the risk adjusted rate of return demanded by a hypothetical investor. We have selected a base case nominal after tax discount rate in the range of 9.0% to 11.0% to discount the future cash flows to their present value. In selecting these discount rates we considered the following:

- the required rate of return of comparable companies
- the debt to equity ratio of comparable companies.

We also used the Capital Asset Pricing Model as a frame of reference for the calculation of these rates and used the following inputs in applying this model:

- a cost of equity of 10.4% to 12.9% based on:
 - a risk free rate of 1.17% based on the five day average of the zero coupon ten year Australian government bond
 - an equity market risk premium of 7.50%
 - a levered beta of 1.10 to 1.30 having regard to the betas of the companies identified in Appendix 2 but in particular the betas of the listed aged care operators. This beta is higher than the historical beta prior to COVID-19 and the Royal Commission but lower than the beta currently observed for the listed aged care operators. In the current environment which still exhibits substantial risks associated with COVID-19 and uncertainties associated with the regulatory and funding changes, we consider it reasonable
 - company specific risk premium of 1.0% to 2.0% to reflect the lower profitability relative to comparable companies, as well as execution risk of improving occupancy rates, achieving a decrease in staff costs and returning to more sustainable levels of profitability.
- a net debt to enterprise value ratio of 20.0% based on gearing observed for comparable companies
- a pre-tax cost of debt of 4.0%
- a corporate tax rate of 30.0%.

The cost of capital of 9.0% to 11.0% is a proxy for the rate of return an investor would demand for investing in an aged care business such as Japara. Having regard to the risks and opportunities cost of capital (i.e. what rate of return someone would command from investing in another business), we don't consider it unreasonable.

5.4.4 Conclusion on DCF valuation

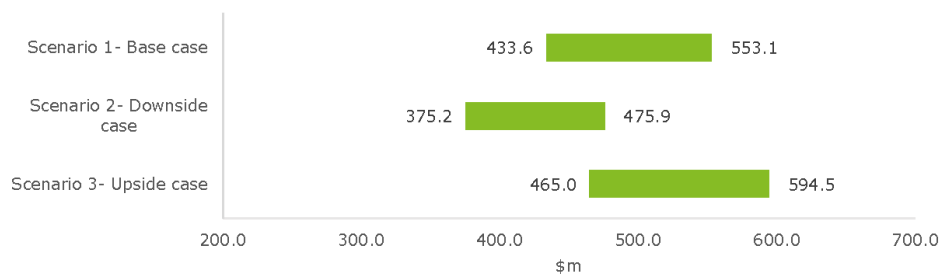
In the current environment, with the impacts of the COVID-19 pandemic, in particular ongoing infections in Victoria, where the majority of the Japara facilities are located, there is substantial uncertainty concerning the cash flow projections. One approach to reflect that uncertainty would be through the application of an additional risk premium in the discount rate.

An alternative approach would be to consider a variety of scenarios with a probability weighting applied to those scenarios. We consider this approach more appropriate and, accordingly, have set out below the various scenarios we considered:

- **Scenario 1:** Base case which assumes occupancy levels in FY22 to be subdued in FY21, reflecting continuing lockdowns, but higher than FY21 average occupancy over the medium term with a return to pre-COVID levels by FY26. This scenario also assumes staff costs and other non-wages costs decrease over the period to FY26 reflecting some efficiency gains through higher occupancy and general efforts to optimise the cost base
- **Scenario 2:** Downside scenario which assumes occupancy levels in FY22 based on levels in line with the average occupancy in FY21 but a recovery over the medium term to higher occupancy. However, this scenario assumes that competition from home care and deregulation of the industry means that occupancy does not return to pre-COVID levels. From a cost perspective, this scenario assumes increased regulatory costs and limited ability to recover the higher cost base from Government or resident fees, along with challenges with managing the cost base inflation
- **Scenario 3:** Upside scenario which assumes higher occupancy rate over the medium term to pre-COVID occupancy levels. We also assume cost control is achieved, along with greater revenue from Government and resident funding such that returns are more in line with pre COVID-19 levels.

The results of this analysis are set out below.

Figure 9: Outputs of discounted cash flow valuation



Source: Deloitte Corporate Finance analysis

Recognising the level of uncertainty, in particular in relation to the impact of the removal of ACAR, the new care funding model, COVID-19 and continued regulation and funding uncertainties, we consider it reasonable to apply a 40% weighting to each of the base case and downside scenarios, and 20% weighting to the upside scenario.

The resulting enterprise value using the discounted cash flow approach is \$415m to \$530m. We emphasise that given the uncertainty associated with projecting future cash flows for the business and noting the availability of listed companies (which increases the utility of the market multiples approach), we only consider this approach suitable as a secondary approach.

5.5 Surplus assets

Assets not captured by our enterprise valuation comprise the following:

- **senior living properties:** the net investment property value of Japara's senior living properties

- **surplus land:** comprising land set aside for brownfield or greenfield development, unused land assets that sit adjacent to existing sites, or land held for sale.

At the bottom end of the range, the valuation of the senior living and surplus land is supported by external valuations. The upper end of the range reflects the potential uplift from undertaking the development or the cost of acquisition and subsequent costs incurred to progress development. These are set out in the table below.

Table 29: Surplus assets summary

	Units	Low	High
Senior living properties	\$m	24.6	28.8
Surplus land	\$m	42.4	52.6
Total surplus assets	\$m	66.9	81.4

Source: Deloitte Corporate Finance analysis

As mentioned the bottom end of the range is supported by third party valuations. The top end of the range is c.20% above the bottom end and the difference largely reflects management's views on the development potential and/or costs incurred to date to progress the realisation of the development potential. In the current environment with reregulation on the horizon and with sub-optimal returns over the short to medium term, we consider it would be hard to justify anything more than this as the development upside. As such, we consider this range reasonable.

5.6 Net debt

Japara's net debt position as at the Scheme Implementation Date is projected to be \$213.1m.

5.7 Number of shares outstanding

As discussed in section 3.6 above, the number of shares issued is 271.1m.

5.8 Valuation cross check

5.8.1 Enterprise value per bed

We cross-checked our valuation by reference to implied EV/bed multiples, as set out in the table below.

Table 30: Valuation cross check

	Unit	Low	High
Selected enterprise value range	\$m	450.0	530.0
Number of operational beds	No.	4,507.0	4,507.0
Implied EV/bed multiple	\$	99,845	117,595

Source: Deloitte Corporate Finance analysis

The implied enterprise value per operational bed is in the range of approximately \$100,000 to \$118,000 (on a control basis) which is in line with the multiple observed for Regis and Estia. Due to Japara's smaller size and lower profitability, we consider that a lower multiple would be warranted for Japara, however, this is offset by the control value assessed. Furthermore we consider that a purchaser may be willing to pay a higher multiple for the opportunity to optimise Japara's earnings as well as for the benefits that a NFP can extract on a control transaction (which is not reflected in market trading).

Australian aged care portfolio transactions since 2015 have generally transacted in the range of \$90,000 per bed to \$215,000 per bed, as set out in Appendix 3. We do not consider these transactions to be relevant as they occurred before the emergence of current industry challenges, including uncertain funding outlook, COVID-19 and Royal Commission. Notwithstanding, we do highlight that our valuation implies an enterprise value per bed towards the bottom end of this range. We consider that this is explained by the current industry challenges noted above, providing broad support for our assessed value.

Appendix 1: Valuation methodologies

Common market practice and the valuation methodologies which are applicable to corporate entities and businesses can be categorised under one of the following three approaches.

Market approach

The market approach involves the determination of market value having regard to pricing and other metrics implied by market trading or transactions of comparable assets. Valuation methods commonly adopted under the market approach include:

- earnings multiples
- analysis of an entity's recent share trading history
- industry specific methods.

The market multiple method estimates market value as the product of an entity's earnings and an appropriate earnings multiple. An appropriate earnings multiple is derived from market trading and/or transactions involving comparable companies. The earnings multiple method is appropriate where the entity's earnings are relatively stable.

The most recent share trading history provides evidence of the market value of the shares in an entity where they are publicly traded in an informed and liquid market.

Industry specific methods estimate market value using rules of thumb for a particular industry. Generally, rules of thumb provide less persuasive evidence of the market value of an entity than other valuation methods because they may not account for entity specific factors.

Income approach

The income approach involves the determination of market value based on the present value of future amounts. The discounted cash flow method estimates market value by discounting an entity's future cash flows using an appropriate cost of capital to reflect the risks of the cash flows, to a net present value. This method is appropriate where a projection of future cash flows can be made with a reasonable degree of confidence, and is commonly used to value early stage companies or projects with a finite life.

Other methods under the income approach include option pricing models (such as Black Scholes-Merton formula or a binomial model) and the multi-period excess earnings method in the case of valuing intangible assets.

Cost approach

The cost approach involves the determination of market value based on the cost of replacement. Valuation methods under the cost approach estimate the market value of an entity's shares based on the realisable value of its identifiable net assets, and typically comprise:

- orderly realisation of assets method
- liquidation of assets method
- net assets on a going concern basis.

The orderly realisation of assets method estimates market value by determining the amount that would be distributed to shareholders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the entity is wound up in an orderly manner. The liquidation method is similar to the orderly realisation of assets method, except that it assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the entity may not be contemplated, these methods in their strictest form may not necessarily be appropriate. The net assets on a going concern basis method estimates the market value of the net assets of an entity, after deduction for the costs of operating the net assets of the business, but does not take account of realisation costs.

These methods ignore the value of intangible assets such as customer lists, management, supply arrangements and goodwill which may not be recognised on the balance sheet. Asset based methods are appropriate when companies are not profitable, or a significant proportion of an entity's assets are liquid, or for asset holding companies.

