

JAPARA

HEALTHCARE

ACN 168 631 052

**NOTICE OF ANNUAL GENERAL MEETING
2016**

to be held on

Friday 21 October 2016
at 2.00pm

Alto Room
The Langham, Melbourne
One Southgate Avenue
Southbank
Victoria, Australia

JAPARA HEALTHCARE LIMITED

ACN 168 631 052

Dear Shareholder

On behalf of the Board I am pleased to invite you to attend the 2016 Annual General Meeting (**AGM**) of Japara Healthcare Limited. The following information is enclosed:

- Notice of Annual General Meeting;
- Explanatory Memorandum;
- Proxy form;
- Shareholder Question form; and
- Reply paid envelope for lodging your proxy form and/or sending any written questions to the Share Registry before the AGM.

AGM

The AGM will be held on Friday 21 October 2016 at 2.00pm Australian Eastern Daylight Time (**AEDT**) at The Langham, Melbourne (Alto Room), One Southgate Avenue, Southbank, Victoria, Australia. You are invited to join the Board and senior management for refreshments after the AGM.

Business of the AGM

The business of the AGM is set out in the Notice of Annual General Meeting. The Explanatory Memorandum sets out important information relating to the matters to be considered by Shareholders at the Meeting and I encourage you to read those materials carefully.

Attendance

If you are attending the AGM, please bring your personalised proxy form to assist the Share Registry to register your attendance at the Meeting. The registration desk will be open from 1.30pm.

If you are unable to attend in person, you may wish to appoint a proxy to attend and vote at the Meeting in your place. Please refer to the Notice of Annual General Meeting and proxy form regarding the appointment of a proxy.

A live audio webcast of the AGM will be available to shareholders who are unable to attend, the details of which will be released to the ASX ahead of the meeting. An archive of the webcast will also be available on the Company's website on the following day.

Shareholder questions

Shareholders may direct questions about the operations and management of Japara Healthcare, to the Chairman or if in relation to the content or the conduct of the audit report, to Japara HealthCare's auditor (KPMG). Please submit your written questions using the accompanying Shareholder Question form to the Share Registry prior to 5.00pm AEDT on 14 October 2016. Alternatively you may complete the Shareholder Question form online before 5.00pm AEDT on 14 October 2016 by logging on to your holding at www.linkmarketservices.com.au and selecting "Voting".

We will respond to as many of the more frequently asked questions as possible at the Meeting.

I look forward to seeing you at the AGM if you are able to attend.

Yours sincerely



Linda Bardo Nicholls AO
Chairman, Japara Healthcare Limited

NOTICE OF ANNUAL GENERAL MEETING 2016

Notice is hereby given that the 2016 Annual General Meeting (**AGM** or **Meeting**) of members of Japara Healthcare Limited (**Japara Healthcare** or the **Company**) will be held:

Date: 21 October 2016

Time: 2.00pm AEDT

Venue: The Langham, Melbourne (Alto Room), One Southgate Avenue, Southbank, Victoria, Australia

The Explanatory Memorandum accompanying this Notice of Annual General Meeting provides additional information on matters to be considered at the AGM. The Explanatory Memorandum and proxy form are part of this Notice of Annual General Meeting.

BUSINESS

A. CONSIDERATION OF REPORTS

To receive and consider the Financial Report, the Directors' Report and the Independent Auditor's Report of the Company for the period ended 30 June 2016.

Unless specifically requested, Shareholders have not been sent a hard copy of the Annual Report. Shareholders can view the Annual Report, which contains each of the above reports, on Japara Healthcare's website at japarahealthcare.com.au under the Investor section.

B. QUESTIONS & COMMENTS

Following consideration of the reports referred to above, Shareholders will have an opportunity to ask questions or comment about the management of the Company. The Chairman will also provide Shareholders with an opportunity to ask the Auditor questions relevant to:

- the conduct of the audit;
- the preparation and content of the Independent Auditor's Report;
- the accounting policies adopted by the Company in relation to the preparation of the financial statements; and
- the independence of the Auditor in relation to the conduct of the audit.

The Chairman will also provide the Auditor an opportunity to answer any written questions submitted by Shareholders that are relevant to the content of the Independent Auditor's Report or the conduct of the audit. A list of any written questions submitted by Shareholders will be made available at the start of the AGM and any written answer tabled by the Auditor at the Meeting will be made available as soon as practicable thereafter.

