

JAPARA

ACN 168 631 052

NOTICE OF ANNUAL GENERAL MEETING 2018

to be held on

Wednesday 31 October 2018
at 2.00pm

RACV City Club
(Bayside Rooms 5 & 6)
Level 2, 501 Bourke Street
Melbourne, 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 2018 Annual General Meeting (**AGM**) of Japara Healthcare Limited (**Japara**). 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 Wednesday 31 October 2018 at 2.00pm Australian Eastern Daylight Time (**AEDT**) at the RACV City Club (Bayside Rooms 5 & 6), Level 2, 501 Bourke Street, Melbourne, 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 Australian Securities Exchange (ASX) ahead of the meeting. An archive of the webcast will also be available on the Company's investor centre website on the following day.

Shareholder questions

Shareholders may direct questions about the operations and management of Japara to the Chairman or if in relation to the content or the conduct of the audit report, to Japara's auditor (KPMG). Please submit your written questions using the accompanying Shareholder Question form to the Share Registry prior to 5.00pm AEDT on 24 October 2018. Alternatively you may complete the Shareholder Question form online before 5.00pm AEDT on 24 October 2018 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 2018

Notice is hereby given that the 2018 Annual General Meeting (**AGM** or **Meeting**) of members of Japara Healthcare Limited (**Japara** or the **Company**) will be held:

Date: 31 October 2018

Time: 2.00pm AEDT

Venue: RACV City Club (Bayside Rooms 5 & 6), Level 2, 501 Bourke Street, Melbourne, 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 2018.

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 the Company's investor centre website at: investor.japara.com.au/Investor-Centre/.

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: ADOPTION OF THE 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 2018 (as set out in the Directors' Report) be adopted.

RESOLUTION 2: RE-ELECTION OF DIRECTOR – RICHARD ENGLAND

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

That Richard England, 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: APPROVAL OF SECURITIES ISSUED UNDER EQUITY INCENTIVE PLAN

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

That all issues of incentive securities under the Company's Equity Incentive Plan be approved for the purpose of ASX Listing Rule 7.2, Exception 9.

By Order of the Board



**Bruce Paterson
Company Secretary**

24 August 2018

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 29 October 2018 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 29 October 2018, 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:
(within business hours)** Link Market Services Limited
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).

Voting Restrictions

Voting restrictions apply to the Company's Key Management Personnel (**KMP**) and their closely related parties which affect proxy voting. Members of the KMP include each of the non executive Directors, the CEO / Managing Director and the Chief Financial Officer. Their 'closely related parties' are defined in the Corporations Act, and include the KMP's spouse, dependants and certain other close family members, as well as any companies controlled by the KMP, or the KMP's spouse, dependants and certain other close family members.

Members of the KMP and their closely related parties will not be able to vote an eligible proxy on Resolutions 1 and 3 unless directed how to vote on the proxy form or the Chairman of the Meeting is the proxy and has been expressly authorised to exercise the proxy.

Proxy Voting by Chairman

The Chairman of the Meeting intends to vote undirected proxies in favour of all Resolutions.

If the Chairman of the Meeting is your proxy, either by appointment or default, and you do not provide any voting directions on the proxy form, by signing and returning the proxy form, you will be expressly authorising the Chairman of the Meeting to cast your vote on Resolutions 1 and 3 as the Chairman of the Meeting sees fit. This applies even if the Resolutions are connected directly or indirectly with the remuneration of the KMP.

Voting Exclusion Statements

Resolution 1

The Company will disregard any votes cast on Resolution 1:

- by or on behalf of a member of the KMP whose remuneration is disclosed in the 2018 Remuneration Report and their closely related parties regardless of the capacity in which the votes are cast; and
- as a proxy by a member of the KMP and any of their closely related parties,

unless the votes are cast as proxy for a person entitled to vote on Resolution 1:

- in accordance with a direction on the proxy form; or
- by the Chairman of the Meeting pursuant to an express authorisation on the proxy form to exercise the proxy as the Chairman of the Meeting sees fit.