Appendix 2: Comparable entities

We identified the following companies whose securities are traded on various securities exchanges and which we consider broadly comparable to Japara:

Table 31: Comparable company financial performance and valuation metrics

Name	EV ¹	Debt / EV ¹	EBITDA multiple ¹			EBITDA margin (%) ¹			Revenue growth ⁵	EV ¹ / Operational beds
	(\$m)	(%)	LTM ²	Current ³	Forecast ⁴	LTM	Current	Forecast		
Aged Care										
Regis ⁶	772.2	19.4%	5.6x	5.4x	5.2x	17.6%	17.9%	18.1%	2.1%	108,086
Estia ⁶	752.1	19.4%	7.2x	6.4x	5.8x	15.6%	18.1%	18.9%	1.2%	120,834
Median			6.4x	5.9x	5.5x	16.6%	18.0%	18.5%	1.7%	114,460
Healthcare services										
Ramsay Health Care	26,050.7	37.8%	16.3x	12.1x	11.0x	12.4%	15.6%	16.4%	6.0%	
Sonic Healthcare	23,209.6	10.1%	9.1x	11.4x	13.3x	29.3%	24.8%	22.5%	(6.1%)	
Healius	4,290.9	31.8%	8.7x	7.6x	8.9x	25.9%	26.4%	25.7%	(1.0%)	
Australian Clinical Labs	1,165.3	22.2%	5.4x	4.8x	7.1x	33.4%	33.5%	26.7%	(2.2%)	
Integral Diagnostics	1,163.8	21.2%	12.8x	12.7x	11.0x	25.9%	24.9%	26.3%	7.0%	
Virtus Health	778.3	25.0%	9.3x	8.9x	8.5x	25.0%	25.7%	26.1%	2.1%	
Capitol Health	459.5	15.7%	9.6x	10.6x	9.6x	27.0%	22.9%	23.4%	7.2%	
Pacific Smiles Group	440.8	13.5%	11.8x	26.1x	11.3x	24.3%	11.7%	19.6%	13.4%	
Monash IVF Group	429.1	8.7%	9.0x	8.5x	8.4x	26.0%	26.5%	25.9%	3.7%	
1300SMILES	211.6	10.3%	13.9x	10.1x	9.9x	33.9%	43.4%	42.6%	5.7%	
Median			9.4x	10.4x	9.7x	26.0%	25.3%	25.8%	4.7%	

Notes:

- EV and EBITDA are presented on a "post-AASB16" basis, i.e. including lease liabilities in EV, and excluding rent expense from EBITDA
- LTM relates to last twelve months to June 2021 reporting period
- Current is based on consensus estimates for FY22
- Forecast is based on consensus estimates for FY23
- Forecast annualised growth from FY21 to FY23
- Inclusive of notional RAD income.

Sources: Publicly available announcements, S&P Capital IQ, Deloitte Corporate Finance analysis

Appendix 3: Comparable transactions

We identified the following publicly available acquisitions of aged care operators in Australia / New Zealand since 2015.

Table 32: Comparable transaction valuation metrics

Date	Target	Acquirer	Enterprise value (\$ million)	Number of operational beds	Enterprise value / Operational beds	Notes
Apr 18	Riviera Health Residential Aged Care Portfolio	Japara	37.7	210	179,738	1
Sep 17	Infinite Aged Care	Moelis Australia	64.9	400	162,143	2
Aug 17	Presbyterian Care Tasmania	Regis Aged Care	32.5	287	113,240	3
Apr 17	Heritage Lifecare	Adamantem Capital	124.5	969	128,518	4
Dec 15	Kennedy Healthcare	Estia	209.6	959	191,051	5
Oct 15	Profke Aged Care Group	Japara	79.5	587	135,434	
Mar 16	Masonic Care QLD	Regis	153.2	711	215,443	6
Jul 15	4 Aged Care Facilities (Victoria)	Estia	181.1	873	207,446	
Jan 15	Aquarius Aged Care	DAC Finance Pty Ltd	50.0	551	90,744	7
Low					90,744	
Average					158,195	
High					215,443	

Notes:

All transactions are presented on a pre-AASB16 basis, and do not include notional RAD income

1. transaction included development land, which would increase the EV per operational bed
2. transaction included a substantial greenfield development pipeline of c. 1,500 beds, which would increase the EV per operational bed
3. number of operational beds is not inclusive of a small number of retirement village units, which would increase the EV per operational bed
4. transaction price based on market announcements which imply a 100% enterprise value of NZD115m. Number of operational beds is not inclusive of 320 retirement living units, which would increase the EV per operational bed
5. EV / operational beds excludes \$26.4m in land for expansion opportunities
6. transaction includes 26,000sqm of development land and 244 independent living units (not included in operational beds) which would increase the EV per operational bed
7. based on published news articles.

Sources: Publicly available announcements, S&P Capital IQ, Deloitte Corporate Finance analysis

Appendix 4: Context to this report

Individual circumstances

We have evaluated the Proposed Scheme for Shareholders as a whole and have not considered the effect of the Proposed Scheme on the particular circumstances of individual shareholders. Due to their particular circumstances, individual shareholders may place a different emphasis on various aspects of the Proposed Scheme from the one adopted in this report. Accordingly, individuals may reach different conclusions to ours on whether the Proposed Scheme is in the best interest of shareholders. If in doubt Shareholders should consult an independent adviser, who should have regard to their individual circumstances.

Limitations, qualifications, declarations and consents

Our opinion is based on the prevailing economic, market and other conditions as at the date of this report. Such conditions can change significantly over relatively short periods of time. Many uncertainties remain as to the effect the COVID-19 pandemic will have on Japara and the broader domestic and global economy. Our work relies, in part, on publicly available information, Japara management projections and other information provided by management in relation to the effect COVID-19 could have on Japara. Given the evolving nature of the COVID-19 crisis, it is likely that our work has not fully identified or quantified the impact of the COVID-19. Recognising all of these factors, our work and therefore our opinion may be more susceptible to change than would normally be the case.

Scheme Booklet to be provided to Shareholders to allow them to consider the Proposed Scheme. Accordingly, it has been prepared only for the benefit of the Directors and those persons entitled to receive the Scheme Booklet in their assessment of the Proposed Scheme outlined in the report and should not be used for any other purpose. Neither Deloitte Corporate Finance, Deloitte Touche Tohmatsu, nor any member or employee thereof, undertakes responsibility to any person, other than the Shareholders and Japara, in respect of this report, including any errors or omissions however caused.

This engagement has been conducted in accordance with professional standard APES 225 Valuation Services issued by the Accounting Professional and Ethical Standards Board Limited.

This report represents solely the expression by Deloitte Corporate Finance of its opinion as to whether the Proposed Scheme is fair and reasonable and in the best interests of Shareholders.

Statements and opinions contained in this report are given in good faith but, in the preparation of this report, Deloitte Corporate Finance has relied upon the completeness of the information provided by Japara and its officers, employees, agents or advisors (as set out below in 'Sources of Information'). Deloitte Corporate Finance does not imply, nor should it be construed, that it has carried out any form of audit or verification on the information and records supplied to us.

In recognition that Deloitte Corporate Finance may rely on information provided by Japara and its officers, employees, agents or advisors, Japara has agreed that it will not make any claim against Deloitte Corporate Finance to recover any loss or damage which Japara may suffer as a result of that reliance and that it will indemnify Deloitte Corporate Finance against any liability that arises out of either Deloitte Corporate Finance's reliance on the information provided by Japara and its officers, employees, agents or advisors or the failure by Japara and its officers, employees, agents or advisors to provide Deloitte Corporate Finance with any material information relating to the Proposed Scheme.

In recognition that Deloitte Corporate Finance may rely on information provided by Japara and its officers, employees, agents or advisors, Japara has agreed that it will not make any claim against Deloitte Corporate Finance to recover any loss or damage which Japara may suffer as a result of that reliance and that it will indemnify Deloitte Corporate Finance against any liability that arises out of either Deloitte Corporate Finance's reliance on the information provided by Japara and its officers, employees, agents or advisors or the failure by Japara and its officers, employees, agents or advisors to provide Deloitte Corporate Finance with any material information relating to the Proposed Scheme.

Drafts of our report were issued to Japara management for confirmation of factual accuracy. We may not have become aware of all information that may be relevant to our work and opinion.

To the extent that this report refers to prospective financial information we have considered the prospective financial information and the basis of the underlying assumptions. The procedures involved in Deloitte's consideration of this information consisted of enquiries of Japara personnel and analytical procedures applied to the financial data. These procedures and enquiries did not include verification work nor constitute an audit or a review engagement in accordance with standards issued by the Auditing and Assurance Standards Board or equivalent body and therefore the information used in undertaking our work may not be entirely reliable.

Based on these procedures and enquiries, Deloitte Corporate Finance considers that there are reasonable grounds to believe that the prospective financial information for Japara included in this report has been prepared on a reasonable basis in accordance with ASIC Regulatory Guide 111. In relation to the prospective financial information, actual results may be different from the prospective financial information of Japara referred to in this report since anticipated events frequently do not occur as expected and the variation may be material. The achievement of the prospective financial information is dependent on the outcome of the assumptions. Accordingly, we express no opinion as to whether the prospective financial information will be achieved.

Deloitte Corporate Finance holds the appropriate Australian Financial Services licence to issue this report and is owned by the Australian Partnership Deloitte Touche Tohmatsu. The employee of Deloitte Corporate Finance principally involved in the preparation of this report was Tapan Parekh, B.Bus, M.Com, CA (BV Specialist), F.Fin. Tapan has many years of experience in the provision of corporate financial advice, including specific advice on valuations, mergers and acquisitions, as well as the preparation of expert reports.

Consent to being named in disclosure document

Deloitte Corporate Finance Pty Limited (ACN 003 833 127) of 225 George Street, Sydney, NSW, 2000 acknowledges that:

- Japara proposes to issue a Scheme Booklet in respect of the Proposed Scheme
- the Scheme Booklet will be issued in hard copy and be available in electronic format
- it has previously received a copy of the draft Scheme Booklet for review
- it is named in the Scheme Booklet as the 'independent expert' and the Scheme Booklet includes its independent expert's report as Annexure A to the Scheme Booklet.