RESOLUTION 1: REMUNERATION REPORT

To consider and, if thought fit, pass the following resolution as an advisory resolution of the Company:

That the Company's Remuneration Report for the period ended 30 June 2016 (as set out in the Directors' Report) be adopted.

RESOLUTION 2: RE-ELECTION OF DIRECTOR – DAVID BLIGHT

To consider and, if thought fit, pass the following as an ordinary resolution of the Company:

That David Blight, a Non Executive Director of the Company, who retires in accordance with rule 8.1 of the Company's Constitution, offers himself for re-election and being eligible, is re-elected as a Director of the Company.

RESOLUTION 3: RE-ELECTION OF DIRECTOR – LINDA BARDO NICHOLLS AO

To consider and, if thought fit, pass the following as an ordinary resolution of the Company:

That Linda Bardo Nicholls AO, a Non Executive Director of the Company, who retires in accordance with rule 8.1 of the Company's Constitution, offers herself for re-election and being eligible, is re-elected as a Director of the Company.

RESOLUTION 4: APPROVAL OF PARTICIPATION OF ANDREW SUDHOLZ IN THE COMPANY'S EQUITY INCENTIVE PLAN

To consider and, if thought fit, pass the following as an ordinary resolution of the Company:

That the grant of up to 398,663 performance rights to the Company's Chief Executive Officer and Managing Director, Andrew Sudholz, under the Company's Equity Incentive Plan, as described in the Explanatory Memorandum, be approved for the purposes of Listing Rule 10.14 and all other purposes.

RESOLUTION 5: RENEWAL OF PROPORTIONAL TAKEOVER APPROVAL PROVISIONS

To consider and, if thought fit, pass the following as a special resolution of the Company:

That the Proportional Approval Takeover provisions, forming part of the Company's Constitution, be renewed for a period of three (3) years until 21 October 2019.

By Order of the Board



**Bruce Paterson
Company Secretary**

19 August 2016

ENTITLEMENT TO VOTE

In accordance with Regulation 7.11.37 of the Corporations Regulations 2001 (Cth), the Board has determined that persons who are registered holders of Shares as at 7.00pm AEDT on 19 October 2016 will be entitled to attend and vote at the AGM as a Shareholder.

If more than one joint holder of Shares is present at the AGM (whether personally, by proxy or by attorney or by representative) and tenders a vote, only the vote of the joint holder whose name appears first on the register will be counted.

Voting by Proxy

If you are a Shareholder entitled to attend and vote at the AGM, you may appoint an individual or a body corporate as a proxy. If a body corporate is appointed as a proxy, that body corporate must ensure that it appoints a corporate representative in accordance with section 250D of the Corporations Act to exercise its powers as proxy at the AGM.

A proxy need not be a Shareholder of the Company.

A Shareholder may appoint up to two proxies and specify the proportion or number of votes each proxy may exercise. If the Shareholder does not specify the proportion or number of votes to be exercised, each proxy may exercise half of the Shareholder's votes. If you wish to appoint a second proxy, an additional proxy form may be obtained by telephoning the Company's Share Registry and return them both together.

To be effective, the proxy must be received at the Share Registry of the Company no later than 2.00pm AEDT on 19 October 2016, being 48 hours before the AGM. Proxies must be received by one of the following methods:

By Post: Japara Healthcare Limited
c/- Link Market Services Limited, Locked Bag A14
Sydney South NSW 1235 Australia

Online: www.linkmarketservices.com.au

By Facsimile: +61 2 9287 0309

By Hand: Link Market Services Limited
(within business hours) Level 12, 680 George Street
Sydney NSW 2000

To be valid, a proxy must be received by the Company in the manner stipulated above. The Company reserves the right to declare invalid any proxy not received in this manner.

If the proxy's appointment specifies the way to vote on a resolution, the proxy must vote on the resolution in the way specified (subject to the other provisions of this notice, including the voting restrictions noted below).

Proxy Voting by Chairman

The Chairman of the Meeting will vote undirected proxies in favour of all items. The voting exclusions on Key Management Personnel (**KMP**) in Resolution 1 do not apply to the Chairman of the Meeting acting as proxy, if their appointment expressly authorises the Chairman of the Meeting to exercise the proxy even if that item is connected directly or indirectly with the remuneration of a KMP of Japara Healthcare.

Voting by Attorney

A proxy form and the original power of attorney (if any) under which the proxy form is signed (or a certified copy of that power of attorney or other authority) must be received by the Company no later than 2.00pm AEDT on 19 October 2016, being 48 hours before the AGM.

