

3 March 2016

### **Company Presentation**

Attached is a presentation to be delivered by the CEO of Japara Healthcare Limited, Andrew Sudholz, at the ASX Spotlight Series Conference in New York on 3 March 2016.

**Bruce Paterson**  
**Company Secretary**



# JAPARA

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## HEALTHCARE

### **OVERVIEW ON RESIDENTIAL AGED CARE MARKET IN AUSTRALIA**

**ANDREW SUDHOLZ - CEO**

**March 2016**

# Executive summary

## Objective:

1. Provide a structural and financial overview of the Australian residential aged care sector;
2. Provide an overview of Japara and the listed market.

## Definition of health sector:

In this context, the health sector includes primary health (doctors), secondary health (in home care services, residential aged care, specialised care services and allied health services) and hospitals.

## Position of focal areas within continuum of care:

As the over 65's demographic is significantly increasing with the ageing population, there is an emergence of the continuum of care model.



## Executive summary (continued)

- Change in Australia's demographics and previous supply constraints underpin a very strong demand profile through to at least 2050.
- As distinct from retirement living, entry into residential aged care is needs based and non-discretionary.
- Funding for the sector is related to care services and accommodation with the former primarily via government revenue with contributions also made by the consumer on a means tested basis.
- Funding for accommodation (known as Refundable Accommodation Deposits – RAD's) is primarily the responsibility of the consumer and therefore has a strong correlation to the residential real estate market.
- Sector is highly fragmented with high barriers to entry – both financial and regulatory – with not-for profit entities operating circa 60% of the places.
- Regulatory reform commenced in July 2014 and has provided increased flexibility for operators and service and accommodation options for consumers.
- Debt and equity markets have also freed up considerably in recent years with residential aged care now having an established listed presence. Depth of sector is anticipated to grow subject to share market volatility
- Aided by access to capital and obvious scale benefits, rate of consolidation and development expansion has increased within aged care.
- Listed players have ~7% of market share, expected to grow as consolidation continues.

# Sector comparisons – defining the market

	Aged Care	Retirement Living
Definition	Facilities designed to provide significant levels of 24/7 care	Small town houses or apartments that provide residents with independent living and ability to subscribe for low – moderate care packages
Estimated Size (\$)	14.8 billion in revenue	
Total no. of players/ sites	1,016	2,272
Number of places/dwellings	189,283 (as at 30/6/2015)	141,600 residents (as at 30/6/2015)
Percentage owned by not-for profit	58.1%	40.1%
Funding regime	Federal (~67% direct) and consumer (~27%)	Consumer
Regulatory regime	High degree of federal legislation	Moderate level of state legislation
Sector lifecycle stage	Growth	Growth
Sector outlook	Growth	Growth
Revenue volatility	Low	Moderate - High
Barriers to entry	High	Low – moderate
Key opportunities	Consolidation, capitalisation on reform changes, demand outstripping supply	Relatively easy to enter segment, demand outstripping supply, convergence
Key issues	Regulatory change, workforce	Discretionary, high correlation to residential real estate, multiple operating models
Key trends	Consumer directed care, specialised care model, increasing convergence with retirement sector	IPO market, increasing care services, convergence

**Sources:** Japara research; Aged Care Financing Authority – Third report on the Funding and Financing of the Aged Care Sector, July 2015; IBISWorld Industry Report – Aged Care Residential Services in Australia, July 2015; Property Council of Australia – National overview of the retirement village sector, October 2014



## **OVERVIEW OF RESIDENTIAL AGED CARE**

## 1. Growing demand for residential aged care

- Population 85+ projected to double by 2032
- Residents will need more care as average entry into residential aged care increases
- Current supply significantly below requirements

## 2. Favourable regulatory environment

- Regulatory framework (including license allocation) create high barriers to entry
- Government reform has provided increased consumer choice and operator flexibility

## 3. Strong government support

- Government provides ~70% of direct operating funding to the sector
- Operating funding has grown at 8.4% CAGR from FY10 to FY14
- More cost efficient for Government to fund aged care than hospital beds

## 4. Access to capital

- RAD's provide access to low cost capital as they are interest free
- Availability of RAD's on former 'high care' places provides additional capital inflow
- Equity markets now invested in sector
- Super funds and main stream banks also now invested in sector

## 5. Consolidation opportunity

- Sector is still highly fragmented
- Private ownership is still relatively low
- Cost of compliance and rising consumer service demands making it increasingly difficult for smaller players

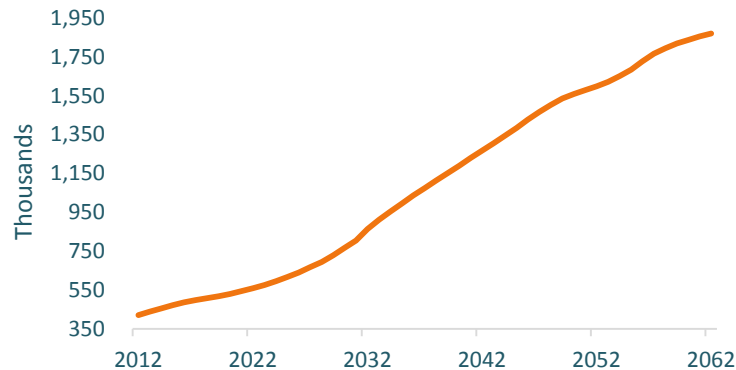
**Strong  
Fundamentals**  
~82,000 new places  
required by 2025  
needing ~\$33bn of  
investment