On the basis that the Scheme Booklet is consistent in all material respects with the draft Scheme Booklet received, Deloitte Corporate Finance Pty Limited consents to it being named in the Scheme Booklet in the form and context in which it is so named, to the inclusion of its independent expert's report as Annexure A to the Scheme Booklet and to all references to its independent expert's report in the form and context in which they are included, whether the Scheme Booklet is issued in hard copy or electronic format or both.

Deloitte Corporate Finance Pty Limited has not authorised or caused the issue of the Scheme Booklet and takes no responsibility for any part of the Scheme Booklet, other than any references to its name and the independent expert's report as included as Annexure A.

Sources of information

In preparing this report we have had access to the following principal sources of information:

- Japara, Regis and Estia annual reports and investors presentations for the year ending 30 June 2018, 30 June 2019, 30 June 2020 and 30 June 2021
- Japara, Regis and Estia half year reports and investors presentations for the year ending 31 December 2018, 31 December 2019 and 31 December 2020
- The contents of a dataroom made available to prospective acquirers
- Reports summarising the valuation of the surplus land and senior living properties prepared by third party valuers
- The Scheme Implementation Deed
- Draft scheme booklet
- Information published by third party subscription providers such as Thomson Research, S&P Capital IQ, Mergermarket and IBIS World, Stewart Brown and ACFA
- other publicly available information, media releases and broker reports on Japara, the comparable companies and the aged care sector in Australia.

In addition, we had discussions with the Directors and executives of Japara in relation to the above information, the current operations and prospects of Japara and the Proposed Scheme.



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HERBERT
SMITH
FREEHILLS

Scheme of arrangement

Japara Healthcare Limited

Scheme Shareholders



HERBERT
SMITH
FREEHILLS

Scheme of arrangement

This scheme of arrangement is made under section 411 of the *Corporations Act 2001* (Cth)

Between the parties

Japara Healthcare Limited (**Japara**)

ABN 54 168 631 052 of Q1 Building Level 4, 1 Southbank Boulevard,
Southbank, VIC 3006

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
Bidder	Little Company of Mary Health Care Limited (ABN 11 079 815 697).
ADI	authorised deposit-taking institution (as defined in the <i>Banking Act 1959</i> (Cth)).
ASIC	the Australian Securities and Investments Commission.
ASX	ASX Limited ABN 98 008 624 691 and, where the context requires, the financial market that it operates.
Business Day	a day that is not a Saturday, Sunday or public holiday or bank holiday in Melbourne or Sydney, Australia.
CHESS	the Clearing House Electronic Subregister System operated by ASX Settlement Pty Ltd and ASX Clear Pty Limited.



Term	Meaning
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, Victoria Registry, or such other court of competent jurisdiction under the Corporations Act agreed to in writing by Bidder and Japara.
Deed Poll	the deed poll under which Bidder covenants in favour of the Scheme Shareholders to perform the obligations attributed to Bidder 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 Court order 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	has the meaning given in the Implementation Deed.
Government Agency	any foreign or Australian government or governmental, semi-governmental, administrative, fiscal or judicial body, department, commission, authority, tribunal, agency or entity (including any stock or other securities exchange), or any minister of the Crown in right of the Commonwealth of Australia or any state, or any other federal, state, provincial, local or other government, whether foreign or Australian (including the Aged Care Quality and Safety Commission, ASIC and the Takeovers Panel).
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 Japara and Bidder or is ordered by the Court or required by ASX.
Implementation Deed	the scheme implementation deed dated 26 July 2021 between Japara and Bidder relating to the implementation of this Scheme.
Issuer Sponsored Holding	has the meaning given in the Settlement Rules.



Term	Meaning
Listing Rules	the official listing rules of ASX.
Operating Rules	the official operating rules of ASX.
Registered Address	in relation to a Japara Shareholder, the address shown in the Share Register as at the Scheme Record Date.
Scheme	this scheme of arrangement under Part 5.1 of the Corporations Act between Japara 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 Japara and Bidder.
Scheme Consideration	for each Japara Share held by a Scheme Shareholder as at the Scheme Record Date, an amount of \$1.40, subject to the terms of this Scheme.
Scheme Meeting	the meeting of the Japara 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	5.00pm on the third Business Day after the Effective Date or such other date as agreed in writing by Japara and Bidder.
Scheme Shares	all Japara Shares held by the Scheme Shareholders as at the Scheme Record Date.
Scheme Shareholder	a holder of Japara Shares recorded in the Share Register 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 Bidder as transferee, which may 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 this Scheme is heard or, if the application is adjourned or subject to appeal for any reason, the day on which the adjourned application or appeal is heard.



Term	Meaning
Settlement Rules	the ASX Settlement Operating Rules, being the official operating rules of the settlement facility provided by ASX Settlement Pty Ltd.
Share Register	the register of members of Japara maintained by Japara or the Japara Registry in accordance with the Corporations Act.
Subsidiary	has the meaning given in Division 6 of Part 1.2 of the Corporations Act.
Japara	Japara Healthcare Limited ABN 54 168 631 052.
Japara Registry	Link Market Services Limited, Tower 4, 727 Collins Street, Melbourne.
Japara Share	a fully paid ordinary share in the capital of Japara.
Japara Shareholder	each person who is registered as the holder of a Japara Share in the Share Register.
Trust Account	has the meaning given in clause 5.1(a).

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
- (s) a reference to the Listing Rules and the Operating 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 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) Japara is a public company limited by shares, registered in Victoria and has been admitted to the official list of the ASX.
- (b) As at the date of the Implementation Deed, there were on issue:
 - (1) 267,247,328 Japara Shares, which are quoted for trading on the ASX; and



- (2) 3,855,538 performance rights issued pursuant to the Japara Equity Incentive Plan which are not quoted for trading on any stock exchange.
- (c) Bidder is an unlisted company limited by guarantee registered in New South Wales and is registered as a charity with the Australian Charities and Not-for-Profits Commission.
- (d) If this Scheme becomes Effective:
 - (1) Bidder must provide or procure the provision of the Scheme Consideration to the Scheme Shareholders in accordance with the terms of this Scheme and the Deed Poll; and
 - (2) all the Scheme Shares, and all the rights and entitlements attaching to them as at the Implementation Date, must be transferred to Bidder and Japara will enter the name of Bidder in the Share Register in respect of the Scheme Shares.
- (e) Japara and Bidder have agreed, by executing the Implementation Deed, to implement this Scheme.
- (f) This Scheme attributes actions to Bidder but does not itself impose an obligation on it to perform those actions. Bidder 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.

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 the Implementation Deed relating to Court approval of this Scheme) having been satisfied or waived in accordance with the terms of the Implementation Deed by 8.00am on the Second Court Date;
- (b) neither the Implementation Deed nor the Deed Poll having been terminated in accordance with their terms before 8.00am 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 made or required by the Court under subsection 411(6) of the Corporations Act and agreed to by Bidder and Japara;
- (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 by Bidder and Japara 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 Japara and Bidder agree in writing).



3.2 Certificate

- (a) Japara and Bidder will provide to the Court on the Second Court Date a certificate, 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 that such conditions precedent were satisfied, waived or taken to be waived.

3.3 End Date

This Scheme will lapse and be of no further force or effect if:

- (a) the Effective Date does not occur on or before the End Date; or
- (b) the Implementation Deed or the Deed Poll is terminated in accordance with its terms,

unless Japara and Bidder otherwise agree in writing.

4 Implementation of this Scheme

4.1 Lodgement of Court orders with ASIC

Japara 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 approves this Scheme.

4.2 Transfer of Scheme Shares

On the Implementation Date:

- (a) subject to the provision of the Scheme Consideration in the manner contemplated by clauses 5.1(b) and 5.1(c), the Scheme Shares, together with all rights and entitlements attaching to the Scheme Shares as at the Implementation Date, must be transferred to Bidder, without the need for any further act by any Scheme Shareholder (other than acts performed by Japara as attorney and agent for Scheme Shareholders under clause 8.5), by:
 - (1) Japara delivering to Bidder a duly completed Scheme Transfer, executed on behalf of the Scheme Shareholders by Japara, for registration; and
 - (2) Bidder duly executing the Scheme Transfer, attending to the stamping of the Scheme Transfer (if required) and delivering it to Japara for registration; and
- (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), Japara must enter, or procure the entry of, the name of Bidder in the Share Register in respect of all the Scheme Shares transferred to Bidder in accordance with this Scheme.