Corporate Representatives

A body corporate who is a Shareholder, or which has been appointed as a proxy, is entitled to appoint any person to act as its representative at the AGM. The appointment of the representative must comply with the requirements of section 250D of the Corporations Act. The representative should bring to the AGM a properly executed letter or other document confirming their authority to act as the company's representative.

Voting at the Meeting

In accordance with the Company's constitution, voting on each of the proposed resolutions at the Meeting will be conducted by a show of hands unless a poll is demanded in accordance with the Corporations Act.

Voting exclusion statements

Resolution 1

A vote on Resolution 1 must not be cast (in any capacity) by or on behalf of:

- a. a member of the KMP whose remuneration is included in the 2016 Remuneration Report; and
- b. a closely related party (such as close family members and any controlled companies) of such a KMP.

However, the Company will not disregard a vote cast on Resolution 1 as a proxy for a person who is entitled to vote and:

- a. the proxy appointment is in writing and specifies how the proxy is to vote (for, against, abstain); or
- b. the vote is cast by the Chairman of the Meeting and:
 - i. the appointment does not specify how the proxy is to vote; and
 - ii. the appointment expressly authorises the Chairman of the Meeting to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the KMP.

If you appoint the Chairman of the Meeting as your proxy and you do not direct your proxy how to vote on Resolution 1 on the proxy form, you will be expressly authorising the Chairman of the Meeting to exercise your proxy even if Resolution 1 is connected directly or indirectly with the remuneration of a member of the KMP, which includes the Chairman of the Meeting.

For the purposes of this voting exclusion, 'KMP' are the directors and those others persons who have authority and responsibility for planning, directing and controlling the activities of the Company, either directly or indirectly, as listed in the Remuneration Report for the year ended 30 June 2016. Their 'closely related parties' are defined in the Corporations Act, and include certain of their family members, dependants and companies they control.

Resolution 4

A vote cast on Resolution 4 must not be cast (in any capacity) by or on behalf of:

- a. Andrew Sudholz (as the only director of the Company entitled to participate in the Company's Equity Incentive Plan); and
- b. an associate of Andrew Sudholz.

However, the Company will not disregard a vote cast on Resolution 4 as a proxy for a person who is entitled to vote and:

- a. the proxy appointment is in writing and specifies how the proxy is to vote (for, against, abstain); or
- b. the vote is cast by the Chairman of the AGM in accordance with a direction on the proxy form to vote as the proxy decides.

Explanatory Memorandum

INTRODUCTION

This Explanatory Memorandum has been prepared for the information of Shareholders in Japara Healthcare in relation to the business to be conducted at the Company's AGM to be held on 21 October 2016.

The purpose of this Explanatory Memorandum is to provide Shareholders with information that is reasonably required by Shareholders to decide how to vote upon the resolutions.

Resolution 1 is an advisory resolution.

Resolutions 2 to 4 are ordinary resolutions requiring a simple majority of votes cast in favour by Shareholders entitled to vote on the resolutions.

Resolution 5 is a special resolution requiring at least 75% of the votes cast in favour by Shareholders entitled to vote on the resolution.

ITEMS A & B: FINANCIAL STATEMENTS AND REPORTS – QUESTIONS & COMMENTS

As required by section 317 of the Corporations Act, the Financial Report, Directors' Report and Independent Auditor's Report of Japara Healthcare for the period ended 30 June 2016 will be presented for consideration by Shareholders.

The 2016 Annual Report (which contains each of the above reports) is available on the Company's website at japarahealthcare.com.au under the Investor section.

Shareholders will be provided with the opportunity to ask questions about or make comments on the reports, Japara Healthcare's management or about Japara Healthcare generally, but there will be no formal resolution put to the Meeting. KPMG, the Company's Auditor, will attend the AGM and Shareholders will be given the opportunity to ask questions relating to the audit.

RESOLUTION 1: ADOPTION OF THE REMUNERATION REPORT

Section 250R of the Corporations Act requires that the section of the Directors' Report dealing with the remuneration of Directors and other Key Management Personnel (**Remuneration Report**) be put to Shareholders for adoption by way of a non-binding vote.

The Remuneration Report sets out the remuneration arrangements of the Company for Directors and other Key Management Personnel of Japara Healthcare.

The Remuneration Report is set out in the Company's 2016 Annual Report, available on the Company's website japarahealthcare.com.au under the Investor section.