**Sources:** Japara research; Aged Care Financing Authority – Third report on the Funding and Financing of the Aged Care Sector, July 2015; IBISWorld Industry Report – Aged Care Residential Services in Australia, July 2015

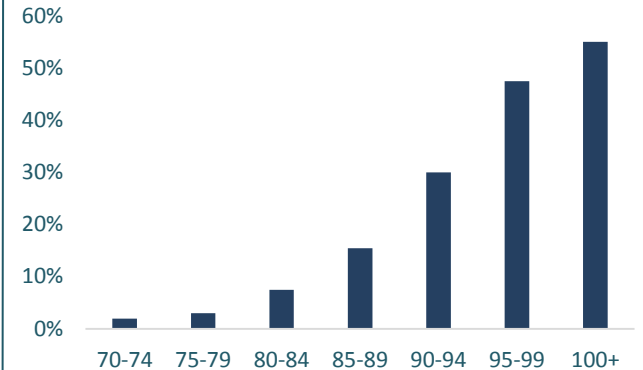
# Growing demand & favourable regulatory environment

- The aged 85 and over cohort is projected to double by 2032 and tripling by 2045
- ~82,000 additional places at an estimated value of \$33bn will be required by 2025
- High degree of regulation, specialist operational expertise and required capital creates high barriers to entry for new participants
- Operational licenses are allocated by Government which effectively leads to regulated undersupply leading to high rates of facility occupancy

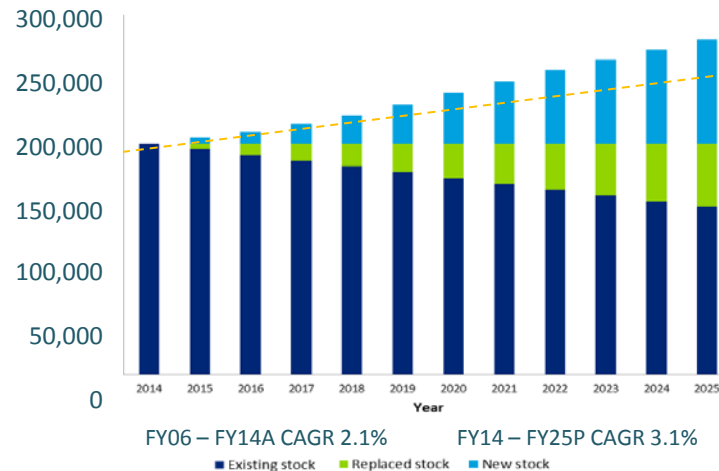
**Australian population over 85 years old**



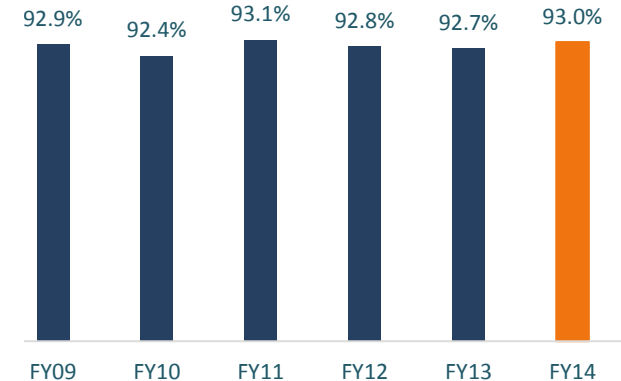
**Proportion of each age group who are in residential aged care as at 30 June 2014**



**Operational aged care places in Australia**



**Industry average occupancy since 2009**



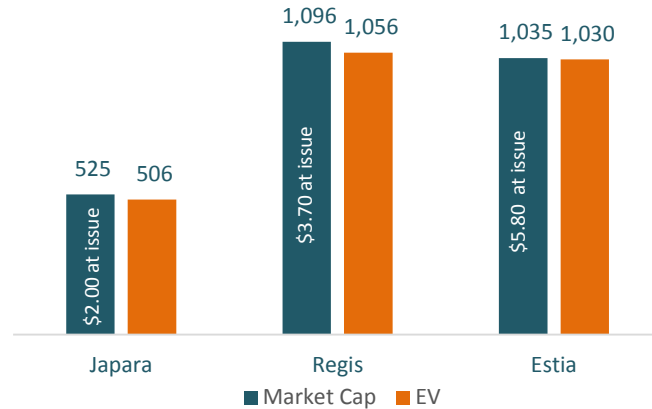
**Sources:** Japara research; Aged Care Financing Authority – Third report on the Funding and Financing of the Aged Care Sector, July 2015; Australian Institute of Health and Wellbeing data sets