5 Scheme Consideration

5.1 Provision of Scheme Consideration

- (a) Bidder must, and Japara must use its best endeavours to procure that Bidder does, by no later than the Business Day before the Implementation Date, deposit, or procure the deposit, in cleared funds an amount equal to the aggregate amount of the Scheme Consideration payable to all Scheme Shareholders, into an Australian dollar denominated trust account with an ADI operated by Japara as trustee for the Scheme Shareholders (**Trust Account**), (provided that any interest on the amounts deposited (less bank fees and other charges) will be credited to Bidder's account).
- (b) On the Implementation Date, subject to funds having been deposited in accordance with clause 5.1(a) and subject to clause 5.1(d), Japara must pay or procure the payment of the Scheme Consideration to each Scheme Shareholder from the Trust Account referred to in clause 5.1(a).
- (c) The obligations of Japara under clause 5.1(b) will be satisfied by Japara (in its absolute discretion, and despite any election referred to in clause 5.1(c)(1) or authority referred to in clause 5.1(c)(2) made or given by the Scheme Shareholder):
- (1) if a Scheme Shareholder has, before the Scheme Record Date, made a valid election in accordance with the requirements of the Japara Registry to receive payments from Japara by electronic funds transfer to an Australian dollar denominated bank account nominated by the Scheme Shareholder, paying, or procuring the payment of, the relevant amount by electronic means in accordance with that election;
 - (2) paying, or procuring the payment of, the relevant amount by electronic means to an Australian dollar denominated bank account nominated by the Scheme Shareholder by an appropriate authority from the Scheme Shareholder to Japara; or
 - (3) dispatching, or procuring the dispatch of, a cheque for the relevant amount to the Scheme Shareholder by prepaid post to their Registered Address (as at the Scheme Record Date), such cheque being drawn in the name of the Scheme Shareholder (or in the case of joint holders, in accordance with the procedures set out in clause 5.2).
- (d) If a Scheme Shareholder has not nominated a bank account which satisfies clause 5.1(c)(1) or 5.1(c)(2) and either has a Registered Address in New Zealand or Japara believes that the Scheme Shareholder is not known at their Registered Address, the relevant amount payable to the Scheme Shareholder will be held in the Trust Account until:
- (1) the Scheme Shareholder nominates an Australian dollar denominated bank account into which a payment may be made; or
 - (2) the money is dealt with under unclaimed money legislation.
- (e) All amounts payable to a Scheme Shareholder under clause 5.1(c) will be paid in Australian currency.
- (f) To the extent that, following satisfaction of Japara's obligations under clause 5.1(b) and clause 5.1(d), there is a surplus in the Trust Account, that surplus may be paid by Japara to Bidder.



5.2 Joint holders

In the case of Scheme Shares held in joint names:

- (a) subject to clause 5.1(c), the Scheme Consideration is payable to the joint holders and 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 Japara, the holder whose name appears first in the Share Register as at the Scheme Record Date or to the joint holders; and
- (b) any other document required to be sent under this Scheme, will be forwarded to either, at the sole discretion of Japara, the holder whose name appears first in the Share Register as at the Scheme Record Date or to the joint holders.

5.3 Fractional entitlements and splitting

Where the calculation of the Scheme Consideration to be issued to a particular Scheme Shareholder would result in the Scheme Shareholder becoming entitled to a fraction of a cent, the fractional entitlement will be rounded down to the nearest whole cent.

5.4 Unclaimed money

- (a) Japara may cancel a cheque issued under this clause 5 if the cheque:
 - (1) is returned to Japara; 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 Japara (or the Japara Registry) (which request may not be made until the date which is 10 Business Days after the Implementation Date), Japara must reissue a cheque that was previously cancelled under this clause 5.4.
- (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 the *Unclaimed Money Act 2008 (Vic)*).

5.5 Orders of a court or Government Agency

If written notice is given to Japara (or the Japara Registry) or Bidder 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 Japara in accordance with this clause 5, then Japara shall be entitled to procure that provision of that consideration is made in accordance with that order or direction; or
- (b) prevents Japara 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, Japara shall be entitled to retain an amount, in Australian dollars, equal to the number of Scheme Shares held by that Scheme Shareholder multiplied by the Scheme Consideration 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.

6 Dealings in Japara Shares

6.1 Determination of Scheme Shareholders

To establish the identity of the Scheme Shareholders, dealings in Japara 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 CHESSE, the transferee is registered in the Share Register as the holder of the relevant Japara 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 Japara must not accept for registration, nor recognise for any purpose (except a transfer to Bidder pursuant to this Scheme and any subsequent transfer by Bidder 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) Japara 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 Japara to register a transfer that would result in a Japara Shareholder holding a parcel of Japara 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 pursuant to this Scheme, and any attempt to do so will have no effect and Japara shall be entitled to disregard any such disposal or otherwise deal with.
- (c) For the purpose of determining entitlements to the Scheme Consideration, Japara must maintain the Share Register in accordance with the provisions of this clause 6.2 until the Scheme Consideration has been paid to the Scheme Shareholders. The Share Register in this form will solely determine entitlements to the Scheme Consideration.
- (d) All statements of holding for Japara Shares (other than statements of holding in favour of Bidder) 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 (other than entries on the Share Register in respect of Bidder) will cease to have effect except as evidence of entitlement to the Scheme Consideration in respect of the Japara 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 after the Scheme Record Date, Japara will



ensure that details of the names, Registered Addresses and holdings of Japara Shares for each Scheme Shareholder as shown in the Share Register are available to Bidder in the form Bidder reasonably requires.

7 Quotation of Japara Shares

- (a) Japara must apply to ASX to suspend trading on the ASX in Japara Shares with effect from the close of trading on the Effective Date.
- (b) On a date after the Implementation Date to be determined by Bidder, Japara must apply:
 - (1) for termination of the official quotation of Japara 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) Japara may by its counsel consent on behalf of all persons concerned to those alterations or conditions to which Bidder has consented; and
- (b) each Scheme Shareholder agrees to any such alterations or conditions which Japara has consented to.

8.2 Scheme Shareholders' agreements and warranties

- (a) Each Scheme Shareholder:
 - (1) agrees to the transfer of their Japara Shares together with all rights and entitlements attaching to those Japara Shares in accordance with this Scheme;
 - (2) agrees to the variation, cancellation or modification of the rights attached to their Japara Shares constituted by or resulting from this Scheme;
 - (3) agrees to, on the direction of Bidder, destroy any share certificates relating to their Japara Shares;
 - (4) who holds their Japara Shares in a CHESS Holding agrees to the conversion of those Japara Shares to an Issuer Sponsored Holding and irrevocably authorises Japara to do anything necessary or expedient (whether required by the Settlement Rules or otherwise) to effect or facilitate such conversion; and
 - (5) acknowledges and agrees that this Scheme binds Japara 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 Japara and Bidder on the Implementation Date, and appointed and authorised Japara as its attorney and agent to warrant to Bidder on the Implementation Date, that:
- (1) all their Japara Shares (including any rights and entitlements attaching to those shares) which are transferred under this Scheme will, at the date of transfer, 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, and that they have full power and capacity to transfer their Japara Shares to Bidder together with any rights and entitlements attaching to those shares.
 - (2) they have no existing right to be issued any Japara Shares, options or performance rights exercisable into Japara Shares, convertible in Japara or any other Japara securities.
- (c) Japara undertakes that it will provide such warranty in clause 8.2(b) to Bidder 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 Bidder will, at the time of transfer of them to Bidder vest in Bidder 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 clauses 5.1(b) and 5.1(c), Bidder will be beneficially entitled to the Scheme Shares to be transferred to it under this Scheme pending registration by Japara of Bidder in the Share Register as the holder of the Scheme Shares.

8.4 Appointment of sole proxy

Immediately upon the provision of the Scheme Consideration to each Scheme Shareholder in the manner contemplated by clauses 5.1(b) and 5.1(c), and until Japara registers Bidder as the holder of all Scheme Shares in the Share Register, each Scheme Shareholder:

- (a) is deemed to have irrevocably appointed Bidder as attorney and agent (and directed Bidder in each such capacity) to appoint any director, officer, secretary or agent nominated by Bidder 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 Bidder reasonably directs; and



- (d) acknowledges and agrees that in exercising the powers referred to in clause 8.4(a), Bidder and any director, officer, secretary or agent nominated by Bidder under clause 8.4(a) may act in the best interests of Bidder as the intended registered holder of the Scheme Shares.

8.5 Authority given to Japara

Each Scheme Shareholder, without the need for any further act:

- (a) on the Effective Date, irrevocably appoints Japara 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 Bidder, and Japara undertakes in favour of each Scheme Shareholder that it will enforce the Deed Poll against Bidder on behalf of and as agent and attorney for each Scheme Shareholder; and
- (b) on the Implementation Date, irrevocably appoints Japara 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) executing the Scheme Transfer,

and Japara accepts each such appointment. Japara 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 Binding effect of Scheme

This Scheme binds Japara 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 Japara.

9 General

9.1 Stamp duty

Bidder 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 or in connection with 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 Japara doing all things necessary or incidental to, or to give effect to, the implementation of this Scheme, whether on behalf of the Scheme Shareholders, Japara 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 Japara, 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 Japara's registered office or at the office of the Japara Registry.
- (b) The accidental omission to give notice of the Scheme Meeting or the non-receipt of such notice by a Japara Shareholder will not, unless so ordered by the Court, invalidate the Scheme Meeting or the proceedings of the Scheme Meeting.

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

Japara 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 Japara, Bidder nor any director, officer, secretary or employee of Japara shall be liable for anything done or omitted to be done in the performance of this Scheme or the Deed Poll in good faith.

Annexure C. Deed Poll



HERBERT
SMITH
FREEHILLS

Deed

Deed poll

Little Company of Mary Health Care Limited



Deed poll

Date ► 10 September 2021

This deed poll is made

By **Little Company of Mary Health Care Limited**
ABN 11 079 815 697 of Level 12, 135 King Street, Sydney, NSW
2000
(Bidder)

in favour of each person registered as a holder of fully paid ordinary shares in Japara Healthcare Limited in the Share Register as at the Scheme Record Date.

Recitals

- 1 Japara and Bidder entered into the Implementation Deed.
- 2 In the Implementation Deed, Bidder agreed to make this deed poll.
- 3 Bidder is making this deed poll for the purpose of covenanting in favour of the Scheme Shareholders to perform its obligations under the Implementation Deed and 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
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 day on which the adjourned application is heard.



Term	Meaning
Implementation Deed	the scheme implementation deed entered into between Japara and Bidder dated 26 July 2021.
Japara	Japara Healthcare Limited ABN 54 168 631 052 of Q1 Building Level 4, 1 Southbank Boulevard, Southbank, VIC 3006.
Scheme	the scheme of arrangement under Part 5.1 of the Corporations Act between Japara and the Scheme Shareholders under which all of the Scheme Shares will be transferred to the Bidder, substantially in the form attached to the Implementation Deed, 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 Bidder and Japara.