The Chairman of the Meeting will give Shareholders a reasonable opportunity to ask questions about or make comments on the Remuneration Report.

Recommendation: The Directors recommend that you vote in favour of this advisory resolution.

RESOLUTION 2: RE-ELECTION OF DAVID BLIGHT

In accordance with rule 8.1 of the Constitution, Mr David Blight retires, and being eligible, offers himself for re-election as a Director of Japara Healthcare.

David Blight was appointed as a Non Executive Director of Japara Healthcare on 19 March 2014. He is Chairman of the Remuneration and Nomination Committee and a member of the Audit, Risk and Compliance Committee and the Zero Harm Committee.

David holds a Bachelor of Applied Science in Property Resource Management (Valuation) from the University of South Australia and is a Board member of APREA (Australian Chapter).

David has more than 30 years' experience in the real estate industry, across all major global markets and property sectors.

He is currently Managing Director and CEO of ARA Australia Pty Ltd, the Australian business of the Singapore listed ARA Group. ARA is an Asia Pacific real estate investment management firm with over \$30 billion in funds under management.

David's previous roles include Vice Chairman of ING Real Estate and Global Chairman and CEO of ING Real Estate Investment Management based in The Netherlands. He has also held senior executive positions with Armstrong Jones, Mirvac Group and APN Property Group.

The Board considers David Blight to be independent.

Recommendation: The Directors (with David Blight abstaining) recommend that Shareholders vote in favour of Resolution 2.

RESOLUTION 3: RE-ELECTION OF LINDA BARDO NICHOLLS AO

In accordance with rule 8.1 of the Constitution, Ms Linda Bardo Nicholls AO retires, and being eligible, offers herself for re-election as a Director of Japara Healthcare.

Linda was appointed as a Non Executive Director of Japara Healthcare on 19 March 2014. She is Chairman of the Company.

Linda holds a Masters of Business Administration from Harvard Business School and a Bachelor of Arts in Economics from Cornell University, and is a Life Fellow of the Australian Institute of Company Directors.

She has more than 30 years experience across Australia, New Zealand and the United States as a senior executive and company director.

She is currently a non executive director of ASX listed companies Fairfax Media and Medibank Private and a director of the Olivia Newton John Cancer Research Institute. Linda was previously Chairman of Healthscope, Australia Post, Yarra Trams and Keolis-Downer Group, and was a director of Pacific Brands Group, St George Bank and Sigma Pharmaceuticals Group.

The Board considers Linda Bardo Nicholls AO to be independent.

Recommendation: The Directors (with Linda Bardo Nicholls AO abstaining) recommend that Shareholders vote in favour of Resolution 3.

RESOLUTION 4: APPROVAL OF PARTICIPATION OF ANDREW SUDHOLZ IN THE COMPANY'S EQUITY INCENTIVE PLAN

The Board proposes to issue performance rights under the Company's Equity Incentive Plan (**EIP**) to the Company's Chief Executive Officer and Managing Director, Mr Andrew Sudholz. The terms of the rights proposed to be issued to Andrew Sudholz are set out below.

Rationale for issue of rights to Andrew Sudholz under the EIP

Andrew Sudholz's participation in the EIP will tie this component of his performance based remuneration to the long-term performance of the Company which, the Board believes, will further encourage him to focus on creating value for Shareholders and to remain with the Company. Andrew Sudholz currently participates in the EIP with respect to long-term incentive arrangements previously approved by Shareholders.

Terms of the performance rights

A summary of the key rules of the EIP under which the performance rights will be granted to Andrew Sudholz is set out below:

- Unless the Board determines otherwise, no payment is required for the grant of a performance right.
- A performance right will entitle the participant to one Share (or, in certain circumstances, to a cash payment in lieu of a Share) once applicable conditions have been satisfied.
- Subject to the Board's discretion, performance rights will only vest if each vesting condition and all other relevant conditions advised to the participant by the Board in an offer have been satisfied. Vesting conditions are determined by the Board and may include conditions relating to any or all of:
 - continuing employment;
 - performance of the participant;
 - performance of the Company; or
 - the occurrence of specific events.
- If the participant remains an employee and applicable vesting conditions are not satisfied during the relevant performance period, those performance rights will lapse. Participants must not sell, transfer, encumber, hedge or otherwise deal with performance rights.
- The Board has discretion over the treatment of performance rights in the event of a change of control of the Company and cessation of employment.

