

ASX APPENDIX 4D

Half year report for the six months ended 31 December 2014

The following, which is provided to the ASX under Listing Rule 4.2A.3, sets out the requirements of Appendix 4D with the stipulated information either provided here or cross-referenced to the Interim Financial Report for the half year ended 31 December 2014, which is attached.

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

Reporting period

Reporting period: The half year ended 31 December 2014

Previous corresponding reporting period: Not applicable

Results for announcement to the market

Japara Healthcare Limited (the "Company") was incorporated on 19 March 2014. This is the first Interim Financial Report for the Company. Accordingly there are no corresponding reporting period comparative results.

Comparison to previous period

	Increase/ Decrease	Change %		\$'000
Revenue from ordinary activities	n/a	n/a	to	135,656
Profit from ordinary activities after tax attributable to members	n/a	n/a	to	15,814
Net profit for the period attributable to members	n/a	n/a	to	15,814

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

Dividends

Interim dividend amount per security	5.5 cents
Interim dividend franked amount per security	Nil
Record date for determining entitlements to the dividend	9 April 2015
Payment date	30 April 2015

The Company does not have a dividend reinvestment plan.

Net tangible assets per security

Net tangible assets per ordinary share as at 31 December 2014: 45.4 cents per share (2013: n/a).

Entities over which control has been gained during the period

On 31 October 2014, the Company acquired Oakleigh Glen Pty Ltd as part of the Whelan Care Business acquisition (refer Note 12 to the interim financial statements).

The Whelan Care Business contributed \$561,000 to the consolidated group's net profit before tax.

Japara Healthcare Limited and Controlled Entities

ABN 54 168 631 052

Consolidated Interim Financial Report

For the Half Year Ended 31 December 2014

Japara Healthcare Limited and Controlled Entities

ABN 54 168 631 052

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For the Half Year Ended 31 December 2014

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Japara Healthcare Limited and Controlled Entities

ABN 54 168 631 052

Directors' Report

For the Half Year Ended 31 December 2014

The directors present their report together with the condensed consolidated interim financial statements of Japara Healthcare Limited (the "Company") and its controlled entities (the "Group") for the half year ended 31 December 2014.

1. Directors

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

Linda Bardo Nicholls AO - Non-Executive Chairman

Andrew Sudholz - Managing Director and CEO

Richard England - Non-Executive Director

Tim Poole - Non-Executive Director

David Blight - Non-Executive Director

2. Principal activities

The principal activity of the Group during the reporting period was that of owner, operator and developer of aged care facilities. No significant change in the nature of these activities occurred during the period.

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

A summary of the Group's statutory revenue and earnings for the half year ended 31 December 2014 is set out below:

	2014
	\$'000
Revenue	135,656
Earnings before, interest, tax, depreciation and amortisation (EBITDA)	25,509
Earnings before interest and tax (EBIT)	20,826
Net profit attributable to members of the parent entity	15,814

The Group continues to grow revenue and earnings in line with its growth strategy outlined in its 2014 Annual Financial Report.

Financial highlights

On 31 October 2014, the Group acquired the Whelan Care business for a consideration of \$23,814,000 net of cash (plus acquisition costs), which added a further 234 resident places to the Group's portfolio with another 24 under construction (expected to be completed in May 2015). The Whelan Care business is expected to contribute to the Groups earnings growth in FY2015 (see notes 12 and 13 of these financial statements for further details).

On 19 December 2014, the Group acquired land in Glen Waverley, Victoria for a consideration of \$3,350,000 (plus acquisition costs). As part of the Group's growth strategy the site will be developed to add a further 65 resident places to the existing portfolio.

Liquidity and capital resources

The Group's principal sources of funds continue to be cash flows from operations and Refundable Accommodation Deposits (RADs). The Group may finance its ongoing operations with operating cash flows, bank borrowings or a combination of both.

Japara Healthcare Limited and Controlled Entities

ABN 54 168 631 052

Directors' Report

For the Half Year Ended 31 December 2014

The Group's cash position is expected to provide sufficient liquidity to meet the Group's anticipated cash requirements.