Resolution 3

The Company will disregard any votes cast on Resolution 3:

- in favour of the Resolution in any capacity by or on behalf of any Director or any of their associates; or
- as a proxy by a member of the KMP and any of their closely related parties,

unless the votes are cast as proxy for a person entitled to vote on Resolution 3:

- in accordance with a direction on the proxy form; or
- by the Chairman of the Meeting pursuant to an express authorisation on the proxy form to exercise the proxy as the Chairman of the Meeting sees fit.

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 29 October 2018, 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 Constitution, the Chairman of the Meeting intends for each of the proposed resolutions to be voted on at the Meeting to be determined by a poll without first being submitted to a vote on a show of hands. This approach ensures that the voting reflects the votes of all Shareholders who are voting, including by proxy.

Explanatory Memorandum

INTRODUCTION

This Explanatory Memorandum has been prepared for the information of Shareholders in Japara in relation to the business to be conducted at the Company's AGM to be held on 31 October 2018.

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 & 3 are ordinary resolutions requiring a simple majority of votes cast in favour by Shareholders entitled to vote on the resolutions.

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 for the period ended 30 June 2018 will be presented for consideration by Shareholders.

The 2018 Annual Report (which contains each of the above reports) is available on the Company's investor centre website at: investor.japara.com.au/Investor-Centre/.

Shareholders will be provided with the opportunity to ask questions about or make comments on the reports, Japara's management or about Japara 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.

The Remuneration Report is set out in the Company's 2018 Annual Report, available on the Company's investor centre website at: investor.japara.com.au/Investor-Centre/.

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 RICHARD ENGLAND



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

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

He has more than 20 years' experience as a non-executive director and Chairman of multiple ASX listed and unlisted companies across the financial services, banking, healthcare and insurance industries.

Richard is Chairman of Qantm Intellectual Property Limited and is a Non Executive Director of Nanosonics Limited, Atlas Arteria Limited and Bingo Industries Limited.

He is also Chairman of Indigenous Art Code Limited, the company administering the Indigenous Australian Art Commercial Code of Conduct

Prior to embarking on his career as a director, Richard was a Chartered Accountant in Public Practice and a partner at Ernst & Young, where he was the national director of Corporate Recovery and Insolvency.

Richard is a fellow of Chartered Accountants Australia and New Zealand and a member of the Australian Institute of Company Directors.

The Board considers Richard England to be independent.

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

RESOLUTION 3: APPROVAL OF SECURITIES ISSUED UNDER EQUITY INCENTIVE PLAN

The Company operates an Equity Incentive Plan (**EIP**) which allows incentive securities to be granted to eligible employees for attraction, motivation and retention purposes. The EIP was approved by Shareholders at an annual general meeting of the Company held on 18 November 2015.

Approval for the purposes of the Listing Rules

Under Listing Rule 7.1, the Company must not issue or agree to issue equity securities exceeding 15% of its ordinary securities on issue in the previous 12 months unless it obtains Shareholder approval. An exception to Listing Rule 7.1 applies to any issues under an employee incentive scheme if approved by Shareholders (Exception 9 in Listing Rule 7.2). Such approval lasts for a maximum of 3 years, with the current approval provided by Shareholders expiring on 18 November 2018.

The Board seeks Shareholder approval to renew the exception under Listing Rule 7.2. This exception will apply for a further 3 year period from the date of the Meeting, providing flexibility for capital management purposes if required.

Summary of EIP

A summary of the terms, conditions and rules of the EIP follow:

Eligibility

Employees of the Company (or any related body corporate of the Company), including a Director employed in an executive capacity or any other person who is declared by the Board to be eligible (**Eligible Employees**), are eligible to participate in the EIP. The Board may invite Eligible Employees to participate in a grant of any one or more of performance rights, options or Restricted Shares (**Incentive Securities**). Eligible Employees who accept an offer to participate in the EIP are referred to as **Participants** for the purposes of this Explanatory Memorandum.