Approval for the purposes of the Listing Rules

Listing Rule 10.14 provides that a listed entity must only allow directors or their associates to acquire securities under an employee incentive scheme with the approval of shareholders and provided the Notice of Meeting complies with the requirements set out in Listing Rules 10.15 or 10.15A.

The EIP is an employee incentive scheme for the purposes of the Listing Rules.

The Board proposes to grant performance rights to Andrew Sudholz, each of which will entitle him to a Share (or, in certain circumstances, to a cash payment in lieu of a Share) once applicable conditions are satisfied, and therefore seeks Shareholder approval under Listing Rule 10.14.

Terms on which the performance rights will be issued to Mr Sudholz

Subject to the approval of Resolution 4, it is proposed that up to 398,663 performance rights will be granted to Andrew Sudholz. These performance rights will be subject to the gateway hurdles and a vesting condition (**Performance Conditions**) described below.

If the gateway hurdles are met and the vesting condition is satisfied, Andrew Sudholz's performance rights will vest and he will be entitled to the number of Shares in respect of those rights which have vested. He will then be entitled to deal with the Shares in accordance with the rules of the EIP (and subject to other legal restrictions, such as under the Company's policy for dealing in securities).

The performance rights are subject to a **performance period** of three years from 1 July 2016 to 30 June 2019.

Subject to the Board's discretion in the event of cessation of employment, if the gateway hurdles are not met or the vesting condition is not satisfied, none of the performance rights issued to Andrew Sudholz will vest. Any performance rights that remain unvested at the end of the performance period will lapse.

Gateway hurdles

The proposed grant of performance rights to Andrew Sudholz (and other senior executives of the Company under the EIP) is subject to the following gateway hurdles:

- the Company must maintain ongoing aged care accreditation and compliance;
- there must be no material breach with regulatory guidelines across the Company's business; and
- the Company's earnings before interest, tax, depreciation and amortisation (EBITDA) for the year ending 30 June 2017 must meet or exceed a threshold target to be determined by the Board (subject to any adjustments for abnormal or unusual profit items that the Board, in its discretion, considers appropriate).

EPS vesting condition

The proposed grant of performance rights to Andrew Sudholz (and other senior executives of the Company under the EIP) is also linked to an earnings per share (**EPS**) hurdle. EPS is derived from the Group's net profit after tax in accordance with Australian Accounting Standards and the weighted average number of Shares on issue during the financial year (see note B4 to the Company's financial statements in the 2016 Annual Report).

The EPS hurdle is measured by calculating the Compound Annual Growth Rate (**CAGR**) of EPS for the performance period and comparing this to the CAGR of EPS targets as set out in the table below:

Group's CAGR of EPS over the performance period	% of performance rights subject to the CAGR of EPS hurdle
Below 5%	Nil
At 5%	40%
Between 5% and 10%	Increasing on a straight line basis
At or in excess of 10%	100%

These targets are set by the Board to reflect the Board's performance expectations for the financial years between 1 July 2016 to 30 June 2019 (that is, during the performance period), taking into account prevailing market conditions and outlook, as well as the performance achieved by the Company for the 2016 financial year. In setting the EPS targets, the Board aims to strike an appropriate balance between making the targets achievable and motivating exceptional performance of its executives.

In the Board's view, the vesting condition that must be satisfied before the performance rights vest links the value of the rights to the continued performance and growth of the Company and, therefore, provides a significant incentive for the Chief Executive Officer.

In accordance with Listing Rules 10.14 and 10.15 and the Corporations Act, the following information is also provided in relation to Andrew Sudholz's proposed participation in the EIP.

Maximum number of securities that may be issued to Andrew Sudholz if Shareholder approval is provided	Andrew Sudholz will be granted up to 398,663 performance rights. The formula used to calculate the maximum number of rights to be granted to Andrew Sudholz is based on 1.0 times Andrew Sudholz's maximum total fixed remuneration at the time of grant, divided by the volume weighted average price of the Company's Shares over the 10 days ended 30 June 2016, being \$2.52.
The date by which the Company will issue the securities	The Board has resolved to grant the performance rights to Andrew Sudholz no later than 12 months following the AGM, subject to Shareholders approving Resolution 4.
Price at which the performance rights will be issued	The performance rights will be issued at nil cost. Once the performance rights vest, each performance right entitles Andrew Sudholz to one Share at nil cost.
Information required under Listing Rule 10.15.4 and 10.15.4A	No other Directors are eligible to participate in the EIP on the basis that all Directors, other than Andrew Sudholz, are non executive Directors and are, therefore, ineligible to be Participants in the EIP. 365,779 performance rights were granted under the EIP to Andrew Sudholz at nil cost on 29 February 2016, This grant related to long term incentive for the 2016 financial year (with a three year performance period ending 30 June 2018) as approved by Shareholders at the Company's 2015 Annual General Meeting.
Terms of any Loan	No Loan will be provided by the Company in relation to the grant of the performance rights proposed to be made to Andrew Sudholz.
Directors' interest in the outcome of the resolution	Other than Andrew Sudholz, no other Director has an interest in the outcome of this Resolution.