On 5 August 2014 the Group signed a three year syndicated debt facility agreement with NAB, CBA and ANZ for a total facility of \$95,000,000. The facility will allow the Group to draw funds as and when required in order to assist with construction funding of brownfield and greenfield developments as well as funding for acquisitions.

On 31 October 2014, \$25,000,000 was drawn down to fund part of the purchase of the Whelan Care business (see above). On 27 November 2014, \$15,000,000 was repaid leaving \$10,000,000 outstanding as at 31 December 2014. Subsequent to the reporting date the outstanding balance was repaid in full.

The Group also has in place a Revolving Cash Advance Facility of which \$14,000,000 was drawn at 31 December 2014. The debt was repaid in full during January 2015.

4. Events after the reporting date

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

5. Dividends

A dividend of \$14,468,000 (unfranked) was declared on 25 February 2015 for payment for the half year ended 31 December 2014.

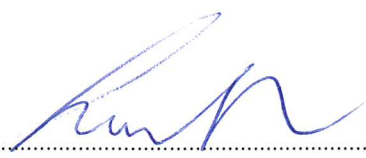
6. Lead auditor's independence declaration

The lead auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001* for the half year ended 31 December 2014 has been received and can be found on page 3 of the financial report.

7. ASIC class order 98/100 rounding of amounts

The Company is an entity to which ASIC Class Order 98/100 applies and, accordingly, amounts in the condensed consolidated interim financial statements and directors' report have been rounded to the nearest thousand dollars, unless otherwise stated.

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

Director: 
Linda Bardo Nicholls AO - Non-Executive Chairman

Director: 
Andrew Sudholz - Managing Director and CEO

Signed and dated at Melbourne on 26 February 2015



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

To: the directors of Japara Healthcare Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2014 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

Darren Scammell
Partner

Melbourne, Australia

26 February 2015

Japara Healthcare Limited and Controlled Entities

ABN 54 168 631 052

Consolidated Statement of Profit or Loss and Other Comprehensive Income**For the Half Year Ended 31 December 2014**

	2014 \$'000
Revenue	135,656
Other income	1,853
Finance income	1,119
Total income	138,628
Details of expenditure	
Employee benefits expense	(89,910)
Resident costs	(9,496)
Occupancy costs	(8,744)
Depreciation and amortisation expense	(4,683)
Administrative expenses	(3,714)
Other expenses	(136)
Finance costs	(1,589)
Total expenses from ordinary activities	(118,272)
Profit before income tax	20,356
Income tax expense	(4,542)
Profit from continuing operations	15,814
Other comprehensive income, net of tax	-
Total comprehensive income for the half year	15,814
Profit attributable to:	
Members of the parent entity	15,814
Total comprehensive income attributable to:	
Members of the parent entity	15,814
Earnings per share	
Basic earnings per share (cents)	6.0
Diluted earnings per share (cents)	6.0

The accompanying notes form part of these financial statements.

Japara Healthcare Limited and Controlled Entities

ABN 54 168 631 052

Consolidated Statement of Financial Position

As At 31 December 2014

		31 December 2014 \$'000	30 June 2014 \$'000
	Note		
ASSETS			
CURRENT ASSETS			
Cash		73,973	28,107
Trade and other receivables		9,932	7,073
Current tax receivable		-	2,702
Other assets		5,387	3,585
TOTAL CURRENT ASSETS		89,292	41,467
NON-CURRENT ASSETS			
Trade and other receivables		2,214	1,210
Financial assets	5	1,093	-
Property, plant and equipment		374,188	340,799
Investment property		30,702	23,312
Deferred tax assets		15,173	15,050
Intangible assets	6	411,793	383,042
TOTAL NON-CURRENT ASSETS		835,163	763,413
TOTAL ASSETS		924,455	804,880
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		34,202	20,320
Other liabilities		9,471	9,331
Borrowings	8	25,255	15,817
Income tax payable		1,494	-
Other financial liabilities	9	294,303	220,904
Short-term provisions		26,071	22,527
TOTAL CURRENT LIABILITIES		390,796	288,899
NON-CURRENT LIABILITIES			
Long-term provisions		2,322	1,994
TOTAL NON-CURRENT LIABILITIES		2,322	1,994
TOTAL LIABILITIES		393,118	290,893
NET ASSETS		531,337	513,987
EQUITY			
Issued capital		517,848	516,755
Retained earnings		13,489	(2,768)
TOTAL EQUITY		531,337	513,987

The accompanying notes form part of these financial statements.

