Japara Healthcare Limited
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ASX APPENDIX 4D

Half year report for the six months ended 31 December 2015

This Appendix 4D, together with the attached Interim Financial Report for the half year ended 31 December 2015 (**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 2015
Previous corresponding reporting period: The half year ended 31 December 2014

Results for announcement to the market

Financials	2015 $'000	2014 $'000	Up/Down	Change
Revenue from ordinary activities	154,036	135,656	Up	13.55%
Profit from ordinary activities after tax attributable to members	16,211	15,814	Up	2.51%
Net profit for the period attributable to members	16,211	15,814	Up	2.51%

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
2016 interim dividend	5.75	5.75	16/05/16	08/04/16
2015 final dividend	5.5	5.5	30/10/15	09/10/15

The Company recently established a dividend reinvestment plan (**DRP**) which has now been activated and will operate in respect of the 2016 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 for receipt of an election notice to participate in the DRP for the 2016 interim dividend is 11 April 2016.

The Company has also established a voluntary non-executive director share purchase plan under which non-executive directors can elect to commit at least 20% of their after-tax fees to acquire shares in the Company on-market. The plan will support directors in building their shareholdings in the Company to align their interests with shareholders more generally.

Net tangible assets per security
Net tangible assets per ordinary share as at 31 December 2015: 25.0 cents (2014: 45.4 cents). The movement in net tangible assets per security is due to the acquisition of resident places in relation to the acquisition of the Profke Aged Care Business (refer Note 10 of the Interim Financial Report).

Entities over which control has been gained during the period
On 1 December 2015, Noosa Nursing Home Pty Ltd was acquired as part of the Profke Aged Care Business acquisition (refer Note 10 of the Interim Financial Report).

Japara Healthcare Limited and Controlled Entities

ABN 54 168 631 052

Consolidated Interim Financial Report

For the Half Year Ended 31 December 2015

Japara Healthcare Limited and Controlled Entities
ABN 54 168 631 052

Contents

For the Half Year Ended 31 December 2015

Directors' Report

For the Half Year Ended 31 December 2015

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 2015 ("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 (appointed 1 September 2015)
Tim Poole - Non-Executive Director (resigned 1 September 2015)

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 2015 is set out below:

	2015	**2014**
	$'000	**$'000**
Revenue and other income	**155,857**	137,509
Earnings before, interest, tax, depreciation and amortisation (EBITDA)	**28,123**	25,509
Earnings before interest and tax (EBIT)	**22,593**	20,826
Profit attributable to members of the parent entity	**16,211**	15,814

The Group continues to grow revenue and earnings in line with its growth strategy outlined in its 2015 Annual Financial Report.

Financial highlights

Revenue and other income for the half year of $155,857,000 was up by $18,348,000 on the prior comparative period. Average occupancy was 94.2%, a good result given the major reconfiguration of the Group's Central Park facility and the integration of the newly acquired Profke Aged Care Business during the half year. Revenue benefited from two completed brownfield developments, a full period contribution from the Whelan Aged Care Business, and a one-month contribution from the Profke Aged Care Business. An increase in average Aged Care Funding Instrument per resident per day, aligned with an increase in average resident acuity, also contributed to revenue uplift during the half year.

EBITDA increased to $28,123,000 for the half year, up 10.2% on the prior comparative period. The Group continued to actively manage staff costs having regard to increasing resident needs, facility ramp-ups and acquisition integration. EBITDA was negatively impacted by the removal of the Payroll Tax Supplement, facility ramp-ups and costs associated with evaluating potential acquisition opportunities.

Profit attributable to members of the parent entity increased to $16,211,000, up 2.5% on the prior comparative period.

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.

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

Five brownfield and greenfield developments are currently under construction and together with other development projects, the Group is on track to deliver over 900 new places by 30 June 2019.

On 2 July 2015, the Group completed the purchase of the land and buildings of the Trevu at Gawler aged care facility located in South Australia for a total consideration of $12,735,000, paid in cash. The facility is newly built and has capacity to accommodate 69 residents.

On 28 September 2015, the Group entered into a contract to acquire land in Mount Waverley, Victoria for consideration of $6,000,000 (plus acquisition costs). The site will be developed to add a further circa 105 resident places to the Group's existing portfolio.

On 1 December 2015, the Group acquired the Profke Aged Care Business for a purchase price (net of RAD/accommodation bond liabilities) of $77,253,000 (excluding acquisition costs) This aquisition added a further 587 resident places to the Group's portfolio with the business expected to contribute to the Groups earnings growth in FY2016 (see Note 10 of the Interim Financial Report for further details).