Approval of potential termination benefits

The benefits that can be given to people who hold a 'managerial or executive office' on leaving their employment with a company are restricted under section 200B of the Corporations Act. A benefit in connection with a person ceasing to hold such an office may only be given by a company where the benefit falls within an exemption under the Corporations Act or is approved by shareholders.

The term 'benefit' has a wide meaning which may extend to the benefits Andrew Sudholz may receive through the Board exercising its discretion under the EIP when Andrew Sudholz ceases to be employed by the Company.

Under the EIP, where Andrew Sudholz ceases his employment before the Performance Conditions are satisfied, the Board may exercise its discretion to determine that some or all of his performance rights will vest (immediately or subject to conditions) and therefore be entitled to a Share per vesting performance right or cash payment in lieu of a Share. The exercise of this discretion may constitute a 'benefit' for the purposes of section 200B of the Corporations Act.

Accordingly, the Board seeks shareholder approval for the exercise of the Board's discretion in respect to Andrew Sudholz's participation in the EIP in the event that he holds:

- a managerial or executive office in the Company at the time of cessation of his employment or at a time in the preceding three years; and
- unvested performance rights at the time of cessation of his employment.

If shareholder approval is given, the value of this benefit will not be counted towards the cap in the termination benefits that can be given to managerial or executive officers without shareholder approval.

The value of the proposed benefit cannot be ascertained at the time of this Notice as the number of vesting performance rights and the value of the resulting Shares will depend on various matters including:

- the level of discretion exercised by the Board in determining the number of performance rights that vest;
- the time of cessation of Mr Sudholz's employment; and
- the Shares price at the time of vesting.

Recommendation: The Directors (other than Andrew Sudholz, who has abstained from making a recommendation) recommend that Shareholders vote in favour of Resolution 4.

RESOLUTION 5: RENEWAL OF PROPORTIONAL TAKEOVER APPROVAL PROVISIONS

The Corporations Act permits a company to include in its constitution provisions prohibiting the registration of a transfer of securities resulting from acceptance of an offer made under a proportional takeover bid (i.e. where a takeover bid is made to acquire less than 100% of the company's issued securities under an offer for a specified proportion of the holding of each shareholder), unless shareholders in a general meeting approve the bid. Provisions of this kind are designed to make sure that Shareholders have a proper opportunity to consider the merits of a proportional takeover bid and to assist Shareholders to receive maximum value for their securities if a proportional takeover bid for securities in the Company is made.

Rule 6 of the Constitution contains provisions (**Provisions**) dealing with approval of proportional takeover bids for the Company's securities in accordance with the Corporations Act.

It is a requirement of the Corporations Act that the Provisions apply for a maximum period of three (3) years, unless renewed. The Provisions were last approved by Shareholders at a general meeting of the Company held on 4 April 2014 and accordingly will expire next year prior to the 2017 Annual General Meeting. If renewed, the Provisions will remain exactly the same and will have effect for a period of three (3) years, commencing on the date the resolution is passed, unless renewed by a further special resolution of Shareholders or set aside by a court order. If the resolution to renew the Provisions is passed, the holders of 10% of the Company's securities may, within 21 day after the day on which the resolution is passed, apply to the court to have the alteration set aside. The court can only set aside the alteration if the court is satisfied that it is appropriate in all the circumstances to do so.

The Corporations Act requires that the following information be provided to Shareholders when considering the inclusion of proportional takeover provisions in the Constitution.