Japara Healthcare Limited and Controlled Entities

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Consolidated Statement of Changes in Equity**For the Half Year Ended 31 December 2014**

	Ordinary Shares	Retained Earnings	Total
	\$'000	\$'000	\$'000
Balance at 1 July 2014	516,755	(2,768)	513,987
Comprehensive income			
Profit attributable to members of the group	-	15,814	15,814
Total comprehensive income	-	15,814	15,814
Transactions with owners of the company			
Issue of shares	1,093	-	1,093
Equity settled share-based payment	-	443	443
Total transactions with owners of the company	1,093	443	1,536
Balance at 31 December 2014	517,848	13,489	531,337

The accompanying notes form part of these financial statements.

Japara Healthcare Limited and Controlled Entities

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Consolidated Statement of Cash Flows**For the Half Year Ended 31 December 2014**

	2014
Note	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers	148,779
Payments to suppliers and employees	(111,550)
Interest received	1,032
Finance costs paid	(1,666)
Net cash provided by operating activities	36,595
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of land & buildings	(4,931)
Proceeds from sale of land	716
Purchase of plant and equipment	(1,553)
Capital works in progress	(8,074)
Purchase of resident places	(493)
Acquisition of aged care business, net of cash	12(d) (23,814)
Other acquisitions and acquisition related costs	(6,282)
Net cash used in investing activities	(44,431)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Proceeds from bank borrowings	25,000
Repayment of bank borrowings	(15,000)
Equity raising costs	(1,265)
Proceeds from accommodation bonds/RADs & ILU resident loans	74,498
Repayment of accommodation bonds/RADs & ILU resident loans	(29,531)
Net cash provided by financing activities	53,702
Net increase (decrease) in cash and cash equivalents held	45,866
Cash and cash equivalents at beginning of year	28,107
Cash and cash equivalents at end of the half year	73,973

The accompanying notes form part of these financial statements.

Japara Healthcare Limited and Controlled Entities

ABN 54 168 631 052

Notes to the Financial Statements

For the Half Year Ended 31 December 2014

Note 1 Reporting entity

Japara Healthcare Limited (the "Company") is a company domiciled in Australia. These condensed consolidated interim financial statements ("interim financial report") as at and for the six months ended 31 December 2014 comprise the Company and its subsidiaries (together referred to as the "Group"). The principle activity of the Group during the reporting period was that of owner, operator and developer of aged care facilities.

The consolidated annual financial statements of the Group as at and for the period ended 30 June 2014 are available upon request from the Company's registered office at Q1 Building, Level 4, 1 Southbank Boulevard, Southbank VIC 3006 or at www.japarahealthcare.com.au.

Note 2 Basis of preparation

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

The interim financial report is intended to provide users with an update on the latest financial results and position of the Group. As such it does not contain information that represents relatively insignificant changes occurring during the half year within the Group. This interim financial report does not include all the notes normally included in an annual financial report. It is therefore recommended that this interim financial report be read in conjunction with the consolidated annual financial statements of the Group for the period ended 30 June 2014, together with any public announcements made during the half year.

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

This interim financial report was approved by the Board of Directors on 26 February 2015.

Note 3 Use of estimates and judgements

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

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated annual financial statements as at and for the period ended 30 June 2014.

Measurement of fair values

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

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

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

Notes to the Financial Statements

For the Half Year Ended 31 December 2014

Note 3 Use of estimates and judgements (continued)

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

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

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

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

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

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

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

Further information about the assumptions made in measuring fair values are included in the following notes:

- Note 5 - Share-based payment arrangements; and
- Note 12 - Acquisition of Whelan Care Business

Note 4 Segment reporting

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

Notes to the Financial Statements

For the Half Year Ended 31 December 2014

Note 5 Share-based payment arrangements

Description of equity settled share option arrangements

Following the listing on the Australian Securities Exchange, the Company granted rights under three different equity-settled share option arrangements: the Offer bonus; the Loan Plan; and the Rights Plan. No further rights have been granted since 30 June 2014. The key terms and conditions of each arrangement are summarised below.