Capital management

The Group's principal sources of funds continue to be cash flows from operations and Refundable Accommodation Deposits (RADs), $36,218,000 and $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 had a syndicated debt facility agreement with NAB, CBA and ANZ for a total facility of $95,000,000. 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 $9,300,000 was drawn down to fund brownfield and greenfield developments and $37,500,000 was drawn down to fund part of the purchase of the Profke Aged Care Business. A total of $46,800,000 was drawn down against the facility as at the reporting date. Subsequent to this date, a further $3,000,000 has been drawn down to fund brownfield and greenfield developments whilst $12,500,000 of debt drawn down to part fund the acquisition of the Profke Aged Care Business has been repaid.

On 30 September 2015, the Group executed a new $10,000,000 multi-option facility agreement with CBA. This facility is in addition to the abovementioned syndicated debt facility and is in place to assist the Group with its working capital requirements. The facility remained undrawn as at the reporting date.

3. Events after the reporting date

Acquisition of greenfield development site

On 9 February 2016, the Group executed a contract to acquire land in Newport, Victoria, for $8,300,000. A new aged care facility is to be developed on the site to house 120 residents (subject to planning approvals). Settlement is expected to occur in April 2016.

Directors' Report

For the Half Year Ended 31 December 2015

3. Events after the reporting date (continued)

Bank Facilities

On 11 February 2016, the Group, together with its existing bankers, executed a new Syndicated Facility Agreement and Multi-Option Facility Agreement (the “Bank Facilities”). These new Bank Facilities have been negotiated to allow for the planned short and medium term brownfield and greenfield developments strategy of the Group. The new Bank Facilities are an amendment and restatement of the pre-existing agreements with the following key amendments:

- An increase in the expiry date of the Bank Facilities from 5 August 2017 to 30 September 2020;
- An increase in the total available facility amounts from $105,000,000 to $220,000,000;
- The increase in the total available facility amount of $115,000,000 is to assist in funding the Group's accelerated brownfield and greenfield development program;
- The addition of an accordion feature allowing the flexibility to increase the total available facility amounts during the term of the Bank Facilities;
- A reduction in the margin; and
- Several other changes to reflect the increase in size of the Group compared to the time when the pre-existing agreements were negotiated in 2014.

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 5.5 cents per share for the year ended 30 June 2015 was paid on 30 October 2015. The final dividend amount of $14,468,000 was paid in cash.

A fully franked interim dividend of 5.75 cents per share for the half year ended 31 December 2015 was determined on 17 February 2016 and is payable on 16 May 2016. The potential interim dividend amount of $15,125,000 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 2015 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 class order 98/100 rounding of amounts

The Company is an entity to which ASIC Class Order 98/100 applies and, accordingly, amounts in the Interim Financial Report have been rounded to the nearest thousand dollars, unless otherwise stated.

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

Director: ....
Linda Bardo Nicholls AO - Non-Executive Chairman

Director: ....
Andrew Sudholz - Managing Director and CEO

Signed and dated at Melbourne on 17 February 2016

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 2015 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

17 February 2016

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the Half Year Ended 31 December 2015

	31 December 2015 $'000	31 December 2014 $'000
Revenue	**154,036**	135,656
Other income	**1,821**	1,853
Finance income	**558**	1,119
Total income	**156,415**	138,628
Details of expenditure		
Employee benefits expense	**(103,112)**	(90,399)
Resident costs	**(12,256)**	(11,195)
Occupancy costs	**(7,593)**	(6,551)
Depreciation and amortisation expense	**(5,530)**	(4,683)
Administrative expenses	**(4,160)**	(3,562)
Other expenses	**(613)**	(293)
Finance costs	**(1,246)**	(1,589)
Total expenses from ordinary activities	**(134,510)**	(118,272)
Profit before income tax	**21,905**	20,356
Income tax expense	**(5,694)**	(4,542)
Profit from continuing operations	**16,211**	15,814
Other comprehensive income, net of tax	**-**	-
Total comprehensive income for the half year	**16,211**	15,814
Profit attributable to:		
Members of the parent entity	**16,211**	15,814
Total comprehensive income attributable to:		
Members of the parent entity	**16,211**	15,814
Earnings per share		
Basic earnings per share (cents)	**6.2**	6.0
Diluted earnings per share (cents)	**6.1**	6.0