- (b) Unless the context otherwise requires, terms defined in the Scheme have the same meaning when used in this deed poll.

1.2 Interpretation

Sections 1, 2, 3 and 4 of the Scheme apply 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

Bidder 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 Japara 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 Bidder.

2 Conditions to obligations

2.1 Conditions

This deed poll and the obligations of Bidder under this deed poll are subject to the Scheme becoming Effective.

2.2 Termination

The obligations of Bidder 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 Japara and Bidder otherwise agree in writing.

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) Bidder is released from their obligations to further perform this deed poll except those obligations under clause 7.1; and
- (b) each Scheme Shareholder retains the rights they have against Bidder in respect of any breach of this deed poll which occurred before it was terminated.

3 Scheme obligations

3.1 Undertaking to pay Scheme Consideration

Subject to clause 2, Bidder undertakes in favour of each Scheme Shareholder to:

- (a) deposit, or procure the deposit of, in cleared funds, by no later than the Business Day before the Implementation Date, an amount equal to the aggregate amount of the Scheme Consideration payable to all Scheme Shareholders under the Scheme into an Australian dollar denominated trust account operated by Japara as trustee for the Scheme Shareholders, except that any interest on the amounts deposited (less bank fees and other charges) will be credited to Bidder's account; 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 terms of the Scheme.

4 Warranties

Bidder 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
- (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:

- (a) Bidder has fully performed their obligations under this deed poll; or
- (b) the earlier termination of this deed poll 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 Bidder in accordance with the details set out below (or any alternative details nominated by Bidder by Notice).

Attention	Martin Bowles Philip Maloney With copy to Peter Cook
Address	Level 12, 135 King Street, Sydney NSW 2000
Email address	martin.bowles@calvarycare.org.au philip.maloney@calvarycare.org.au pcook@gtlaw.com.au

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.

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	The first to occur of: <ol style="list-style-type: none">1 the sender receiving an automated message confirming delivery; or2 two hours after the time that the email was sent (as recorded on the device from which the email was sent) provided that the sender does not, within the period, receive an automated message that the email has not been delivered.

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

Bidder:

- (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 or in connection with 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) Bidder 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. Bidder and 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) Bidder 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. A waiver is limited to the specific instance to which it relates and to the specific purpose for which it is given.



- (b) No Scheme Shareholder may rely on words or conduct of Bidder as a waiver of any right unless the waiver is in writing and signed by Bidder. A waiver is limited to the specific instance to which it relates and to the specific purpose for which it is given.
- (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 unless:

- (a) if before the First Court Date, the variation is agreed to by Japara; or
- (b) if on or after the First Court Date, the variation is agreed to by Japara and the Court indicates that the variation would not of itself preclude approval of the Scheme,

in which event Bidder 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 Bidder 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 Bidder and each Scheme Shareholder and must not be dealt with at law or in equity without the prior written consent of Bidder.
- (b) Any purported dealing in contravention of clause 7.6(a) is invalid.

7.7 Further action

Bidder must, at their own expense, do all things and execute all documents necessary to give full effect to this deed poll and the transactions contemplated by it.



Signing page

Executed as a deed poll

Signed sealed and delivered by
Little Company of Mary Health Care Limited
by its attorney under the power of attorney with registered book number
BK 4784 No 70 and dated 28 February 2021,
who has no notice of revocation of that power of attorney in the presence of:

sign here ► *DM Bowles*
Signature of witness

print name DEIDRE BOWLES

sign here ► *M Bowles*
Signature of attorney

print name Martin Bowles

Annexure D. Notice of Meeting

Japara Healthcare Limited ACN 168 631 052

Notice of meeting

Notice is hereby given, that by an order of the Federal Court of Australia pursuant to section 411(1) of the *Corporations Act 2001* (Cth), a meeting of shareholders of Japara Healthcare Limited (**Japara**) will be held at 10.00am (Melbourne time) on Thursday, 21 October 2021 (**Scheme Meeting**).

Due to the current restrictions on physical gatherings and travel imposed by governments as a result of the COVID-19 pandemic, and as an important health and safety measure, Japara Shareholders will not be able to attend the Scheme Meeting in person. The Scheme Meeting will be held virtually via an online platform at scheme.japara.com.au, except for those members of the Japara Board and management who are able to attend in person in a safe and permissible manner.

Japara Shareholders and their authorised proxies, attorneys and corporate representatives (each a **Participant**) may participate in the Scheme Meeting via the online platform at scheme.japara.com.au. Participants will be able to listen to the Scheme Meeting, cast an online vote, ask questions online and, subject to receiving a personalised PIN number in advance, speak and ask questions by telephone.

Further information on how to participate in the Scheme Meeting via the online platform and by telephone is set out in the explanatory notes that accompany and form part of this notice and in the Scheme Meeting Online Guide.

Japara Shareholders who are unable to, or do not wish to, participate in the Scheme Meeting, or will not have access to a device or the internet, are encouraged to submit a directed proxy vote as early as possible and in any event by 10.00am (Melbourne time) on Tuesday, 19 October 2021 by completing and submitting a proxy form in accordance with the instructions on that form.

Business of meeting

The purpose of the Scheme Meeting is to consider and, if thought fit, to agree to a Scheme of Arrangement (with or without modification or conditions) to be made between Japara and Japara Shareholders.

Resolution

The Scheme Meeting will be asked to consider, and, if thought fit, to pass the following resolution (**Scheme Resolution**):

“That, pursuant to and in accordance with section 411 of the *Corporations Act 2001* (Cth), the Scheme of Arrangement (the terms of which are described in the Scheme Booklet of which the notice convening this meeting forms part) is agreed to (with or without modification or conditions as approved by the Federal Court of Australia to which Japara and Little Company of Mary Health Care Limited agree).”

By order of the Court and the board of Japara Healthcare Limited.



Bruce Paterson

Company Secretary

Dated 17 September 2021

Explanatory notes

1. Material accompanying this notice

This notice of meeting and the Scheme Resolution should be read in conjunction with the booklet of which this notice forms part (**Scheme Booklet**). The Scheme Booklet contains important information to assist you in determining how to vote on the Scheme Resolution.

Terms used in this notice, unless otherwise defined, have the same meaning as set out in the Glossary in section 9 of the Scheme Booklet.

2. Chairperson

The Court has directed that Linda Bardo Nicholls AO is to act as chairperson of the Scheme Meeting and that if she is unable or unwilling to act, JoAnne Stephenson is to act as chairperson of the Scheme Meeting.

3. Voting

The Japara Directors recommend that you vote in favour of the Scheme Resolution. They each intend to vote, or cause to be voted, all Japara Shares owned or controlled by them in favour of the Scheme Resolution.

4. Quorum

A quorum for a meeting of Japara Shareholders is five or more members present at the meeting and entitled to vote on a resolution at the meeting.

5. Majorities required

In accordance with section 411(4)(a) of the Corporations Act, for the Scheme of Arrangement to be approved by Japara Shareholders, the Scheme Resolution must be passed by:

- unless the Court orders otherwise, a majority in number of Japara Shareholders present and voting (either in person or by proxy); and
- at least 75% of the votes cast on the resolution.

6. Court approval

In accordance with section 411(4)(b) of the Corporations Act, to become effective, the Scheme of Arrangement must be approved by the order of the Court. If the Scheme Resolution set out in this notice is agreed to by the required majorities set out above and the conditions set out in the Scheme of Arrangement are satisfied or waived (where capable of waiver), Japara will apply to the Court for the necessary orders to give effect to the Scheme of Arrangement.

7. Determination of entitlement to participate and vote

For the purposes of the Scheme Meeting, Japara Shares will be taken to be held by the persons who are registered as members at 7.00pm (Melbourne time) on Tuesday, 19 October 2021. Accordingly, registrable transmission applications to transfers registered after this time will be disregarded in determining entitlements to participate in and vote at the Scheme Meeting either online, by proxy or attorney, or in the case of a corporate Japara Shareholder, by a corporate representative.

8. Participation

Participants will be able to participate in the Scheme Meeting via an online platform at scheme.japara.com.au. Participants will need a desktop or mobile / tablet device with internet access to do so.

Participants will be able to listen to the chairperson of the Scheme Meeting and others, and view presentation slides, live and in real-time. Participants will also have the ability to ask questions via the online platform, to speak and ask questions via telephone, and hear all of the discussions that occur at the Scheme Meeting, subject to the connectivity of their devices. In order to ensure an orderly meeting, the chairperson will have authority to make rules (including rules regarding the time permitted for each shareholder to ask questions). The chairperson will explain such rules at the commencement of the Scheme Meeting.

Participants seeking to speak or ask questions via telephone will need to contact the Japara Registry, Link Market Services Limited, on 1800 990 363 (or +61 1800 990 363 if outside Australia) during normal business hours and before 5.00pm (Melbourne time), Tuesday, 19 October 2021 to obtain a personalised PIN number.

To participate and vote using the online platform:

- Japara Shareholders will need their Securityholder Reference Number (**SRN**) or Holder Identification Number (**HIN**) (which is shown on their holding statement or proxy form) and their postcode (or country code if outside Australia) for verification purposes;
- Proxyholders will need their proxy number which the Japara Registry will provide by email within 24 hours prior to the scheduled start of the Scheme Meeting. Alternatively, the proxy number can be obtained by calling the Japara Registry on 1300 554 474 (or +61 1300 554 474 if outside Australia) between 10.00am to 5.00pm (Melbourne time) the day prior to the Scheme Meeting; and
- Attorneys and corporate representatives can log in to the online platform using the SRN/HIN and postcode of the relevant Japara Shareholder.

Further information on how to participate and vote via the online platform, and ask questions during the Scheme Meeting, is set out later in this notice and in the Scheme Meeting Online Guide available on the Scheme website at scheme.japara.com.au.