Key terms and conditions

Share-based payment arrangements	Number of instruments 000's	Vesting conditions	Vesting date
Rights granted to key management personnel			
Offer bonus	150	2 years service from grant date	17/04/2016
Loan Plan	547	Subject to performance hurdles	30/06/2017
Rights Plan	198	Subject to performance hurdles	30/06/2017
Rights granted to other employees			
Offer bonus	626	2 years service from grant date	17/04/2016
Total rights	1,521		

In respect of the Loan Shares granted to the CEO under the Loan Plan, the grant date of the Loan Shares is deemed to be 17 April 2014 for accounting purposes. However, the shares were issued and the loan was drawn upon on 25 August 2014, therefore neither the loan nor the Loan Shares appear on the Statement of Financial Position as at 30 June 2014. At 31 December 2014, an amount of \$1,093,000 is included as a non-current Financial Asset on the Statement of Financial Position and the issued share capital has increased by the same amount (547,000 ordinary shares).

Users of these financial statements should refer to the most recent consolidated annual financial statements for the terms, conditions and measurement techniques of each equity-settled share option arrangement.

Note 6 Intangible assets and goodwill

	Goodwill \$'000	Resident places \$'000	Total \$'000
Balance as at 1 July 2014	259,002	124,040	383,042
Additions	-	493	493
Acquisitions through business combinations	-	28,258	28,258
Balance as at 31 December 2014	259,002	152,791	411,793

Japara Healthcare Limited and Controlled Entities

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Notes to the Financial Statements

For the Half Year Ended 31 December 2014

Note 7 Issued Capital

	31 December 2014 000's No.	30 June 2014 000's No.
At the beginning of the reporting period	262,500	-
Issued in the period	547	262,500
At the end of the reporting period	263,047	262,500

The holders of ordinary shares are entitled to participate in dividends and the proceeds on winding up of the Company. On a show of hands at meetings of the Company, each holder of ordinary shares has one vote in person or by proxy, and upon a poll, each share is entitled to one vote.

On 25 August 2014, the Company issued 547,000 shares to the CEO in accordance with the terms of the Loan Plan (see Note 5).

The Company does not have authorised capital or par value in respect of its shares.

Note 8 Loans and borrowings

	31 December 2014 Note	30 June 2014 \$'000
CURRENT		
Secured liabilities:		
Bank loan	8(a) 24,000	14,000
Other loans	1,255	1,817
Total current borrowings	25,255	15,817

(a) Bank loan facilities

Revolving Cash Advance Facility

On 12 June 2014, the Group entered into a Revolving Cash Advance Facility. The facility is non-amortising and the debt is unsecured. Interest is payable at BBSY+1.30%. The facility limit is \$17,000,000 of which \$14,000,000 was drawn as at 31 December 2014. The debt was repaid in full on 9 January 2015.

Syndicated Facility Agreement

On 5 August 2014, the Group signed a three year Syndicated Debt Facility Agreement with NAB, CBA and ANZ for a total facility of \$95,000,000. The facility will allow the Company to draw funds as and when required to in order to assist with construction funding of brownfield developments and greenfield developments as well as funding for acquisitions where required.

On 31 October 2014, \$25,000,000 was drawn down to fund part of the purchase of the Whelan Care Portfolio (see Note 12). On 27 November 2014, \$15,000,000 was repaid leaving \$10,000,000 outstanding as at 31 December 2014. Subsequent to the reporting date, the outstanding balance was repaid in full on 28 January 2015.

Notes to the Financial Statements

For the Half Year Ended 31 December 2014

Note 9 Other Financial Liabilities

		31 December	30 June
		2014	2014
	Note	\$'000	\$'000
CURRENT			
Accommodation bonds/Refundable Accommodation Deposits (RADs)	9(a)	271,241	205,327
Independent Living Unit (ILU) resident loans	9(b)	23,062	15,577
		294,303	220,904

(a) Accommodation bonds/RADs

Accommodation bonds/RADs are non-interest bearing deposits made by aged care facility residents to the Group upon their admission to a residential aged care facility.