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position
As At 31 December 2015

	Note	31 December 2015 $'000	30 June 2015 $'000
ASSETS			
CURRENT ASSETS			
Cash		**45,811**	53,878
Trade and other receivables		**13,816**	10,168
Other assets		**7,937**	3,237
TOTAL CURRENT ASSETS		**67,564**	67,283
NON-CURRENT ASSETS			
Trade and other receivables		**1,480**	2,607
Other financial assets		**1,056**	1,078
Non-current assets held for sale		**3,725**	1,997
Property, plant and equipment		**470,037**	383,797
Investment property		**31,519**	31,549
Deferred tax assets		**12,353**	12,300
Intangible assets and goodwill	5	**466,726**	415,188
TOTAL NON-CURRENT ASSETS		**986,896**	848,516
TOTAL ASSETS		**1,054,460**	915,799
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		**37,355**	16,657
Other liabilities		**11,166**	9,498
Current tax payable		**2,936**	4,432
Other financial liabilities	6	**381,136**	325,251
Short-term provisions		**30,412**	27,217
TOTAL CURRENT LIABILITIES		**463,005**	383,055
NON-CURRENT LIABILITIES			
Other financial liabilities	6	**9,000**	-
Loans and borrowings	7	**46,800**	-
Long-term provisions		**3,146**	2,705
TOTAL NON-CURRENT LIABILITIES		**58,946**	2,705
TOTAL LIABILITIES		**521,951**	385,760
NET ASSETS		**532,509**	530,039
EQUITY			
Issued capital		**517,848**	517,848
Retained earnings		**14,661**	12,191
TOTAL EQUITY		**532,509**	530,039

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity
For the Half Year Ended 31 December 2015

	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**

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

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows
For the Half Year Ended 31 December 2015

	31 December 2015 $'000	31 December 2014 $'000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	**166,784**	148,779
Payments to suppliers and employees	**(123,604)**	(111,550)
Income taxes paid	**(6,512)**	-
Interest received	**546**	1,032
Finance costs paid	**(996)**	(1,666)
Net cash provided by operating activities	**36,218**	36,595
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of land & buildings	**(14,937)**	(4,931)
Proceeds from sale of land & buildings	**1,081**	716
Purchase of plant and equipment	**(2,126)**	(1,553)
Capital works in progress	**(17,722)**	(8,074)
Purchase of resident places	**(2,265)**	(493)
Acquisition of aged care business, net of cash	**(64,692)**	(23,814)
Other acquisitions and acquisition related costs	**(6,088)**	(6,282)
Net cash used in investing activities	**(106,749)**	(44,431)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from bank borrowings	**46,800**	25,000
Repayment of bank borrowings	**-**	(15,000)
Proceeds from RADs/accommodation bonds & ILU resident loans	**80,156**	74,498
Repayment of RADs/accommodation bonds & ILU resident loans	**(50,046)**	(29,531)
Equity raising costs	**-**	(1,265)
Dividends paid	**(14,468)**	-
Proceeds from other financial assets	**22**	-
Net cash provided by financing activities	**62,464**	53,702
Net (decrease)/increase in cash and cash equivalents held	**(8,067)**	45,866
Cash and cash equivalents at beginning of the half year	**53,878**	28,107
Cash and cash equivalents at end of the half year	**45,811**	73,973

The accompanying notes form part of these financial statements.

Notes to the Financial Statements
For the Half Year Ended 31 December 2015

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 2015 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 2015 are available upon request from the Company's registered office at Q1 Building, Level 4, 1 Southbank Boulevard, Southbank VIC 3006 or at www.japarahealthcare.com.au.

Note 2 Basis of preparation

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

The interim financial report is intended to provide users with an update on the latest financial results and position of the Group. As such it does not contain information that represents relatively insignificant changes occurring during the half year within the Group. This interim financial report does not include all the notes normally included in an annual financial report. It is therefore recommended that this interim financial report be read in conjunction with the consolidated annual financial statements of the Group for the year ended 30 June 2015, together with any public announcements made during the half year and is up to the date of this interim financial report in accordance with the continuous disclosure obligations of the ASX listing rules.

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 17 February 2016.

Note 3 Use of estimates and judgements

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

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated annual financial statements as at and for the year ended 30 June 2015.

Measurement of fair values

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

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

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

Note 3 Use of estimates and judgements (continued)

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

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

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

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

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

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

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

Further information about the assumptions made in measuring fair values are included in Note 10 - Acquisition of Profke Aged Care Business.