Registration via the online platform will open 30 minutes prior to the scheduled 10.00am (Melbourne time) start time of the Scheme Meeting. Logging into the online platform at least 15 minutes prior to the start time is recommended. Participants should test the online platform link to see that it works on their device before the Scheme Meeting commences. Further information on device compatibility as well as a step-by-step guide to successfully log in and navigate the online platform is provided in the Scheme Meeting Online Guide.

9. How to vote

Voting at the Scheme Meeting will be conducted by poll.

If you are a Japara Shareholder entitled to vote at the Scheme Meeting, you may vote:

- **online**, by participating and voting via the online platform at scheme.japara.com.au;
- **by proxy**, by completing and submitting the proxy form in accordance with the instructions on that form. To be effective, proxy appointments must be received by the Japara Registry by 10.00am (Melbourne time) on Tuesday, 19 October 2021;
- **by attorney**, by appointing an attorney to participate in and vote at the Scheme Meeting on your behalf and providing a duly executed power of attorney to the Japara Registry by 10.00am (Melbourne time) on Tuesday, 19 October 2021; or
- **by corporate representation**, in the case of a corporation which is a Japara Shareholder, by appointing an authorised corporate representative to participate in and vote at the Scheme Meeting on your behalf and providing a duly executed certificate of appointment (in accordance with section 250D of the Corporations Act) prior to the Scheme Meeting in accordance with section 12.d below.

10. Jointly held securities

If the Japara Shares are jointly held, each of the joint shareholders is entitled to vote. However, if more than one shareholder votes in respect of jointly held Japara Shares, only the vote of the shareholder whose name appears first on the Register will be counted.

11. How to ask questions

Participants will have a reasonable opportunity to ask questions during the Scheme Meeting by using the online 'Ask a Question' function and by telephone. Further details are set out in the Scheme Meeting Online Guide available on the Scheme website at scheme.japara.com.au. Participants can also call the Shareholder Information Line on 1300 857 499 (or +61 1300 857 499 if outside Australia) between 8.30am to 5.30pm (Melbourne time), Monday to Friday, excluding public holidays for more information.

To speak or ask questions via telephone during the Scheme Meeting, Participants will need to contact the Japara Registry, Link Market Services Limited, on 1800 990 363 (or +61 1800 990 363 if outside Australia) during normal business hours and before **5.00pm** (Melbourne time), Tuesday, 19 October 2021 to obtain a personalised PIN number. If your holding cannot be verified by the moderator, you will not be able to speak or ask a question via telephone.

For Participants with a personalised PIN number, please dial 1800 416 188 (or +612 9189 1107 if outside Australia) after 10.00am (Melbourne time) on the day of the Scheme Meeting to speak or ask a question via telephone. You will receive instructions on how to do so during the Scheme Meeting from the phone moderator.

12. Voting

a. Voting online

To vote online, you must participate in the Scheme Meeting via the online platform at scheme.japara.com.au.

Participants will be able to vote directly at any time between the scheduled start of the Scheme Meeting at 10.00am (Melbourne time) on Thursday, 21 October 2021 and the closure of voting as announced by the chairperson of the Scheme Meeting.

To enter the online platform, Japara Shareholders will need their SRN/HIN (which is shown on their holding statement or proxy form) and their postcode (or country code if outside Australia) for verification purposes.

b. Voting by proxy

A Japara Shareholder entitled to participate in and vote at the Scheme Meeting is also entitled to appoint a proxy to participate and vote on their behalf. To do so, they should either mark the box 'Appoint a Proxy' in step 1 of the proxy form to appoint the chairperson of the Scheme Meeting as their proxy, or insert the name and email address of their alternative proxy in the space provided. Please refer to section 13 below for further details in relation to how to submit a proxy form.

The following applies to proxy appointments:

- You may appoint not more than 2 proxies to participate in and act for you at the Scheme Meeting. A proxy need not be a Japara Shareholder and may be an individual or a body corporate.
- If a body corporate is appointed as a proxy, it must ensure that it appoints an individual as its corporate representative in accordance with section 250D of the Corporations Act to exercise its powers as proxy at the Scheme Meeting.
- If two proxies are appointed, each proxy may be appointed to represent a specified number or proportion of your votes. If no such number or proportion is specified, each proxy may exercise half of your votes.
- If you wish to appoint a second proxy, a second paper proxy form should be used and you should clearly indicate on the second proxy form that it is a second proxy and not a revocation of your first proxy. Please contact the Japara Registry on 1300 554 474 (or +61 1300 554 474 if outside Australia) between 9.00am to 5.00pm (Melbourne time), Monday to Friday, excluding public holidays to obtain an additional proxy form or you may copy the proxy form. You cannot appoint a second proxy using the online platform.
- If you hold Japara Shares jointly with one or more other persons, in order for a proxy appointment to be valid, either Japara Shareholder may sign the proxy form.
- A proxy cannot be appointed electronically if they are appointed under a power of attorney or similar authority.
- If you have appointed a proxy and participate in and vote at the Scheme Meeting, your proxy is not entitled to and must not vote on your behalf. However, if you view a live webcast of the Scheme Meeting as a 'visitor', you will not revoke your proxy appointment to participate and vote.
- A vote given in accordance with the terms of a proxy appointment is valid despite the revocation of that appointment, unless notice in writing of the revocation has been received by the Japara Registry before the start of the Scheme Meeting in any of the ways referred to in section 13 below.
- You should consider how you wish your proxy to vote. That is, whether you want your proxy to vote 'for' or 'against', or abstain from voting on, the Scheme Resolution, or whether to leave the decision to the proxy.

If you do not direct your proxy how to vote on the Scheme Resolution, the proxy may vote, or abstain from voting, as he or she thinks fit. If you instruct your proxy to abstain from voting, he or she is directed not to vote on your behalf, and the Japara Shares the subject of the proxy appointment will not be counted in computing the required majorities.

- If you return your proxy form:
 - without identifying a proxy on it, you will be taken to have appointed the chairperson of the Scheme Meeting as your proxy to vote on your behalf; or

- with a proxy identified on it but your proxy does not participate in the Scheme Meeting, the chairperson of the Scheme Meeting will act in place of your nominated proxy and vote in accordance with any directions on your proxy form.

To enter the online platform, proxyholders will need their proxy number which the Japara Registry will provide by email within 24 hours prior to the scheduled start of the Scheme Meeting. Alternatively, the proxy number can be obtained by calling the Japara Registry on 1300 554 474 (or +61 1300 554 474 if outside Australia) between 10.00am to 5.00pm (Melbourne time) the day prior to the Scheme Meeting.

c. Voting by attorney

You may appoint not more than two attorneys to participate in and vote at the Scheme Meeting on your behalf. An attorney need not be a Japara Shareholder and will have the right to vote and also to speak at the Scheme Meeting.

A power of attorney appointing an attorney to participate in and vote at the Scheme Meeting must be duly executed by you and specify your name, the company (that is, Japara), and the attorney, and also specify the meeting(s) at which the appointment may be used. The appointment may be a standing one.

If two attorneys are appointed, each attorney may be appointed to represent a specified number or proportion of your votes. If no such number or proportion is specified, each attorney may exercise half of your votes.

A power of attorney, or a certified copy of such power of attorney, should be received by the Japara Registry before 10.00am (Melbourne time) on Tuesday, 19 October 2021 in any of ways specified for proxy forms in section 13 below, except that a power of attorney or a certified copy of a power of attorney cannot be lodged online or by mobile device.

A single appointed attorney wishing to participate in and vote at the Scheme Meeting via the online platform will require the appointing Japara Shareholder's name and postcode and the SRN/HIN of the shareholding in order to access the online platform.

If two attorneys are appointed, each must contact the Japara Register on 1300 554 474 (or +61 1300 554 474 if outside Australia) during normal business hours and before 10.00am (Melbourne time) on Monday, 18 October 2021 to organise voting and online platform access arrangements.

d. Voting by corporate representative

A corporation that is a Japara Shareholder, or that has been appointed as a proxy, must appoint an individual to act as its representative at the Scheme Meeting. The appointment must comply with the requirements of section 250D of the Corporations Act. A form of certificate may be downloaded via www.linkmarketservices.com.au or obtained from the Japara Registry by calling 1300 554 474 (or +61 1300 554 474 if outside Australia) between 9.00am to 5.00pm (Melbourne time), Monday to Friday, excluding public holidays. The certificate of appointment may set out restrictions on the representative's powers.

The certificate of appointment of corporate representative must be received the Japara Registry prior to the Scheme Meeting. Japara Shareholders may submit the certificate:

- via email, by sending it to vote@linkmarketservices.com.au; or
- in any of the ways specified for proxy forms in section 13 below, except the certificate cannot be lodged online or by mobile device.

If a certificate is completed by an individual or corporation under power of attorney or other authority, the power of attorney or other authority, or a certified copy of the power of attorney or other authority, must accompany the completed certificate unless the power of attorney or other authority has previously been received by the Japara Registry.

A validly appointed corporate representative wishing to participate in and vote at the Scheme Meeting via the online platform will require the appointing Japara Shareholder's name and postcode and the SRN/HIN of the shareholding in order to access the online platform.

13. How to submit a proxy form

To appoint a proxy, you should complete and submit the proxy form in accordance with the instructions on that form.

To be effective, proxy appointments must be received by way of completed proxy forms by the Japara Registry by 10.00am (Melbourne time) on Tuesday, 19 October 2021 in any of the following ways:

- **online:** submitting it online at <https://investorcentre.linkmarketservices.com.au/voting/JHC> by following the prompts;
- **by mobile device:** if you have a smart phone or other compatible mobile device, you can lodge your vote via the Japara Registry's voting website by scanning the QR code on the back of the proxy form. To scan the code, you will need a QR code reader application which can be downloaded for free on your mobile device. Log-in using the SRN/HIN and postcode for your shareholding;
- **by post:** posting it to the Japara Registry, Link Market Services Limited in the reply paid envelope provided (where applicable) or to the following address:
Japara Healthcare Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia;
- **by hand delivery:** depositing it at the Japara Registry, Link Market Services Limited, during normal business hours (and subject to public health orders and restrictions) at the following address:
Level 12, 680 George Street
Sydney NSW 2000; or
- **by fax:** faxing it to the Japara Registry on 02 9287 0309 (or +61 2 9287 0309 if outside Australia).