Effect of the Proportional Takeover Approval Provisions

If a company's constitution includes proportional takeover provisions and if a proportional takeover bid is made, directors must convene a meeting of the shareholders of the class of securities for which an offer has been made to vote on a resolution to approve the bid. The takeover bidder and its associates are not entitled to vote on this resolution. To be effective in approving the bid, the resolution must be passed prior to the 14th day before the last day of the bid period or a later date allowed by the Australian Securities & Investments Commission (**the Deadline**). The Provisions proposed for renewal provide that an approving resolution is taken to be passed if greater than 50% of the votes on the resolutions are voted in favour of the proportional takeover bid, excluding votes of the bidder and its associates. If no such resolution is voted on by the Deadline, a resolution approving the bid is taken to have been passed. If a resolution to approve the bid is rejected, binding acceptances to

acquire securities are required to be rescinded and all unaccepted offers and offers failing to result in binding contracts are taken to have been withdrawn. If the bid is approved or taken to have been approved, transfers resulting from the offers may be registered provided they comply with other provisions of the Corporations Act and the Constitution. The Provisions do not apply to full takeover bids (being bids for all the securities in a particular class) and expire three years after the date they are approved, unless renewed by Shareholders by special resolution or set aside by a court order.

Reasons for Proposing the Resolution

The Directors consider that renewal of the Provisions is in the interests of all Shareholders. Without the Provisions, a proportional bid can be used to acquire control of the Company without Shareholders being given the opportunity to dispose of all of their securities in the Company to the bidder. Shareholders may be exposed to the risk of being left as a minority in the Company and to the risk of the bidder being able to acquire control of the Company without payment of an adequate control premium for their securities. The Provisions allow Shareholders to decide whether a proportional takeover bid should be permitted to proceed. Apart from these general considerations, the Directors are not in a position to point to any special factual matters or principles as a basis for the proposal. Further, to assess the merits of the proposal, Shareholders need to make a judgement as to what events are likely to occur during the three (3) year life of the proposed renewal of the Provisions.

Present Acquisition Proposals

As at the date of the accompanying Notice of Annual General Meeting, no Director is aware of any proposal by any person to acquire, or to increase the extent of, a substantial interest in the Company.

Review of Previous Operation of Proportional Takeover Approval Provisions

For a proposed resolution to renew proportional takeover approval provisions, the Corporations Act requires that Shareholders be given a statement which retrospectively examines the advantages and disadvantages, for Shareholders and Directors, of the proportional takeover approval provisions proposed to be renewed for the period during which the provisions have been in effect. The Directors advise that they are not aware of any potential proportional takeover bid that was discouraged by the existence of the Provisions, and are not aware of any additional advantages and disadvantages during that period beyond those discussed below.

Review of Potential Advantages and Disadvantages

The Corporations Act also requires that Shareholders be given a statement of the potential future advantages and disadvantages of the proportional takeover approval provisions for the Shareholders and Directors. This information follows:

Potential Advantages

For Shareholders, the Provisions will enable Shareholders to have an opportunity to consider, discuss in general meeting and vote on whether any proportional takeover bid should be approved. This means that Shareholders will have an opportunity to present their views in respect to any potential change in ownership and control of the Company resulting from a proportional takeover, and have an opportunity to vote against a proportional takeover bid which may result in a situation arising in which Shareholders may be locked in as a powerless minority. This may allow Shareholders to act in a more cohesive manner and may increase their bargaining power in the face of a proportional bid. Even Shareholders who have accepted the bid, perhaps because they feel constrained to do so, may oppose the bid at the meeting. Greater than 50% of the votes voted at the meeting must be voted in favour of the bid, excluding votes of the bidder and its associates, in order to approve a proportional bid. This will enable Shareholders to prevent a proportional takeover bid proceeding if they believe that control of the Company should not be permitted to change under the bid. Directors believe that this will assist in making sure that the terms of any proportional bid are structured so as to be attractive and fairly priced to a majority of Shareholders. The Provisions may also discourage the making of a proportional takeover bid that might be considered opportunistic. For the Directors, the Provisions enable Directors to ascertain the views of Shareholders on a proportional takeover bid. The Directors would also remain free to make a recommendation on whether a partial takeover offer should be accepted or not.

Potential Disadvantages

For Shareholders, it may be argued that the Provisions may reduce the likelihood of a successful proportional takeover bid for securities in the Company and, as a result, any proportional takeover bids for the Company may be discouraged. This, in turn, may reduce the opportunities which Shareholders may have to sell their securities at an acceptable price (or premium) to persons seeking control of the Company. It may also be argued that the Provisions reduce “takeover speculation” in respect to the Company and the price of securities may be potentially decreased.

