

ASX ANNOUNCEMENT

2 December 2014

Payroll Review

Japara Healthcare has recently undertaken a review of its payroll system. The review has shown that in some instances loading on overtime was not identified and paid to some employees.

Japara Healthcare is committed to paying amounts owing to current and past employees and has taken immediate steps to address the matter. An external auditor has been engaged to review payroll records and ensure that payments are correctly calculated. The Company has informed and is working with the Fair Work Ombudsman to rectify the matter as quickly and effectively as possible.

While the audit process is not yet complete, the Company's best early estimate of the unpaid amount is approximately \$5 million. The significant majority of the unpaid amount relates to the period prior to listing on the ASX and will be treated as a pre-acquisition balance sheet adjustment. The unpaid amount relating to the period since listing is anticipated to be approximately \$400,000 on a pre-tax basis and will be expensed in FY15. Japara Healthcare confirms previous earnings guidance for FY15.

As previously communicated, the Company will implement a new workforce management system, which will significantly reduce the reliance on manual processing and improve rostering efficiencies. A number of measures have already been put in place to improve rostering and ensure entitlements are correctly paid.

For further information please contact:

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