

ASX APPENDIX 4D

Half year report for the six months ended 31 December 2016

This Appendix 4D, together with the attached Interim Financial Report for the half year ended 31 December 2016 (**Interim Financial Report**), comprise the information required to be given to the ASX in accordance with Listing Rule 4.2A.

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

Reporting period

Reporting period: The half year ended 31 December 2016

Previous corresponding reporting period: The half year ended 31 December 2015

Results for announcement to the market

Financials

	2016 \$'000	2015 \$'000	Up/Down	Change
Revenue from ordinary activities	177,093	154,036	Up	14.97%
Profit from ordinary activities after tax attributable to members	14,633	16,211	Down	9.73%
Net profit for the period attributable to members	14,633	16,211	Down	9.73%

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

Dividends

	Amount per share (cents)	Franked amount per share at 30% tax rate (cents)	Payment Date	Record Date
2017 interim dividend	5.50	5.50	28/04/17	28/03/17
2016 final dividend	5.75	5.75	31/10/16	28/09/16

The Company has a dividend reinvestment plan (**DRP**) which will operate in respect of the 2017 interim dividend. No discount will be applied when determining the price at which shares will be issued under the DRP for this dividend. The last date and time for receipt of an election notice to participate in the DRP for the 2017 interim dividend is 29 March 2017 at 5.00pm (AEDT).

Net tangible assets per security

Net tangible assets per ordinary share as at 31 December 2016: 26.0 cents (2015: 25.0 cents).

Entities over which control has been gained or lost during the period

No entities were acquired or sold during the period.

Japara Healthcare Limited and Controlled Entities

ABN 54 168 631 052

Consolidated Interim Financial Report

For the Half Year Ended 31 December 2016

Japara Healthcare Limited and Controlled Entities

ABN 54 168 631 052

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For the Half Year Ended 31 December 2016

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Japara Healthcare Limited and Controlled Entities

ABN 54 168 631 052

Directors' Report

For the Half Year Ended 31 December 2016

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 2016 ("Interim Financial Report").

1. Directors

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

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

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

A summary of the Group's statutory revenue and earnings for the half year ended 31 December 2016 is set out below:

	2016	2015
	\$'000	\$'000
Revenue and other income	178,501	155,857
Earnings before, interest, tax, depreciation and amortisation (EBITDA)	29,055	28,123
Earnings before interest and tax (EBIT)	22,335	22,593
Profit attributable to members of the parent entity	14,633	16,211

The Group continues to grow revenue in line with its growth strategy outlined in its 2016 Annual Financial Report.

Financial highlights

Revenue and other income for the half year of \$178,501,000 were up by \$22,644,000 on the prior comparative period. Revenue benefited from four completed brownfield developments and a full period contribution from the Profke Aged Care Business. Average underlying occupancy for the half year was 94.4% (2015: 94.6%) excluding the facilities acquired as part of the purchase of the Profke Aged Care Business and facilities undergoing brownfield developments. An increase in average Aged Care Funding Instrument per resident per day attributable to an increase in average resident acuity and indexation, also contributed to revenue uplift during the half year.

EBITDA increased to \$29,055,000 for the half year, up \$932,000 on the prior comparative period. EBITDA was impacted by a number of costs incurred in the half year that were outside, or greater than, the normal course of business. These costs included organisational restructuring costs and non-recurring marketing expenditure. The Group continued to actively manage staff costs having regard to increasing resident needs, facility ramp-ups and acquisition integration.

EBIT and profit attributable to members of the parent entity were \$22,335,000 and \$14,633,000 respectively, both down on the prior comparative period due to an increase in depreciation, financing costs required to fund growth and a one-off tax benefit received last year.

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

Japara Healthcare Limited and Controlled Entities

ABN 54 168 631 052

Directors' Report

For the Half Year Ended 31 December 2016

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

Towards the end of the reporting period the Group completed extensions and significant refurbishments at Kirralee, Ballarat (13 places), George Vowell, Mt Eliza (34 places) and St Judes, Narre Warren (30 places) (all Victorian sites). The Group has also completed the significant refurbishment of its facility at Central Park, Windsor (also Victoria).