In addition, the Provisions constitute a restriction on the ability of individual Shareholders to deal freely with their securities, as an individual Shareholder who wishes to accept an offer for their securities under a proportional takeover bid will be unable to do so unless greater than a majority of eligible Shareholders who vote are in favour of the bid. The Provisions also mean that, if a proportional takeover bid is made, the Company will incur the cost of calling a Shareholders’ meeting to vote on the bid. For the Directors, there are no specific disadvantages following from renewal of the Provisions. The Directors note that it may be argued that the renewal of the Provisions is an advantage to them as a takeover defence mechanism that could protect the incumbent Board against a proportional bid. However, the Directors believe that argument ignores the basic object of the Provisions, which is to empower Shareholders, not the Board.

Recommendation: the Directors consider that renewal of the Provisions for a further term of three (3) years is in the best interests of Shareholders and unanimously recommend that Shareholders vote in favour of Resolution 5.

DEFINITIONS

Terms used in the Notice of Annual General Meeting including the Explanatory Memorandum have the following meanings:

AEDT means Australian Eastern Daylight Time.

ASX means ASX Limited ACN 008 624 691 or the Australian Securities Exchange (as the context required).

Board means the Board of Directors of the Company.

Company or **Japara Healthcare** means Japara Healthcare Limited ACN 168 631 052.

Constitution means the Company's constitution.

Corporations Act means the *Corporations Act 2001* (Cth) as amended from time to time.

Director means a director of the Company.

Explanatory Memorandum means this explanatory memorandum.

Group mean the Company and its controlled entities.

Listing Rules means the listing rules of ASX as amended from time to time.

Key Management Personnel or **KMP** has the meaning given to that term in the accounting standards and broadly includes those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director (whether executive or otherwise).

Meeting (or **AGM**) means the Annual General Meeting of members of the Company to be held on 21 October 2016 at The Langham, Melbourne (Alto Room), One Southgate Avenue, Southbank, Victoria at 2.00pm AEDT.

Notice of Annual General Meeting means this notice of annual general meeting, including the Explanatory Memorandum and the proxy form.

Resolutions means the resolutions set out in the Notice of Annual General Meeting, or any one of them, as the context requires.


Share means a fully paid ordinary share in the capital of the Company.

Shareholder (or **member**) means a registered member of the Company.

Share Registry means Link Market Services Limited.


LODGE YOUR VOTE

 **ONLINE**
www.linkmarketservices.com.au

 **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 554 474



X99999999999

PROXY FORM

I/We being a member(s) of Japara Healthcare Limited and entitled to attend and vote hereby appoint:

APPOINT A PROXY

the Chairman of the Meeting (mark box)

OR if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate you are appointing as your proxy

STEP 1

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the 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 Annual General Meeting of the Company to be held at **2:00pm (AEDT) on Friday, 21 October 2016 at The Langham, Melbourne (Alto Room), One Southgate Avenue, Southbank, Victoria, Australia** (the Meeting) and at any postponement or adjournment of the Meeting.

Important for Resolution 1: If the Chairman of the Meeting is your proxy, either by appointment or by default, and you have not indicated your voting intention below, you expressly authorise the Chairman of the Meeting to exercise the proxy in respect of Resolution 1, even though the Resolution is connected directly or indirectly with the remuneration of a member of the Company's Key Management Personnel (**KMP**).

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

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 Meeting.

Please read the voting instructions overleaf before marking any boxes with an

Resolutions

	For	Against	Abstain*		For	Against	Abstain*
1 Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	5 Renewal of Proportional Takeover Approval Provisions	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Re-election of Director – David Blight	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
3 Re-election of Director – Linda Bardo Nicholls AO	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
4 Approval of Participation of Andrew Sudholz in the Company's Equity Incentive Plan	<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 show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

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

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).

JHC PRX1601C



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 the 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 Chairman of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name of that individual or body corporate in Step 1. A proxy need not be a shareholder of the Company.

DEFAULT TO CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Proxy Form, including where the Resolution is connected directly or indirectly with the remuneration of KMP.

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 each item of business. 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 any item 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 items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item 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 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:

- (a) 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
- (b) 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 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 attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Company's share 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 **2:00pm (AEDT) on Wednesday, 19 October 2016**, being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy Forms may be lodged using the reply paid envelope or:



ONLINE

www.linkmarketservices.com.au

Login to the Link 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 the Proxy Form).



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)

**IF YOU WOULD LIKE TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING, PLEASE BRING THIS FORM WITH YOU.
THIS WILL ASSIST IN REGISTERING YOUR ATTENDANCE.**