Please note that proxy forms received after 10.00am (Melbourne time) on Tuesday, 19 October 2021 will be invalid.

If a proxy form is completed by an individual or corporation under power of attorney or other authority, the power of attorney or other authority, or a certified copy of the power of attorney or other authority, must accompany the completed proxy form unless the power of attorney or other authority has previously been received by the Japara Registry.

For more information concerning the appointment of proxies and ways to submit the proxy form, please refer to the proxy form.

14. Proxy voting by the chairperson of the Scheme Meeting

Japara's constitution allows for the chairperson of the Scheme Meeting to be appointed as a proxy including where a Japara Shareholder has not identified the person who may exercise their proxy. If the chairperson of the Scheme Meeting is a proxy, either by appointment or default, and the appointment does not provide any voting directions on the proxy form, by signing and returning the Proxy Form, a Japara Shareholder will be expressly authorising the chairperson of the Scheme Meeting to cast their vote on the Scheme Resolution as the chairperson of the Scheme Meeting sees fit.

The chairperson of the Scheme Meeting intends to vote undirected proxies 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 fair and reasonable and in the best interests of Japara Shareholders.

15. Technical difficulties

Technical difficulties may arise during the course of the Scheme Meeting. The chairperson of the Scheme Meeting has discretion as to whether and how the Scheme Meeting should proceed in the event that a technical difficulty arises. In exercising this discretion, the chairperson of the Scheme Meeting will have regard to the number of Participants impacted and the extent to which participation in the business of the meeting is affected. Where the chairperson of the Scheme Meeting considers it appropriate, they may continue to hold the Scheme Meeting and transact business, including conducting a poll and voting in accordance with valid proxy instructions.

16. Advertisement

Where this notice of meeting is advertised unaccompanied by the Scheme Booklet, a copy of the Scheme Booklet can be obtained by anyone from the ASX's website (www2.asx.com.au) or from Japara's Scheme website at scheme.japara.com.au or by contacting the Japara Registry.

Corporate Directory

Japara Healthcare Limited

Q1 Building Level 4
1 Southbank Boulevard
Southbank, Victoria 3006
Australia

Financial Adviser

Macquarie Capital (Australia) Limited
50 Martin Place
Sydney, New South Wales 2000
Australia

Legal Adviser

Herbert Smith Freehills
Level 24, 80 Collins Street
Melbourne, Victoria 3000
Australia

Share Registry

Link Market Services Limited
Tower 4, 727 Collins Street
Melbourne, Victoria 3000
Australia
Telephone: 1300 554 474 (or +61 1300 554 474 if outside Australia)
Fax: +61 2 9287 0309
Email: registrars@linkmarketservices.com.au

Shareholder Information Line

1300 857 499 (or +61 1300 857 499 if outside Australia)



JAPARA

JAPARA

Japara Healthcare Limited
ABN 54 168 631 052

This proxy form should be read in conjunction with the scheme booklet dated 17 September 2021 issued by Japara Healthcare Limited (**Scheme Booklet**). Words and expressions used in this proxy form have the same meaning given to them in the Scheme Booklet, unless the context requires otherwise.

LODGE YOUR VOTE

-  **ONLINE**
<https://investorcentre.linkmarketservices.com.au/voting/JHC>
-  **BY MAIL**
Japara Healthcare Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia
-  **BY FAX**
+61 2 9287 0309
-  **BY HAND**
Link Market Services Limited
Level 12, 680 George Street, Sydney NSW 2000
-  **ALL ENQUIRIES TO**
Telephone: +61 1300 857 499



X99999999999

PROXY FORM

I/We being a member(s) of Japara Healthcare Limited (the **Company**) and entitled to attend and vote hereby appoint:

APPOINT A PROXY

the chairperson of the Scheme Meeting (mark box)

OR if you are **NOT** appointing the chairperson of the Scheme Meeting as your proxy, please write the name and email of the person or body corporate you are appointing as your proxy. An email will be sent to your appointed proxy with details on how to access the Scheme Meeting.

Name

Email

or failing the person or body corporate named, or if no person or body corporate is named, the chairperson of the Scheme Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the Scheme Meeting to be held at **10:00am (Melbourne time) on Thursday, 21 October 2021 (the Scheme Meeting)** and at any postponement or adjournment of the Scheme Meeting.

Japara Shareholders and their authorised proxies, attorneys and corporate representatives can participate in and vote at the Scheme Meeting via the online platform at **scheme.japara.com.au** (refer to details in the Notice of Meeting).

The chairperson of the Scheme Meeting intends to vote undirected proxies 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 fair and reasonable and in the best interests of Japara Shareholders.

STEP 1

VOTING DIRECTIONS

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Scheme Meeting. Please read the voting instructions overleaf before marking any boxes with an .

Resolution

For Against Abstain*

- 1 That, pursuant to and in accordance with section 411 of the *Corporations Act 2001* (Cth), the Scheme of Arrangement (the terms of which are described in the Scheme Booklet of which the notice convening this meeting forms part) is agreed to (with or without modification or conditions as approved by the Federal Court of Australia to which Japara and Little Company of Mary Health Care Limited agree).

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
--------------------------	--------------------------	--------------------------



* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a poll and your votes will not be counted in computing the required majority on a poll.

STEP 2

SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1 (Individual)

Joint Shareholder 2 (Individual)

Joint Shareholder 3 (Individual)

Sole Director and Sole Company Secretary

Director/Company Secretary (Delete one)

Director

Contact Name

Contact Day Telephone

Date

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).

STEP 3

JHC PRX2101N



HOW TO COMPLETE THIS SHAREHOLDER PROXY FORM

YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on this proxy form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

APPOINTMENT OF PROXY

If you wish to appoint the chairperson of the Scheme Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the chairperson of the Scheme Meeting as your proxy, please write the name and email address of that individual or body corporate in Step 1. If you leave this section blank, the chairperson of the Scheme Meeting will be your proxy. A proxy need not be a shareholder of the Company.

DEFAULT TO CHAIRPERSON OF THE SCHEME MEETING

Any directed proxies that are not voted on a poll at the Scheme Meeting will default to the chairperson of the Scheme Meeting, who is required to vote those proxies as directed. The chairperson of the Scheme Meeting intends to vote all available undirected proxies 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 fair and reasonable and in the best interests of Japara Shareholders.

VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by placing a mark in one of the boxes opposite the Scheme Resolution. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on the Scheme Resolution by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the Scheme Resolution, your proxy may vote as he or she chooses. If you mark more than one box on the Scheme Resolution your vote on that item will be invalid.

APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Scheme Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- on each of the first proxy form and the second proxy form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes (fractions of votes will be disregarded); and
- return both forms together.

SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either shareholder may sign.

Power of Attorney: to sign under power of attorney, you must lodge the power of attorney with the Japara Registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the power of attorney to this form when you return it.

Companies: where the company has a sole director who is also the sole company secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a company secretary, a sole director can also sign alone. Otherwise this form must be signed by a director jointly with either another director or a company secretary. Please indicate the office held by signing in the appropriate place.

CORPORATE REPRESENTATIVES

If a representative of the corporation is to participate in and vote at the Scheme Meeting, via the online platform, the appropriate "Certificate of Appointment of Corporate Representative" must be received at vote@linkmarketservices.com.au prior to the Scheme Meeting in accordance with the Notice of Meeting. A form of the certificate may be obtained from Japara's Registry or online at www.linkmarketservices.com.au.

LODGEMENT OF A PROXY FORM

This proxy form (and any power of attorney under which it is signed) must be received at an address given below by **10:00am (Melbourne time) on Tuesday, 19 October 2021**, being not later than 48 hours before the commencement of the Scheme Meeting. Any proxy form received after that time will not be valid for the scheduled Scheme Meeting.

Proxy forms may be lodged using the reply paid envelope or:



ONLINE

<https://investorcentre.linkmarketservices.com.au/voting/JHC>

Login to the Link voting website using the holding details as shown on the proxy form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of this proxy form).



BY MOBILE DEVICE

Link's voting website is designed specifically for voting online. You can lodge your proxy by scanning the QR code adjacent on your mobile device. Log in using the SRN/HIN and postcode for your shareholding.

QR Code



To scan the code you will need a QR code reader application which can be downloaded for free on your mobile device.



BY MAIL

Japara Healthcare Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia



BY FAX

+61 2 9287 0309



BY HAND

delivering it to Link Market Services Limited*
Level 12
680 George Street
Sydney NSW 2000

*during business hours Monday to Friday (9:00am - 5:00pm) and subject to public health orders and restrictions

Scheme Meeting Online Guide

Before you begin

Ensure your browser is compatible. Check your current browser by going to the website: **whatismybrowser.com**

Supported browsers are:

- Chrome – Version 44 & 45 and after
- Firefox – 40.0.2 and after
- Safari – OS X v10.9 & OS X v10.10 and after
- Internet Explorer 9 and up
- Microsoft Edge - 92.0 and after

To participate and vote you must have your Securityholder Reference Number (SRN) or Holder Identification Number (HIN) and postcode (or country code if outside Australia).

Appointed Proxy: Your proxy number will be provided by the Share Registry (Link) before the Scheme Meeting.

Please make sure you have this information before proceeding.

Scheme Meeting Online Guide

Step 1

Open your web browser and go to <https://agmlive.link/JHC21>

Step 2

Log in to the portal using your full name, mobile number, email address and participant type.

Please read and accept the terms and conditions before clicking on the blue **'Register and Watch Meeting'** button.