Grant of Incentive Securities

Performance Rights

Unless the Board determines otherwise, no payment is required for the grant of a performance right under the EIP. A performance right will entitle a Participant to receive a Share (or, in certain circumstances, to a cash payment in lieu of a Share) once applicable 'vesting conditions' have been satisfied. Performance rights will only vest if the vesting conditions and other relevant conditions determined by the Board and advised to a Participant under an offer have been satisfied. Vesting conditions 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 applicable vesting conditions are not satisfied during the relevant performance period, those performance rights will lapse. If a Participant ceases to be an employee, the lapse date will be brought forward unless the Board determines otherwise. A Participant can also elect to surrender their performance rights.

As soon as practicable following the vesting of performance rights, the Board must issue, transfer or set aside for the Participant the number of Shares in respect of those performance rights.

Options

Unless the Board determines otherwise, no payment is required for the grant of an option under the EIP. An option will entitle a Participant to receive a Share (or, in certain circumstances, to a cash payment in lieu of a Share) upon exercise of the option by the Participant. An option may only be exercised once applicable 'vesting conditions' have been satisfied and in compliance with the applicable exercise procedure (including payment of any applicable exercise price). Vesting conditions for options are determined by the Board and advised to a Participant under an offer. They may include conditions relating to any or all of the examples outlined earlier above for performance rights.

As soon as practicable following the exercise of an option, the Board must issue, transfer or set aside for the Participant the number of Shares in respect of which the option has been exercised.

An option will lapse if the applicable vesting conditions are not satisfied during the relevant exercise period, within 5 years after the option has vested or by any other expiry date nominated by the Board in a particular offer. A Participant can also elect to surrender their options.

Restricted Shares

The Board may:

- issue Restricted Shares to a Participant;
- procure the transfer of Restricted Shares to a Participant; or
- procure the setting aside of Restricted Shares for a Participant.

Restricted Shares may be held by a trustee on behalf of a Participant.

The Board may impose restrictions on Restricted Shares, including but not limited to, dealing and 'vesting conditions'. Unless the Board determines otherwise, no payment is required for the issue of Restricted Shares.

A Share will only cease to be a Restricted Share where the vesting period and each other relevant condition has been satisfied. Once Restricted Shares become unrestricted, all restrictions on dealing with those Restricted Shares will cease (subject to the terms of their issue, the Company's policy for dealing in securities and any applicable laws). If Restricted Shares are held by a trustee and those Restricted Shares become unrestricted, the trustee may be directed to transfer the Shares into a Participant's name or sell the Shares and pay the net proceeds to a Participant.

Restricted Shares will be forfeited if the applicable vesting conditions as determined by the Board and advised to a Participant under an offer are not satisfied during the relevant vesting period. A Participant can also elect to surrender their Restricted Shares.

If the Board so determines, subject to Shareholder approval (where applicable), a Participant may purchase Restricted Shares using loan funds under a loan agreement with the Company (**Loan**). The Loan must always be repaid if the Participant wishes to benefit from the Restricted Shares by way of those Shares becoming unrestricted.

If a Loan is extended to a Participant, the Loan will be:

- limited recourse in nature, meaning that if the market value of the Restricted Shares is less than the loan value at the end of the term of the Loan, a Participant cannot be forced to repay the remaining Loan balance out of their own funds; and
- unless otherwise determined by the Board, interest free, fee-free and repayable in full upon:
 - a sale of the Restricted Shares by the trustee;
 - the termination of the Participant's employment; or
 - the date that is 10 years after the date the Company advances the Loan.

Entitlements

Subject to the terms of any applicable trust arrangements:

- a Participant is entitled to dividends and other distributions or benefits payable in respect of Shares;
- a Participant is entitled to exercise, or to direct the trustee to exercise (where applicable), the voting rights attached to Shares;
- any bonus shares that are issued in respect of Shares will be issued to a Participant or to the trustee on behalf of a Participant (where applicable) and will be held subject to the same terms, conditions and dealing restrictions; and
- if any rights arise in relation to a Share upon a rights issue, a Participant may deal with or exercise those rights, or instruct the trustee (where applicable) in relation to those rights in accordance with the trust deed.