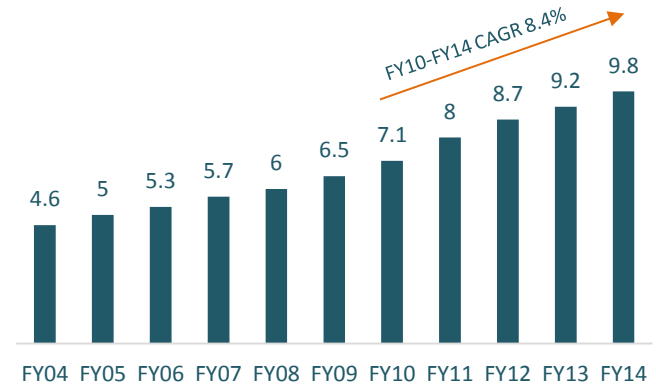
# Strong government support & access to capital

- The Government provides approximately 67% of the sectors direct operational revenue with funding continuing to grow (circa 4.5% p.a.)
- Residential Aged Care costs the Government significantly less than the hospital system
- RAD's provide a coupon free form of capital albeit with the characteristics of debt. Reform provides additional capital inflow as resident transition from old high care to new regime
- Equity markets also provide liquidity and ability to raise capital

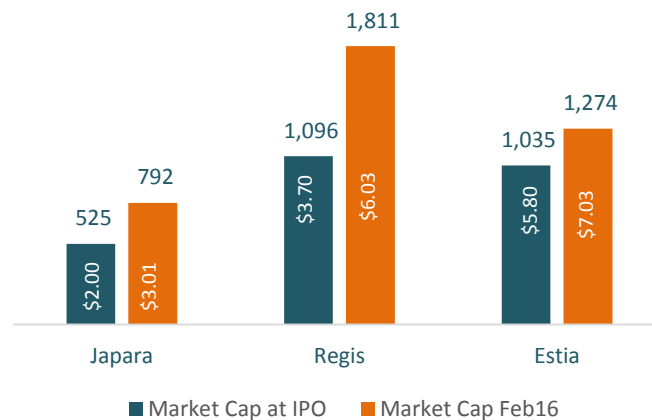
**IPO value at offer price (\$ millions)**



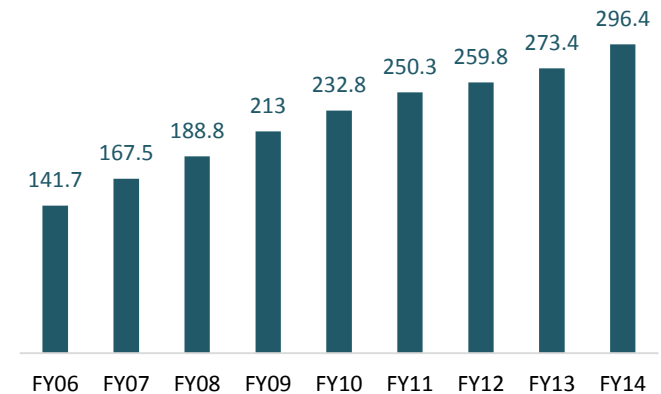
**Government recurrent funding (residential) (\$ billions)**



**Listed players Market Cap at IPO & 1 Feb 2016 (\$ millions)**



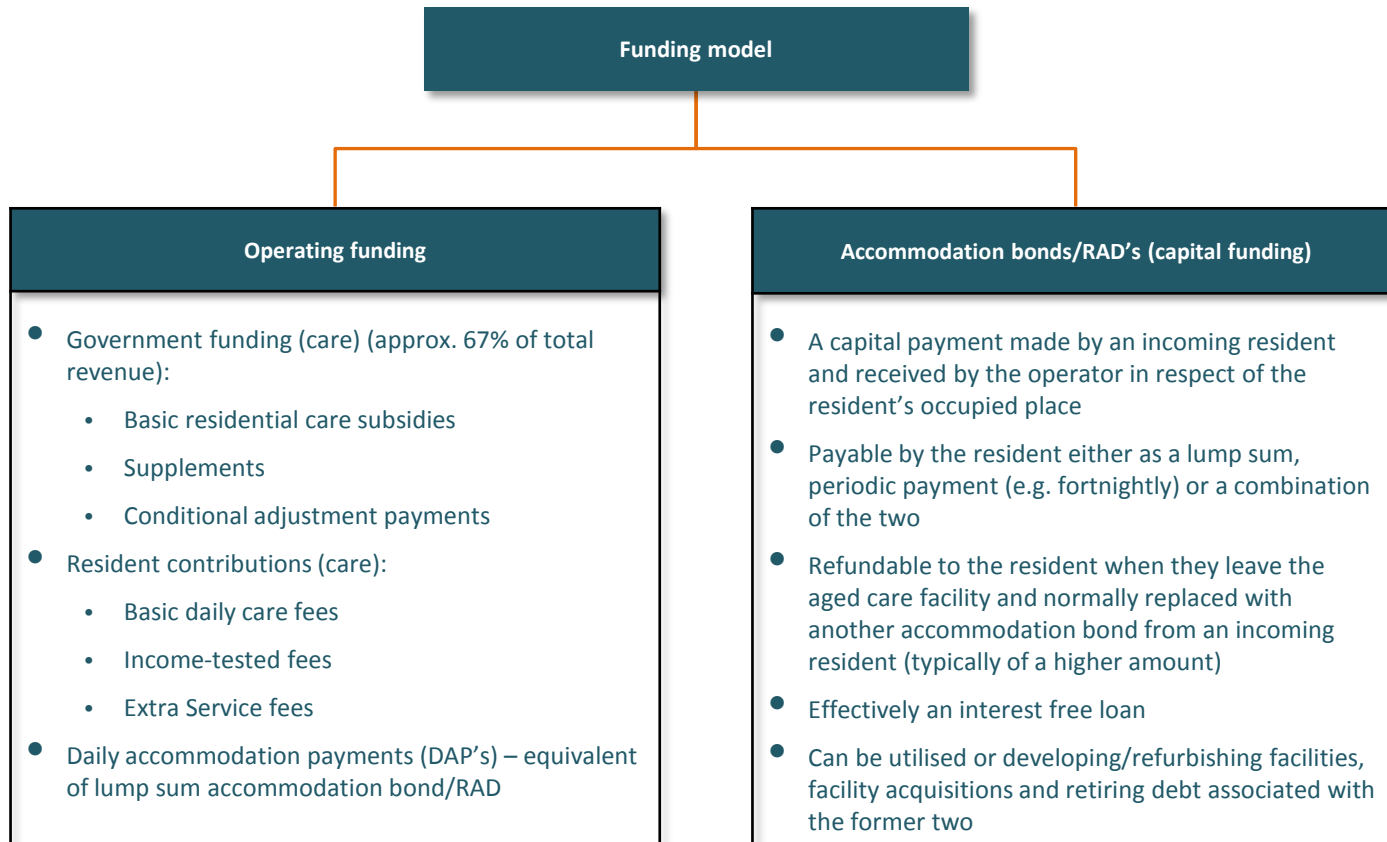
**Average value of new RAD's (\$ 000's)**