On 28 October 2016, the Group completed the purchase of land at Rye, Victoria for a total consideration of \$3,719,000 (plus acquisition costs). The site will be developed to add a further circa 99 resident places to the Group's existing portfolio.

On 15 December 2016, the Group entered into a contract to acquire land in Reservoir, Victoria for consideration of \$5,200,000 (plus acquisition costs). The site will be developed to add a further circa 120 resident places to the Group's existing portfolio. Settlement is expected to occur in the second half of 2017.

On 16 December 2016, the Group entered into a contract to acquire land in Highton, Victoria for consideration of \$3,500,000 (plus acquisition costs). The site will be developed to add a further circa 120 resident places to the Group's existing portfolio. Settlement is expected to occur in October 2017.

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

Capital management

The Group's principal sources of funds continue to be cash flows from operations and Refundable Accommodation Deposits (RADs), \$37,393,000 (2015: \$36,218,000) and \$28,963,000 (2015: \$30,110,000) (net of inflows and outflows) respectively. These are the Group's current principal sources of funds outside of bank borrowings.

During the half year, the Group maintained a syndicated debt facility agreement with NAB, CBA and ANZ for a total facility of \$220,000,000. The facility allows the Group to draw funds as and when required to assist with construction funding of brownfield and greenfield developments as well as funding for acquisitions.

During the half year \$14,850,000 was drawn down and \$3,350,000 was repaid. A total of \$71,000,000 (2015: \$46,800,000) was drawn down against the facility as at the reporting date; cash held at the reporting date was \$63,227,000 (2015: \$45,811,000). Subsequent to this date, a further net \$1,000,000 has been drawn down to fund brownfield and greenfield developments.

3. Events after the reporting date

Acquisition of greenfield development sites

On 13 January 2017, the Group entered into a contract to acquire land in Mitchelton, Queensland for consideration of \$5,280,000 (plus acquisition costs). The site will be developed to add a further circa 100 resident places to the Group's existing portfolio. Settlement is expected to occur in August 2017.

On 18 January 2017, the Group entered into a contract to acquire land in Robina, Queensland for consideration of \$5,100,000 (plus acquisition costs). The site will be developed to add a further circa 105 resident places to the Group's existing portfolio. Settlement is expected to occur in August 2017.

Japara Healthcare Limited and Controlled Entities

ABN 54 168 631 052

Directors' Report

For the Half Year Ended 31 December 2016

3. Events after the reporting date (continued)

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

4. Dividends

A fully franked final dividend of 5.75 cents per share for the year ended 30 June 2016 was paid on 31 October 2016. The final dividend amount of \$15,162,000 was paid partly in cash and partly in shares under the Group's Dividend Reinvestment Plan.

A fully franked interim dividend of 5.50 cents per share for the half year ended 31 December 2016 has been determined and is payable on 28 April 2017. The potential interim dividend amount of \$14,583,000 is based on the number of shares on issue at the date of this report. This amount has not been recognised in the Interim Financial Report as it was determined subsequent to the half year end.

5. Lead auditor's independence declaration

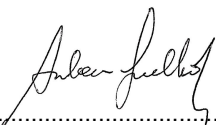
The lead auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001* for the half year ended 31 December 2016 has been received. A copy of this declaration can be found on page 4 of the Interim Financial Report and forms part of this report.