The Scheme Meeting webpage will appear showing:

- On the left – a live audio webcast of the Scheme Meeting
- On the right – the presentation slides that will be addressed during the Scheme Meeting
- At the bottom – buttons for 'Get a Voting Card', 'Ask a Question' and the Scheme Booklet (which includes the Notice of Meeting) to download

An illustrative image of a meeting webpage is shown on the next page.

Note: If you close your browser, your session will expire and you will need to re-register. If using the same email address, you can request a link to be emailed to you to log back in.

1. Get a Voting Card

To register to vote – click on the 'Get a Voting Card' button.

This will bring up a box which looks like this.

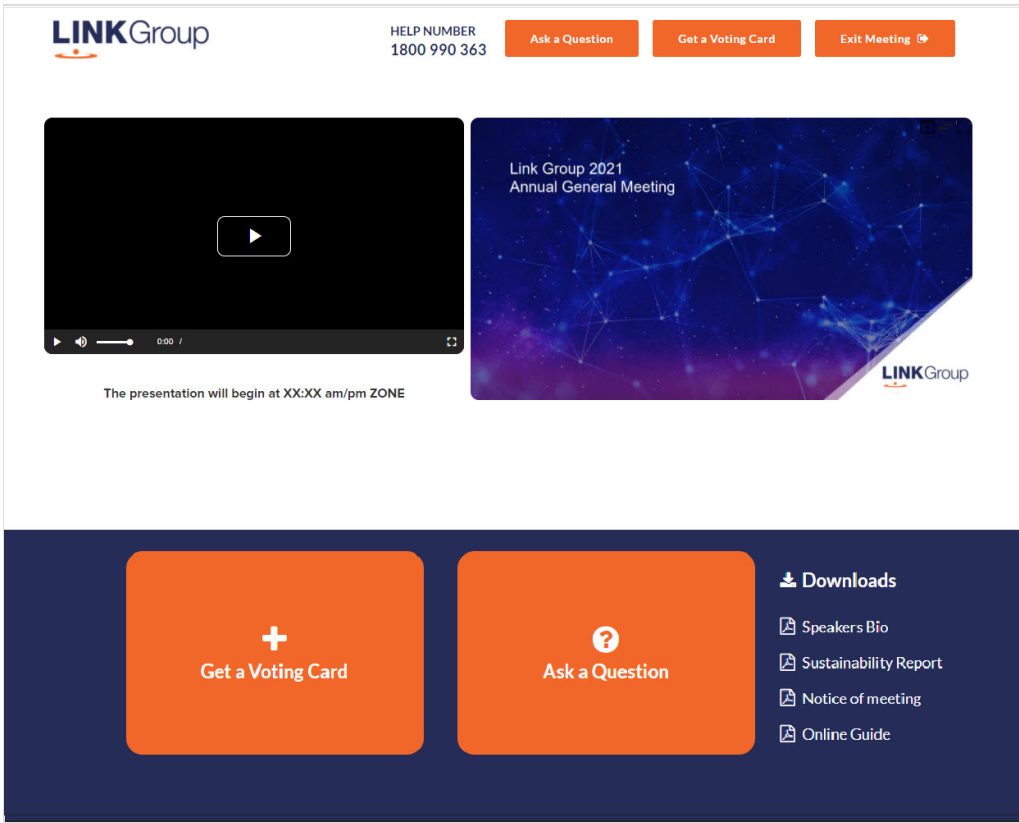
If you are an individual or joint Japara Shareholder (or an authorised attorney or corporate representative), you will need to register and provide validation by entering the SRN/HIN and postcode (or country code if outside Australia) for the relevant shareholding.

If you are an appointed Proxy, please enter the Proxy Number issued by Link in the PROXY DETAILS section. Then click the **'SUBMIT DETAILS AND VOTE'** button.

Once you have registered, your voting card will appear with the Scheme Resolution to be voted on at the Scheme Meeting (as set out in the Notice of Meeting).

Japara Shareholders and proxies can either submit a Full Vote or Partial Vote.

Illustrative image below



Full Votes

To submit a full vote on the Scheme Resolution ensure you are in the **'Full Vote'** tab. Place your vote by clicking on the **'For'**, **'Against'**, or **'Abstain'** voting buttons.

Partial Votes

To submit a partial vote on the Scheme Resolution ensure you are in the **'Partial Vote'** tab.

The total amount of votes that you are entitled to vote will be listed under the Scheme Resolution. When you enter the number of votes it will automatically tally how many votes you have left.

Note: If you are submitting a partial vote and do not use all of your entitled votes, the unvoted portion will be submitted as No Instruction and therefore will not be counted.

Once you have finished voting on the Scheme Resolution scroll down to the bottom of the box and click on the **'Submit Vote'** or **'Submit Partial Vote'** button.

Note: You can close your voting card without submitting your vote at any time while voting remains open. Any votes you have already made will be saved for the next time you open up the voting card. The voting card will appear on the bottom left corner of the webpage. The message **'Not yet submitted'** will appear at the bottom of the page.

You can edit your voting card at any point while voting is open by clicking on **'Edit Card'**. This will reopen the voting card with any previous votes made.

At the conclusion of the Scheme Meeting a red bar with a countdown timer will appear at the top of the Webcast and Slide windows advising the remaining voting time. Please make any changes and submit your voting card/s.

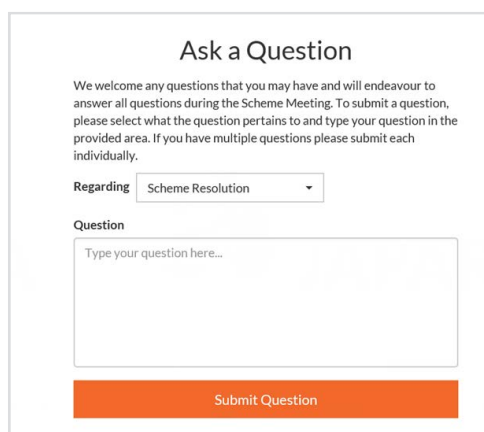
Once voting has been closed all submitted voting cards cannot be changed.

2. How to ask a question

Note: Only Japara Shareholders (and their authorised proxies, attorneys and corporate representatives) are eligible to ask questions.

If you have yet to obtain a voting card, you will be prompted to enter your SRN/HIN or proxy details before you can ask a question. To ask a question, click on the 'Ask a Question' button either at the top or bottom of the webpage.

The 'Ask a Question' box will then pop up with two sections for completion.



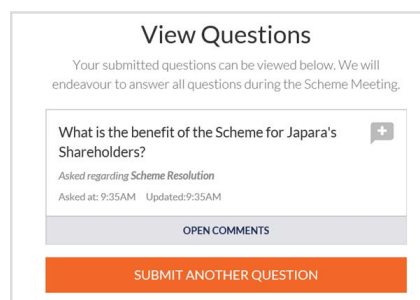
In the 'Regarding' section click on the drop down arrow and select the category for your question.

Click in the 'Question' section and type your question and click on 'Submit Question'.

A 'View Questions' box will appear where you can view your questions at any point. Only you and Japara can see the questions you have asked.

If your question has been answered and you would like to ask another question, please click 'Submit Another Question'.

The chairperson of the Scheme Meeting will endeavour to address as many of the relevant questions as possible during the course of the Scheme Meeting. However, there may not be sufficient time available to address all of the questions raised.



3. Downloads

If you would like to view the Scheme Booklet (which includes the Notice of Meeting), you can do so in the Downloads section.

4. Voting closing

Voting will end 5 minutes after the close of the Scheme Meeting.

At the conclusion of the Scheme Meeting a red bar with a countdown timer will appear at the top of the Webcast and Slide screens advising the remaining voting time.

At the close of the Scheme Meeting, any votes you have placed will automatically be submitted.

5. Phone Participation

Japara Shareholders (and their authorised proxies, attorneys and corporate representatives) may ask questions or speak at the Scheme Meeting via telephone. To do so, a pre-arranged, personalised PIN is required (refer below).

What you will need

- a) Land line or mobile phone
- b) The name and SRN/HIN of your holding/s
- c) To obtain a personalised PIN, please contact the Share Registry, Link Market Services Limited, on 1800 990 363 (or +61 1800 990 363 if outside Australia) during normal business hours and before 5.00pm (Melbourne time) on Tuesday, 19 October 2021.

Joining the Scheme Meeting via Phone

Step 1

From your land line or mobile device, call:
Conference call number: 1800 416 188
International call number: +61 2 9189 1107

Step 2

You will be greeted with a welcome message and provided with instructions on how to participate in the Scheme Meeting. Please listen to the instructions carefully.

At the end of the welcome message you will be asked to provide your PIN by the moderator. This will verify you as a registered Participant and allow you to ask a question and speak at the Scheme Meeting.

Step 3

Once the moderator has verified your details you will be placed into a waiting room where you will hear music playing.

Note: If your holding cannot be verified by the moderator, you will not be able to speak or ask a question via telephone.

Step 4

At the commencement of the Scheme Meeting, you will be connected to the Scheme Meeting where you will be able to listen to proceedings.

Asking a Question

Step 1

When the chairperson of the Scheme Meeting calls for telephone questions, you will be asked to **press *1** on your keypad should you wish to raise your hand to ask a question or speak.

Step 2

When it is time to ask your question or speak, the moderator will introduce you to the Scheme Meeting.

Note: If at any time you no longer wish to ask your question or speak, you can lower your hand by **pressing *2** on your key pad. If you have also joined the Scheme Meeting Online, we ask that you mute your laptop, desktop, tablet or mobile device while you ask your question or speak.

Step 3

Your line may be muted by the moderator once you have asked your question or spoken.

In order to ensure an orderly Scheme Meeting, the chairperson will have authority to make rules (including rules regarding the time permitted to ask questions). The chairperson will explain such rules at the commencement of the Scheme Meeting.

Contact us

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