Sources: Japara research; Aged Care Financing Authority – Third report on the Funding and Financing of the Aged Care Sector, July 2015

# The funding model

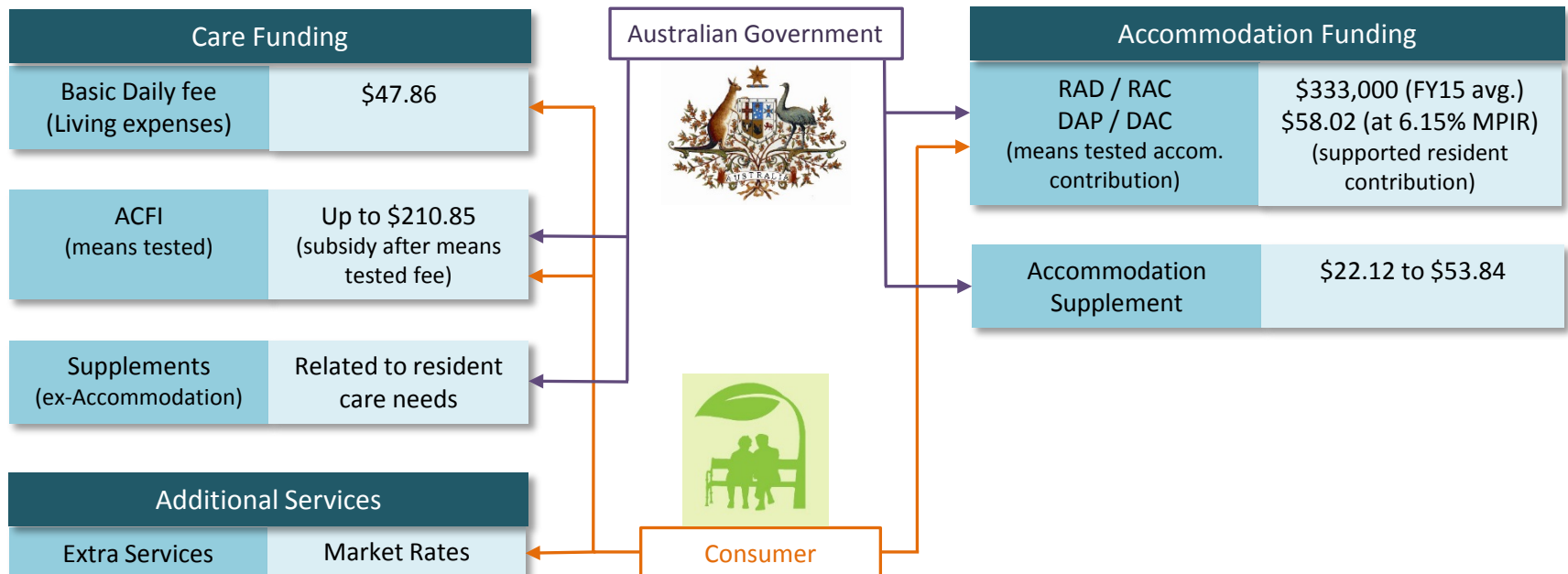
Aged care operators receive their funding from two main sources, operating funding and accommodation bonds (known as Refundable Accommodation Deposits (RAD's))



**Sources:** Japara research; Aged Care Financing Authority – Third report on the Funding and Financing of the Aged Care Sector, July 2015; Australian Institute of Health and Wellbeing data sets

# The funding model – operational funding

- Residents are assessed for care needs, and funded in accordance with the Government funding tool – Aged Care Funding Instrument (‘ACFI’).
- Depending on the assessment, an operator will receive between \$60.61 and \$210.85 per resident per day from ACFI, with additional supplements available for specific higher/specialised care needs
- Consumers also contribute towards the cost of their care on a means tested basis, whilst the Government funds the accommodation aspect for residents who have little to no assets and or income.