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

(b) ILU resident loans

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

On 31 October 2014, the Group acquired the Whelan Care business (see note 12) which included accommodation bond/RAD balances and ILU resident loans totalling \$30,854,000. This amount was not received in cash but forms part of the closing liability.

Note 10 Contingencies

In the opinion of the Directors, the Company did not have any contingent liabilities as at 31 December 2014.

Note 11 Events occurring after the reporting date

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

Notes to the Financial Statements

For the Half Year Ended 31 December 2014

Note 12 Acquisition of Whelan Care Business

On 31 October 2014, the Company acquired certain assets and shares from entities associated with the Whelan Care Group ("Whelan Care Business") which consisted of:

- 100% of the shares and voting rights of Oakleigh Glen Pty Ltd, a company that owns and operates two aged care facilities in South Australia - Mitcham (38 resident places) and Oaklands (88 resident places);
- The business and assets of another two aged care facilities in South Australia – Trevu at Willaston (45 resident places) and The Homestead (63 resident places);
- The business and assets of 41 Independent Living Apartments (ILAs) at The Homestead; and
- The titles to all land and buildings on which each of the abovementioned businesses operate.

(a) Consideration transferred

The consideration transferred was \$41,048,000. \$25,000,000 was drawn down from the debt facility to fund the acquisition and the remaining \$16,048,000 was funded from cash. The \$25,000,000 debt raised has subsequently been repaid (see Note 8).

(b) Identifiable assets and liabilities assumed

The following table summarises the recognised amounts of assets and liabilities assumed at the acquisition date:

	31 October
	2014
	\$'000
Cash	17,234
Trade and other receivables	1,369
Property, plant and equipment	24,552
Investment property	7,460
Deferred tax assets	530
Intangible assets	28,258
Trade and other payables	(1,199)
Other financial liabilities - accommodation bonds/RADs/ILU loans	(30,854)
Provisions	(1,768)
Total	45,582

Measurement of fair values

The valuation techniques used for measuring the fair value of material assets acquired were as follows:

Property, plant and equipment

Property, plant and equipment have been valued by an independent expert.

Land and buildings have been valued using a combination of the direct comparison and capitalisation approaches.

Plant and equipment has been valued at the depreciated replacement cost which reflects adjustments for physical deterioration as well as functional and economic obsolescence.

Investment property

Investment property has been valued by an independent expert using a combination of the direct comparison and capitalisation approaches.

Notes to the Financial Statements

For the Half Year Ended 31 December 2014

Note 12 Acquisition of Whelan Care Business (continued)

Intangible assets

Intangible assets represent resident places valued using a going concern market value of the Whelan Care Business to determine the value of the resident places. The valuation was based upon a discounted cash flow, with the value of the resident places determined after the fair value of the tangible assets were deducted from the valuation. Five year forecast cash flows generated by the Whelan Care Business, discount rates of 13.0% - 14.5% and a long term growth rate into perpetuity of 4.7% were used in the discounted cash flow model. Using this methodology, a going concern market value of the business of \$31,234,000 was ascertained.

Independent valuations of the Whelan Care Business were obtained from CBRE as at 30 June 2014. These valuations were determined by a combination of the capitalisation approach and the direct comparison approach giving a going concern market value (net of liabilities) of circa \$33,800,000.

(c) Discount on acquisition

A discount on acquisition has been recognised in the Statement of Profit or Loss as part of 'Other income' as follows:

	2014
	\$'000
Fair value of identifiable net assets	45,582
Consideration	(41,048)
	<hr/>
	4,534
Less acquisition and integration related costs	(3,827)
	<hr/>
Total	707

Acquisition and integration related costs include legal fees, due diligence, stamp duty and the costs incurred by the acquisition department associated with the acquisition of the Whelan Care Business.