For the avoidance of doubt, these entitlements also apply to Restricted Shares, subject to the terms of those Restricted Shares.

Notwithstanding any other EIP rule, Incentive Securities and Shares will not be allocated, issued, acquired, transferred or otherwise dealt with under the EIP if to do so would:

- contravene the Corporations Act, the Listing Rules, or any other applicable laws; or
- require the Company to pay, provide, or procure the payment or provision of, any money or benefits to a Participant which would require shareholder approval under the 'termination payments' provisions of the Corporations Act.

Prohibited dealings

Unless required by law or the Board determines otherwise, a Participant is prohibited from selling, transferring, encumbering, hedging or otherwise dealing with Incentive Securities granted under the EIP. If, in the Board's opinion, a contravention of this prohibition has occurred, the Incentive Securities will immediately lapse or be forfeited.

Change of control

The Board has discretion over the treatment of Incentive Securities in the event of a change of control of the Company. Accordingly, the Board may, in its absolute discretion, determine that all or a specified number of a Participant's Incentive Securities vest or cease to be subject to restrictions.

Unless the Board has determined otherwise, on a change of control event, any dealing restrictions on vested Incentive Securities will cease and any vested options will be exercisable for a specified period and will thereafter lapse.

Corporate actions

The Board may grant additional Incentive Securities or make adjustments it considers appropriate to the terms of Incentive Securities in order to minimise or eliminate any material advantage or disadvantage to a Participant resulting from a corporate action or capital reconstruction. Any such grants or adjustments must be made prior to Shares being allocated to a Participant following the vesting of Incentive Securities.

Where additional Incentive Securities are granted to a Participant due to a corporate action or capital reconstruction, unless otherwise determined by the Board, they will be subject to the same terms and conditions as the original Incentive Securities to which they relate.

Clawback

If, in the opinion of the Board, a Participant's Incentive Securities vest or may vest under inappropriate circumstances (such as fraud, dishonesty, gross misconduct, an improper act, financial misstatement or breach of obligations or the law), the Board may determine that Incentive Securities held by or on behalf of a Participant will lapse or be forfeited and/or a Participant must pay or repay to the Company as a debt the net proceeds of sale and any dividends received from Shares allocated under the EIP and any cash payment received in lieu of Shares.

Amendments

The Board may at any time:

- amend the provisions of the EIP;
- amend the terms and conditions of any Incentive Securities granted; or
- suspend or terminate the operation of the EIP,

provided that it does not reduce the rights of a Participant (without their consent) in respect of any Incentive Securities or Shares already granted other than an amendment introduced primarily to:

- comply or conform to laws governing or regulating the maintenance or operation of the EIP;
- correct any manifest error or mistake; or
- take into consideration possible adverse tax implications in respect of the EIP.

The Board may also waive, amend or replace any vesting conditions attaching to Incentive Securities if it determines that the original vesting conditions are no longer appropriate or applicable provided that the interests of the relevant Participants are not, in the Board's opinion, materially prejudiced or advantaged relative to the position reasonably anticipated at the time of grant.

Previous issues under the EIP

A total of 1,431,419 performance rights have been granted to Participants under the EIP since the last approval date (18 November 2015).

These performance rights have since been forfeited by the Participants as the relevant performance hurdles were not met.

Recommendation: The Directors (with Andrew Sudholz abstaining given he is a Participant in the EIP) recommend that Shareholders vote in favour of Resolution 3.

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 requires).

Board means the Board of Directors of the Company.

Company or **Japara** 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.

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 31 October 2018 at the RACV City Club (Bayside Rooms 5 & 6), Level 2, 501 Bourke Street, Melbourne, Victoria, Australia 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.

Restricted Share means a Share allocated to a Participant in accordance with the Company's Equity Incentive Plan that is subject to conditions and/or restrictions.

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 ACN 083 214 537.