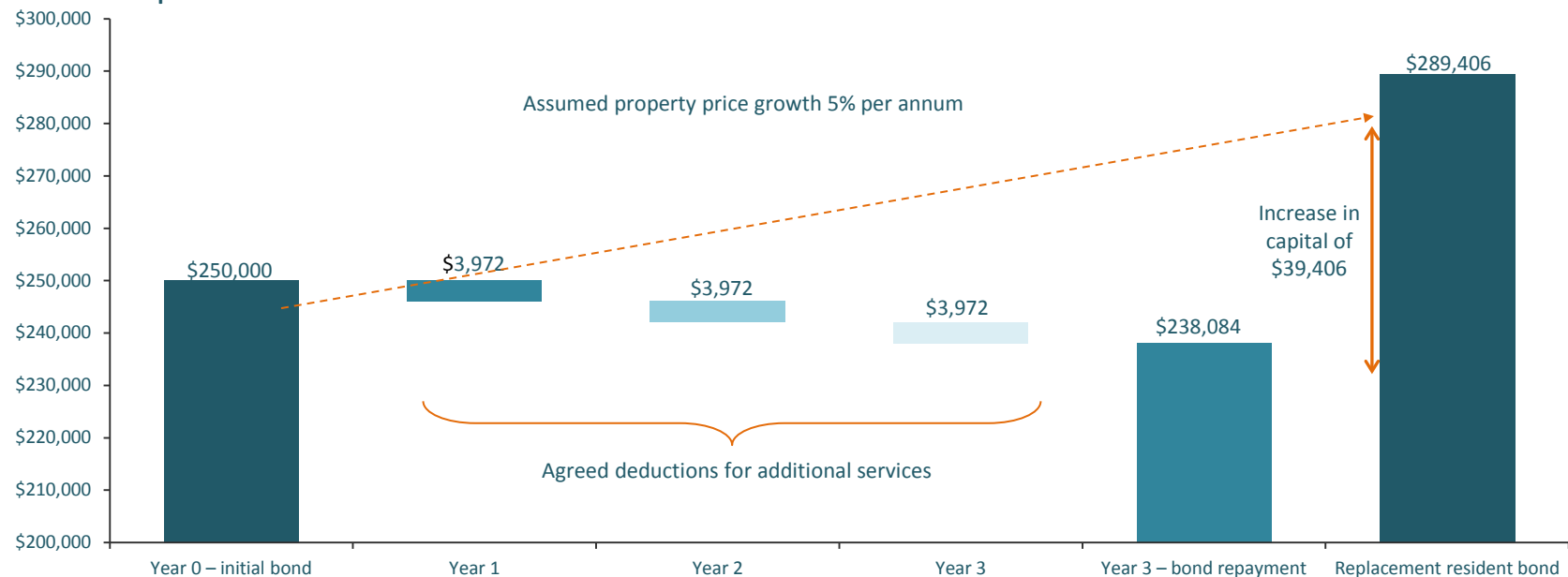


**Sources:** Japara research; Aged Care Funding Instrument (ACFI) User Guide, Australian Government - Department of Health & Ageing; Schedule of Resident Fees and Charges from 1 January 2016, Australian Government – Department of Social Services

# The funding model – capital funding

- An accommodation bond is an interest free capital payment made by an incoming resident to the aged care operator in respect of their occupied place
- Accommodation bonds provide a key source of capital funding for aged care operators (sector is underpinned by circa \$15bn of RAD's)
- Payable either via a lump sum, periodic payment or combination of the two
- Resident can also elect to have care and service charges deducted from the lump sum should they desire
- If a lump sum was paid, the original amount (less any deductions agreed to) is refunded to the residents' estate, and replaced with a new incoming lump sum, typically at a higher point than the outgoing

## Illustrative example



**Assumptions:** median house price of \$500,000; one initial resident who makes an accommodation bond (RAD) payment of \$250,000 (reflecting 50% of median house price); the resident occupies their place for three years; fees for additional services and care related fees are deducted monthly for the three year duration of the Resident's stay; house price growth of 5% per annum in the LGA (median house price of \$578,813 in year three); and replacement bond of \$289,406 in year three (reflecting 50% of median house prices in the LGA).