Note 4 Segment reporting

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

Note 5 Intangible assets and goodwill

	Goodwill	Resident places	Total
	$'000	$'000	$'000
Balance as at 1 July 2015	**260,746**	**154,442**	**415,188**
Additions	**-**	**2,106**	**2,106**
Acquisitions through business combinations	**-**	**49,432**	**49,432**
Balance as at 31 December 2015	**260,746**	**205,980**	**466,726**
Balance as at 1 July 2014	260,746	124,040	384,786
Additions	-	493	493
Acquisitions through business combinations	-	29,909	29,909
Balance as at 31 December 2014	260,746	154,442	415,188

Notes to the Financial Statements
For the Half Year Ended 31 December 2015

Note 6 Other financial liabilities

	Note	31 December 2015 $'000	30 June 2015 $'000
CURRENT			
Refundable Accommodation Deposits (RADs)/accommodation bonds	6(a)	**358,608**	302,948
Independent Living Unit (ILU) resident loans	6(b)	**22,528**	22,303
		381,136	325,251
NON-CURRENT			
Other financial liabilities	6(c)	**9,000**	-
Total		**9,000**	-

(a) RADs/accommodation bonds

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

The Group has provided each resident that has entered into 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*.

RADs/accommodation bonds are liabilites 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.

On 1 December 2015, the Group acquired the Profke Aged Care Business (see Note 10) which included RAD/accommodation bond balances totalling $25,247,000. This amount was not received in cash but forms part of the liability as at 31 December 2015.

(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 liabilites which fall due and payable when a resident leaves the unit. 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) (see Note 10). $9,000,000 of the consideration has been deferred until 1 June 2017. There are no contingencies attached to the payment of the deferred consideration. The deferred consideration is non-interest bearing.

Notes to the Financial Statements

For the Half Year Ended 31 December 2015

Note 7 Loans and borrowings

		31 December 2015 $'000	30 June 2015 $'000
NON-CURRENT			
Secured liabilities:			
Loans and borrowings	7(a)	**46,800**	-
Total non-current borrowings		**46,800**	-

(a) Bank loan facilities

Syndicated Facility Agreement

During the half year, the Group had a syndicated debt facility agreement with NAB, CBA and ANZ for a total facility of $95,000,000. 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 $9,300,000 was drawn down to fund brownfield and greenfield developments and $37,500,000 was drawn down to fund part of the purchase of the Profke Aged Care Business (see Note 10). A total of $46,800,000 was drawn down against the facility as at the reporting date. Subsequent to this date, a further $3,000,000 has been drawn down to fund brownfield and greenfield developments whilst $12,500,000 of debt drawn down to part fund the acquisition of the Profke Aged Care Business has been repaid.

Multi-Option Facility Agreement

On 30 September 2015, the Group executed a new $10,000,000 multi-option facility agreement with CBA. This facility is in addition to the abovementioned syndicated debt facility and is in place to assist the Group with its working capital requirements. The facility remained undrawn as at the reporting date

Note 8 Commitments

As at the reporting date, the Group had entered into contracts relating to capital expenditure. Details of the contracts as at the reporting date are included in the table below. The amount incurred is included in Property, Plant and Equipment in the Statement of Financial Position:

Aged care development site	Nature of capital expenditure	Contract amount $'000	Amount incurred $'000	Future commitment $'000	Expected contract completion date
Mount Waverley	Purchase of land for greenfield development	6,000	600	5,400	FY2016
Kirralee	Significant refurbishment	4,307	1,465	2,842	FY2017
George Vowell	34 place extension	7,647	3,516	4,131	FY2017
Central Park	Significant refurbishment	12,041	6,104	5,937	FY2017
St Judes	30 place extension	7,540	2,791	4,749	FY2017
Riverside	75 place new build	13,683	580	13,103	FY2017

Note 9 Events occurring after the reporting date

Acquisition of greenfield development site

On 9 February 2016, the Group executed a contract to acquire land in Newport, Victoria, for $8,300,000. A new aged care facility is to be developed on the site to house 120 residents (subject to planning approvals). Settlement is expected to occur in April 2016.