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

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

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

Director: 
Richard England - Non-Executive Director

Director: 
Andrew Sudholz - Managing Director and CEO

Signed and dated at Melbourne on 27 February 2017



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 2016 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

27 February 2017

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Half Year Ended 31 December 2016

	31 December 2016 \$'000	31 December 2015 \$'000
Revenue	177,093	154,036
Other income	1,408	1,821
Total revenue and other income	178,501	155,857
Employee benefits expense	(121,262)	(103,112)
Resident costs	(14,069)	(12,256)
Occupancy costs	(8,398)	(7,593)
Depreciation and amortisation expense	(6,720)	(5,530)
Administrative expenses	(5,717)	(4,160)
Other expenses	-	(613)
Earnings before interest and tax	22,335	22,593
Finance income	314	558
Finance costs	(1,903)	(1,246)
Profit before income tax	20,746	21,905
Income tax expense	(6,113)	(5,694)
Profit from continuing operations	14,633	16,211
Other comprehensive income, net of tax	-	-
Total comprehensive income for the half year	14,633	16,211
Profit attributable to:		
Members of the parent entity	14,633	16,211
Total comprehensive income attributable to:		
Members of the parent entity	14,633	16,211
Earnings per share		
Basic earnings per share (cents)	5.5	6.2
Diluted earnings per share (cents)	5.5	6.1

Japara Healthcare Limited and Controlled Entities

ABN 54 168 631 052

Consolidated Statement of Financial Position

As at 31 December 2016

	31 December 2016	30 June 2016
Note	\$'000	\$'000
ASSETS		
CURRENT ASSETS		
Cash	63,227	24,568
Trade and other receivables	13,684	13,744
Current tax receivable	2,450	787
Other assets	7,699	5,645
TOTAL CURRENT ASSETS	87,060	44,744
NON-CURRENT ASSETS		
Trade and other receivables	2,041	2,804
Non-current assets held for sale	1,634	1,697
Property, plant and equipment	5 533,229	513,059
Investment property	32,967	31,669
Deferred tax assets	8,417	10,469
Intangible assets and goodwill	6 465,552	465,552
TOTAL NON-CURRENT ASSETS	1,043,840	1,025,250
TOTAL ASSETS	1,130,900	1,069,994
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	38,876	19,855
Other liabilities	11,382	10,879
Borrowings	8 2,000	1,350
Other financial liabilities	7 440,370	413,582
Short-term provisions	30,862	30,101
TOTAL CURRENT LIABILITIES	523,490	475,767
NON-CURRENT LIABILITIES		
Loans and borrowings	8 69,000	58,150
Long-term provisions	3,982	3,772
TOTAL NON-CURRENT LIABILITIES	72,982	61,922
TOTAL LIABILITIES	596,472	537,689
NET ASSETS	534,428	532,305
EQUITY		
Issued capital	521,496	518,732
Retained earnings	12,932	13,573
TOTAL EQUITY	534,428	532,305

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 2016

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

	Issued capital \$'000	Retained earnings \$'000	Total \$'000
Balance at 1 July 2015	517,848	12,191	530,039
Comprehensive income			
Profit attributable to members of the group	-	16,211	16,211
Total comprehensive income	-	16,211	16,211
Transactions with owners of the company			
Dividends	-	(14,468)	(14,468)
Equity settled share-based payment	-	727	727
Total transactions with owners of the company	-	(13,741)	(13,741)
Balance at 31 December 2015	517,848	14,661	532,509

The accompanying notes form part of these financial statements.

Japara Healthcare Limited and Controlled Entities

ABN 54 168 631 052

Consolidated Statement of Cash Flows

For the Half Year Ended 31 December 2016

	31 December 2016 \$'000	31 December 2015 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	194,175	166,784
Payments to suppliers and employees	(150,365)	(123,604)
Income taxes paid	(5,720)	(6,512)
Interest received	309	546
Finance costs paid	(1,006)	(996)
Net cash provided by operating activities	37,393	36,218
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of land & buildings	(5,053)	(14,937)
Proceeds from sale of land & buildings	82	1,081
Purchase of plant and equipment	(3,878)	(2,126)
Capital works in progress	(17,957)	(17,722)
Purchase of resident places	-	(2,265)
Acquisition of aged care business, net of cash	-	(64,692)
Other acquisitions and acquisition related costs	-	(6,088)
Net cash used in investing activities	(26,806)	(106,749)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issue of share capital under DRP	2,770	-
Dividends paid	(15,161)	(14,468)
Net proceeds from bank borrowings	11,500	46,800
Proceeds from RADs/accommodation bonds & ILU resident loans	90,329	80,156
Repayment of RADs/accommodation bonds & ILU resident loans	(61,366)	(50,046)
Proceeds from other financial assets	-	22
Net cash provided by financing activities	28,072	62,464
Net (decrease)/increase in cash and cash equivalents held	38,659	(8,067)
Cash and cash equivalents at beginning of the half year	24,568	53,878
Cash and cash equivalents at end of the half year	63,227	45,811