# Sector benchmarks

Core value drivers (operational)	Brownfield	Greenfield	Acquisition
Occupancy	Construction cost of \$135k - \$160k per bed Reconfiguration costs circa \$80k per bed	Build cost (per bed) Inner metro: \$180k - \$220k Outer metro: \$160k - \$200k Regional: \$140k - \$160k	Tier 1 – Individual facilities \$130k - \$190k per bed (net of RAD's)
ACFI Resident mix Resident reassessment	Ability to decant residents	Land cost (per bed) Inner metro: \$50k - \$85k Outer metro: \$40k - \$60k Regional: \$20k - \$40k	Tier 2 – Portfolio \$150k - \$220k per bed (net of RAD's)
Revenue diversification: Additional services DAP's Home and Community Care	Build time of ≤ 12 months	RAD uplift to at least fully fund build cost	Tier 3 – Listed E.V. \$220k - \$250k per bed (net of RAD's)
Managed staff costs: Master roster EBA	New RAD's to predominantly fund the redevelopment	Location in undersupplied areas	Potential for ACFI uplift
Locations in undersupplied areas		Med - high consumer demographics	Potential for RAD uplift
Specialised and evolving care model		Min facility size: 90 beds	
Policies and procedures			
Mid-high consumer demographics			

Sources: Japara research

- Care models
  - Consumer directed care already within Home and Community Care regime as a preface to potentially being implemented in residential aged care framework
  - Providers also looking to further specialise (e.g. dementia) in order to potentially diversify revenue streams
- Financial
  - Access to capital: Traditional banks aggressive in sector, increasing interest from super funds, offshore investment and pension funds as well as broader institutional infrastructure funds
  - Increasing sophistication in evaluation of investments – return metrics driving decisions
  - RAD inflows proving capital for new building projects (self funding model)
- IPO's
  - Listed market now active
  - A number of aged care providers in various stages of readiness for listing
  - Size and scale of these providers would likely create a second tier, largely retail based but high liquid listed sub sector

## Sector trends (continued)

- Government Reform & User Pays
  - Reforms will likely seek to further increase consumer choice, support industry consolidation and continue transition from public funding to consumer based funding based on means
  - Structural changes to licensing also likely to promote quicker delivery of supply
  
- Consolidation
  - Merger and acquisition market for individual facilities and portfolios is strong
  - Increasing number of large operations. Threshold of 1,000 – 1,500 beds today and moving to more than 3,000 beds
  - Private sector involvement has been increasing and is expected to continue over the long-term
  
- Convergence
  - Emergence of both co-location of retirement villages with aged care facilities and sharing of care services
  - Seniors care 'precincts' also gaining momentum with major hurdle for delivery being expansive land requirements



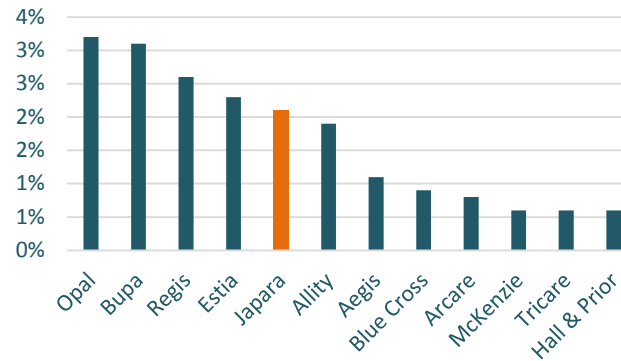
## **OVERVIEW OF JAPARA HEALTHCARE LTD AND THE LISTED ENVIRONMENT**



# Listed market

- Japara Healthcare first to list in April 2014 with market cap of \$0.5bn (issue share price of \$2.00). ~\$0.8bn as at 1 Feb 16
- Sector liquidity is deep with institutional investors, pension funds and mid to large trading houses still looking to place significant capital in the sector
- Investment demand enabled two other players to list in 2014
- Sector coverage is likewise deep with 10 analysts formally reporting on the sector
- Listed players account for ~7% of the total sector and have enjoyed double digit growth in share price since listing

Market Share



Others 66.1% & 16 largest NFP/ Religious 14.1%

Japara Healthcare (17/4/14 – 22/2/16)



Regis Healthcare (7/10/14 – 22/2/16)



Estia Healthcare (5/12/14 – 22/2/16)



Sources: Japara research; ASX market data; CLSA sector outlook, 15 December 2015

# Company profile – Japara Healthcare

One of Australia's largest residential aged care providers, with a growing national footprint