(d) Acquisition of Whelan Care Business, net of cash

	2014
	\$'000
Consideration	41,048
Less cash acquired	(17,234)
	<hr/>
Total cost of acquisition, net of cash	23,814

Note 13 Acquisition of Trevu at Gawler

On 22 August 2014, the Group entered into contracts to purchase the land and buildings of the Trevu at Gawler aged care facility located in South Australia for a total consideration of \$12,734,500. The building is currently under construction and when completed will accommodate 69 residents.

The agreement includes the transfer of 24 resident places from the vendor to the Company. The remaining 45 resident places will be transferred from the Trevu at Willaston facility acquired on 31 October 2014 (see Note 12). Should they wish, all residents will be relocated from Trevu at Willaston to Trevu at Gawler.

Settlement will occur when construction is completed, occupancy permits have been granted and the transfer of resident places are approved by the Department of Social Services. This is expected to occur in May 2015.

Japara Healthcare Limited and Controlled Entities

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Notes to the Financial Statements

For the Half Year Ended 31 December 2014

Note 14 Acquisition of Japara Group

On 22 April 2014, the Company acquired 100% of the shares and voting interests of the Japara Group. The acquisition met the definition of a business combination in accordance with *AASB 3: Business Combinations* and was treated as such in the consolidated annual financial report for the period ended 30 June 2014.

In accordance with *AASB 3*, during the measurement period (not to exceed one year from the acquisition date) the acquirer shall retrospectively adjust the provisional amounts recognised at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date.

Adjustment 1

The Company has obtained new information about facts and circumstances that existed as of the acquisition date relating to overtime wages payable. Had these facts been known at the acquisition date the payable would be \$4,920,000 greater than the amount disclosed in the consolidated annual financial report for the period ended 30 June 2014. This provision gives rise to a deferred tax asset of \$1,476,000 and therefore has a net effect of increasing Goodwill at acquisition by an amount of \$3,444,000.

Adjustment 2

Following a review of the opening taxation balances, the Company has determined that the deferred tax balances arising due to timing differences on property, plant & equipment and resident places do not exist at the acquisition date as a result of the resetting of the tax cost base, making them equal to the fair value taken up at acquisition. This has resulted in an increase in the deferred tax asset of \$4,943,000 and therefore a decrease in the goodwill balance of the same amount.

The new information obtained has resulted in the following adjustments to the provisional amounts recognised at 22 April 2014:

	Provisional balance as reported \$'000	Adjustment 1 \$'000	Adjustment 2 \$'000	As restated \$'000
Trade and other payables	(39,743)	(4,920)	-	(44,663)
Deferred tax assets	4,169	1,476	4,943	10,588
Goodwill	260,501	3,444	(4,943)	259,002

As a result of this new information, the statement of financial position as at 30 June 2014 has been restated as follows:

	Provisional balance as reported \$'000	Adjustment 1 \$'000	Adjustment 2 \$'000	As restated \$'000
Trade and other payables	(15,400)	(4,920)	-	(20,320)
Deferred tax assets	8,631	1,476	4,943	15,050
Intangible assets	384,541	3,444	(4,943)	383,042

Japara Healthcare Limited and Controlled Entities

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Directors' Declaration

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 4 to 15 are in accordance with the *Corporations Act 2001*, including:
 - (a) complying with Accounting Standard AASB 134: Interim Financial Reporting; and
 - (b) give a true and fair view of the consolidated group's financial position as at 31 December 2014 and of its performance for the half-year ended on that date.
2. In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Director

Linda Bardo Nicholls AO - Non-Executive Chairman

Director

Andrew Sudholz - Managing Director and CEO

Signed and dated at Melbourne on 26 February 2015



Independent auditor's review report to the members of Japara Healthcare Limited

We have reviewed the accompanying half-year financial report of Japara Healthcare Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2014, condensed consolidated statement of profit or loss and comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes 1 to 14 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the Company and the entities it controlled at the half-year's end or from time to time during the half-year period.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Japara Healthcare Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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



Conclusion

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

- (a) giving a true and fair view of the Group's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A stylized, handwritten signature in black ink, appearing to read 'KPMG'.

KPMG

A handwritten signature in black ink, reading 'Darren Scammell'.

Darren Scammell
Partner

Melbourne

26 February 2015