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 2016

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 2016 comprise the Company and its subsidiaries (together referred to as the "Group"). The principal activity of the Group during the reporting period was that of owner, operator and developer of aged care facilities.

The consolidated annual financial statements of the Group as at and for the year ended 30 June 2016 are available upon request from the Company's registered office at Q1 Building, Level 4, 1 Southbank Boulevard, Southbank VIC 3006 or in the investor section of the Company's website at www.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 year ended 30 June 2016, together with any public announcements made during the half year and up to the date of this interim financial report in accordance with the continuous disclosure obligations of the ASX listing rules.

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

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

This interim financial report was approved by the Board of Directors on 27 February 2017.

Note 3 Use of estimates and judgements

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

The significant judgements made by management in applying the Group's accounting policies and the key estimates were the same as those that applied to the consolidated annual financial statements as at and for the year ended 30 June 2016.

Measurement of fair values

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

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

Notes to the Financial Statements

For the Half Year Ended 31 December 2016

Note 3 Use of estimates and judgements (continued)

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

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

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

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

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

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

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

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

Note 4 Segment reporting

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

Japara Healthcare Limited and Controlled Entities

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Notes to the Financial Statements

For the Half Year Ended 31 December 2016

Note 5 Property, plant and equipment

	Land and buildings 000's \$	Property improvements 000's \$	Plant and equipment 000's \$	Motor vehicles 000's \$	Capital works in progress 000's \$	Total 000's \$
Consolidated						
Half year ended 31 December 2016						
Balance at the beginning of half year	441,791	6,261	21,048	92	43,867	513,059
Additions	5,056	68	3,766	43	17,957	26,890
Transfers	23,936	-	-	-	(23,936)	-
Depreciation expense	(3,972)	(195)	(2,529)	(24)	-	(6,720)
Balance as at 31 December 2016	466,811	6,134	22,285	111	37,888	533,229
Year ended 30 June 2016						
Balance at the beginning of year	348,262	5,773	16,988	192	12,582	383,797
Additions	34,217	173	5,387	-	40,678	80,455
Additions through business combinations	58,650	-	3,001	-	-	61,651
Disposals - written down value	(650)	(30)	(188)	(17)	-	(885)
Transfers	8,677	716	-	-	(9,393)	-
Depreciation expense	(7,365)	(371)	(4,140)	(83)	-	(11,959)
Balance as at 30 June 2016	441,791	6,261	21,048	92	43,867	513,059

Notes to the Financial Statements
For the Half Year Ended 31 December 2016

Note 6 Intangible assets and goodwill

	Goodwill \$'000	Resident places \$'000	Total \$'000
Half year ended 31 December 2016			
Balance as at 1 July 2016	260,746	204,806	465,552
Additions	-	-	-
Balance as at 31 December 2016	260,746	204,806	465,552
Year ended 30 June 2016			
Balance as at 1 July 2015	260,746	154,442	415,188
Additions	-	2,381	2,381
Acquisitions through business combinations	-	47,983	47,983
Balance as at 30 June 2016	260,746	204,806	465,552

Note 7 Other financial liabilities

		31 December 2016 \$'000	30 June 2016 \$'000
	Note		
CURRENT			
Refundable Accommodation Deposits (RADs)/accommodation bonds	7(a)	409,512	383,521
Independent Living Unit (ILU) resident loans	7(b)	21,858	21,061
Other financial liabilities	7(c)	9,000	9,000
		440,370	413,582