**43**

residential aged  
care facilities

Growing portfolio  
across **5** states

Over

**4,400**

total places

**180**

Independent Living  
Units

**100%**

accreditation record

Over

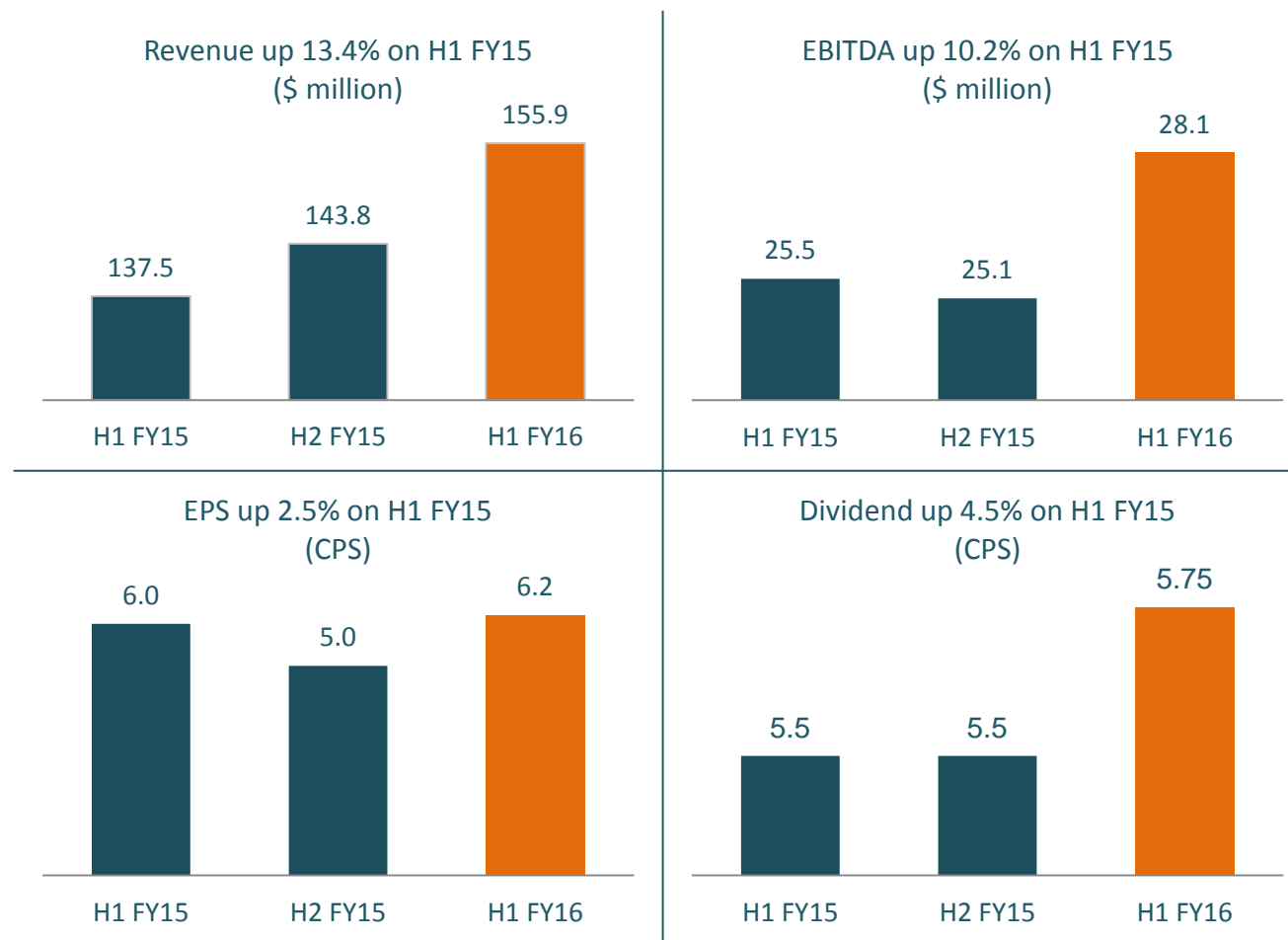
**4,900**

employees

# H1 FY2016 results highlights

## H1 FY2016 results continues track record of strong financial performance

- Japara's operating model is designed to facilitate "ageing-in-place" by servicing the full spectrum of resident care needs
- This operating model is aimed at achieving:
  - High standard of care provision across full spectrum of aged care services
  - Disciplined operational performance
  - Internal processes to ensure receipt of all entitled Government funding; and
  - Sustainable cash flow levels to meet working capital requirements and facilitate future growth
  - Value accretive acquisitions



**To deliver the highest quality of clinical aged care for our residents, and profitably increase our capacity to meet the growing community need for residential aged care**

Four pillars of growth underpinned by commitment to delivering high quality care



## **Enhance the existing portfolio**

Maximise the value of our current portfolio, maintain top-quartile industry performance



## **Brownfield and greenfield developments**

Deliver high quality additional capacity through brownfield and greenfield developments



## **Selective acquisitions**

Expand our national portfolio via value-accretive acquisitions



## **Strategic relationships**

Leverage partnerships with organisations with complementary businesses or specialties

Demographic shift underpins strong forecast demand for residential aged care. Approximately 82,000 additional places required over the next decade, requiring in the order of \$33 billion in investment<sup>1</sup>

Source: <sup>1</sup> Aged Care Financing Authority, Third report on the Funding and Financing of the Aged Care Sector, July 2015

# Enhance the existing portfolio

Business model underpinned by focus on delivering high quality care

- **Strong focus on clinical care**
  - Registered nurses at every facility, every day, on every shift
  - New Facility Manager Development Program created
  - Person-centric care program
- **100% accreditation record maintained**
- **Japara Signature Services**
  - Additional services aligned to resident needs
  - Contribute to individual and community wellbeing
- **Focus on innovation in care and environment**
  - Dementia specific training in best practice dementia management
  - Participating with a university and hospital regarding studies into ocular health and osteoporosis prevention