Bank Facilities

On 11 February 2016, the Group, together with its existing bankers, executed a new Syndicated Facility Agreement and Multi-Option Facility Agreement (the “Bank Facilities”). These new Bank Facilities have been negotiated to allow for the planned short and medium term brownfield and greenfield developments strategy of the Group. The new Bank Facilities are an amendment and restatement of the pre-existing agreements with the following key amendments:

- An increase in the expiry date of the Bank Facilities from 5 August 2017 to 30 September 2020;
- An increase in the total available facility amounts from $105,000,000 to $220,000,000;
- The increase in the total available facility amount of $115,000,000 is to assist in funding the Group's accelerated brownfield and greenfield development program;
- The addition of an accordion feature allowing the flexibility to increase the total available facility amounts during the term of the Bank Facilities;
- A reduction in the margin; and
- Several other changes to reflect the increase in size of the Group compared to the time when the pre-existing agreements were negotiated in 2014.

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.

Note 10 Acquisition of Profke Aged Care Business

On 1 December 2015, the Group acquired certain assets and shares from entities associated with the Profke Aged Care Business which consisted of:

- 100% of the shares and voting rights of Noosa Nursing Home Pty Ltd, a company that owns and operates an aged care facility in Queensland - Noosa (230 resident places);
- The business and assets of another three aged care facilities – Gympie in Queensland (130 resident places); and Coffs Harbour (147 resident places) and South West Rocks (80 resident places) both in New South Wales; and
- The titles to all land and buildings on which each of the abovementioned businesses operate.

(a) Consideration transferred

The purchase price (net of RAD/accommodation bond liabilities) for the Profke Aged Care Business was $77,253,000 (excluding acquisition costs and settlement adjustments). Settlement adjustments amounted to a net reduction in the purchase price of $4,079,000 resulting in a net consideration of $73,174,000. Of this net consideration, $37,500,000 was drawn down from the syndicated debt facility to fund the acquisition; settlement of $9,000,000 of the consideration is deferred until 1 June 2017; and the remaining $26,674,000 was funded from cash. As at 31 December 2015 $519,000 of the settlement adjustments are receivable by the Group due to a working capital adjustment.

Notes to the Financial Statements
For the Half Year Ended 31 December 2015

Note 10 Acquisition of Profke Aged Care Business (continued)

(b) Identifiable assets and liabilities assumed

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

	1 December 2015 $'000
Cash	**1**
Trade and other receivables	**106**
Property, plant and equipment	**60,087**
Deferred tax assets	**732**
Intangible assets - resident places	**49,432**
Trade and other payables	**(2,255)**
Other financial liabilities - RADs/accommodation bonds	**(25,247)**
Provisions - employee entitlements	**(2,440)**
Total	**80,416**

All fair values of identifiable assets and liabilities at the acquisition date are provisional as at 31 December 2015.

Measurement of fair values

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

Property, plant and equipment

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

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

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

Intangible assets

Intangible assets represent resident places valued using a going concern market value of the Profke Aged Care Business to determine the value of the resident places. The valuation was based upon a discounted cash flow, with the value of the resident places determined after the fair value of the tangible assets was deducted from the valuation. Five year forecast cash flows generated by the Profke Aged Care Business, a discount rate of 10.18% and a long term growth rate into perpetuity of 3.0% were used in the discounted cash flow model. Using this methodology, a going concern market value of the business of $84,495,000 was ascertained.

Notes to the Financial Statements
For the Half Year Ended 31 December 2015

Note 10 Acquisition of Profke Aged Care Business (continued)

(c) Discount on acquisition

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

	2015
	$'000
Fair value of identifiable net assets	80,416
Net consideration	(73,174)
	7,242
Less acquisition and integration related costs	(6,257)
Total discount on acquisition	**985**

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

(d) Purchase price paid for Profke Aged Care Business, net of cash acquired

	2015
	$'000
Net consideration	73,174
Less deferred consideration	(9,000)
Less cash acquired	(1)
Working capital adjustment	519
Total purchase price paid, net of cash acquired	**64,692**

Directors' Declaration

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 5 to 15 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 2015 and of its performance for the half year ended on that date.

2. In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Director ....
Linda Bardo Nicholls AO - Non-Executive Chairman

Director ....
Andrew Sudholz - Managing Director and CEO

Signed and dated at Melbourne on 17 February 2016

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

We have reviewed the accompanying half-year financial report of Japara Healthcare Limited, which comprises the consolidated statement of financial position as at 31 December 2015, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes 1 to 10 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year period.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity,* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Japara Healthcare Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

(a) giving a true and fair view of the Group's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and

(b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

KPMG

Darren Scammell
Partner

Melbourne

17 February 2016