(a) RADs/accommodation bonds

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

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

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

Notes to the Financial Statements

For the Half Year Ended 31 December 2016

Note 7 Other financial liabilities (continued)

(b) ILU resident loans

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

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

(c) Acquisition of Profke Aged Care Business - deferred consideration

On 1 December 2015, the Group acquired the Profke Aged Care Business for a purchase price of \$77,253,000 (excluding acquisition costs and settlement adjustments). \$9,000,000 of the consideration has been deferred from payment until 1 June 2017. There are no contingencies attached to the payment of the deferred consideration. The deferred consideration is non-interest bearing.

Note 8 Borrowings

		31 December 2016 \$'000	30 June 2016 \$'000
CURRENT			
Bank loan	8(a)	<u>2,000</u>	1,350
		<u>2,000</u>	<u>1,350</u>
NON-CURRENT			
Bank loan	8(a)	<u>69,000</u>	58,150
Total non-current borrowings		<u>69,000</u>	<u>58,150</u>
Total borrowings		<u><u>71,000</u></u>	<u><u>59,500</u></u>

(a) Bank loan facilities

Syndicated Facility Agreement

During the half year, the Group maintained a syndicated debt facility agreement with NAB, CBA and ANZ for a total facility of \$220,000,000. The facility allowed the Group to draw funds as and when required to assist with construction funding of brownfield and greenfield developments as well as funding for acquisitions.

During the half year \$14,850,000 was drawn down and \$3,350,000 was repaid. A total of \$71,000,000 (2015: \$46,800,000) was drawn down against the facility as at the reporting date. Subsequent to this date, a further net \$1,000,000 has been drawn down to fund brownfield and greenfield developments.

Notes to the Financial Statements

For the Half Year Ended 31 December 2016

Note 9 Commitments

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

- \$27,774,000 in relation to various construction contracts expected to be completed over the course of the next two financial years; and
- \$8,340,000 in relation to land purchases expected to complete in FY18.

Note 10 Events occurring after the reporting date

Acquisition of greenfield development sites

On 13 January 2017, the Group entered into a contract to acquire land in Mitchelton, Queensland for consideration of \$5,280,000 (plus acquisition costs). The site will be developed to add a further circa 100 resident places to the Group's existing portfolio. Settlement is expected to occur in August 2017.

On 18 January 2017, the Group entered into a contract to acquire land in Robina, Queensland for consideration of \$5,100,000 (plus acquisition costs). The site will be developed to add a further circa 105 resident places to the Group's existing portfolio. Settlement is expected to occur in August 2017.

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

Japara Healthcare Limited and Controlled Entities

ABN 54 168 631 052

Directors' Declaration

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 5 to 14 are in accordance with the *Corporations Act 2001*, including:
 - (a) complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
 - (b) giving a true and fair view of the Group's financial position as at 31 December 2016 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
Richard England - Non-Executive Director

Director
Andrew Sudholz - Managing Director and CEO

Signed and dated at Melbourne on 27 February 2017



Independent Auditor's Review Report

To the shareholders of Japara Healthcare Limited

Report on the Interim Financial Report

Conclusion

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

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

- giving a true and fair view of the Group's financial position as at 31 December 2016 and of its performance for the Interim Period ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The Interim Financial Report comprises:

- The Consolidated statement of financial position as at 31 December 2016
- The Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity and Consolidated statement of cash flows for the Interim Period ended on that date
- Notes 1 to 10 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

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

The Interim Period is the 6 months ended on 31 December 2016.

Responsibilities of the Directors for the Interim Financial Report

The Directors of the Company are responsible for:

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

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

Our responsibility is to express a conclusion on the Interim Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Interim Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2016 and its performance for the interim period ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Japara Healthcare Limited, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an Interim 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*.



KPMG



Darren Scammell

Partner

Melbourne, Australia

27 February 2017