# Meeting demand for 82,000 new places by 2025

Development program to deliver over 900 new places by the end of FY2019

- **Brownfield and greenfield programs have strong momentum**
  - Developments program focused on under-bedded regions – underpinned by extensive research
  - Dedicated internal development team delivering results
  - RADs provide funding for construction costs
- **Brownfield developments**
  - Four developments currently under construction
    - Central Park (Windsor), George Vowell (Mt Eliza), St Judes (Narre Warren), Kirralee (Ballarat)
- **Greenfield developments**
  - Strong pipeline, underpinned by existing landbank
  - Four greenfield sites in various stages of development



Architectural Schematic - Glen Waverley



Central Lounge Room - Bayview

# Selective acquisitions

Disciplined and selective approach, strong track record established

- Industry is consolidating which provides opportunities for capacity expansion
- Recently purchased four facilities comprising 587 places
- Net purchase price of \$77 million, with anticipated EBITDA of \$9.5 million



Noosa Nursing Home – part of the Profke portfolio





## APPENDICES



# Appendix 1 – Regulatory overview

Accreditation/Certification		Funding	
Service accreditation	<ul style="list-style-type: none"> <li>Individual residential care services (facilities) must be periodically accredited by the Australian Aged Care Quality Agency (Commonwealth body) in order to operate and receive Government funding</li> <li>Are assessed against 44 standards and expected outcomes</li> <li>Facilities that are performing well receive a three year accreditation period</li> </ul>	Price regulation	<ul style="list-style-type: none"> <li>The Government regulates the maximum out-of-pocket fee that can be charged for specific care levels of residential aged care</li> </ul>
Facility certification	<ul style="list-style-type: none"> <li>Facilities must be certified as compliant with fire safety, privacy and space requirements in order to be able to charge resident certain types of fees (including accommodation bonds)</li> </ul>	Subsidies/ supplements	<ul style="list-style-type: none"> <li>The Government subsidises are based on resident care needs and provide supplements for specific services (indexed annually)</li> </ul>
Complaints investigation	<ul style="list-style-type: none"> <li>The Aged Care Complaints Investigation scheme is available to anyone who has a complaint or concern about a Government subsidised aged care service</li> </ul>	Accommodation charges	<ul style="list-style-type: none"> <li>RAD'S are now permissible on all places</li> <li>Residents can pay either a lump sum, a daily equivalent (Daily Accommodation Payment –'DAP's'), or a combination thereof</li> <li>Utilisation of RAD's restricted to permissible uses: brownfield/greenfield development, acquisition of facilities/land for future development and retirement of debt associates with the aforementioned</li> </ul>
Allocations			
Resident classification	<ul style="list-style-type: none"> <li>Aged Care Assessment Teams (<b>ACATs</b>) are Government-approved assessors that assist elderly people and their carers to determine the best type of care to meet their needs</li> <li>ACATs provide information on suitable care options and can assist in arranging access or referral to appropriate residential or community care</li> <li>In order for an aged care operator to receive Government funding for an incoming resident, that resident must be approved by an ACAT as requiring residential care</li> </ul>		
Place allocations	<ul style="list-style-type: none"> <li>The allocation of new places is determined by the Government taking into account the population aged 70 years and older located in specific areas</li> <li>Available places are determined for each financial year and distributed between regions of the State or Territory</li> <li>Operators apply for new allocations (from amongst available new places) through an annual competitive process</li> <li>Available places are allocated to successful Approved Providers</li> <li>Operators may retain a degree of discretion as to the timing of any development</li> </ul>		

**Sources:** Japara research; Aged Care Financing Authority – Third report on the Funding and Financing of the Aged Care Sector, July 2015;

# Appendix 2 – Aged care industry reform

On 1 July 2014, a revised regulatory framework took effect, designed to address the needs of the ageing Australian population

Change	Implications	Impact to aged care operators
<b>Changes to terminology</b>	<ul style="list-style-type: none"> <li>Accommodation bonds referred to as Refundable Accommodation Deposits (RADs)</li> <li>Periodic accommodation payments referred to as Daily Accommodation Payments (DAPs)</li> </ul>	<ul style="list-style-type: none"> <li>No impact to operators</li> </ul>
<b>Removal of the high care/low care categories</b>	<ul style="list-style-type: none"> <li>Provides operators with the ability to charge accommodation bonds on both high care and low care resident</li> <li>Low care resident get greater access to subsidised nursing and therapy services</li> </ul>	<ul style="list-style-type: none"> <li>✓ Potential increase in occupancy (particularly for those operators catering for high care) as places can be allocated to any resident</li> <li>✓ Increased cash flows for operators with a large number of high care resident through the application of accommodation bonds</li> </ul>
<b>Flexibility to set resident fees</b>	<ul style="list-style-type: none"> <li>Operator flexibility to set resident fees for accommodation and “hotel type” specialised services</li> </ul>	<ul style="list-style-type: none"> <li>✓ Operators entitled to charge fees above those legislated</li> <li>✗ Could result in a shortage of appropriately skilled labour as operators seek to service the potential increase in demand for services</li> </ul>
<b>Removal of the accommodation bond retention amount</b>	<ul style="list-style-type: none"> <li>Operators will no longer be entitled to retain a monthly fee on RADs</li> </ul>	<ul style="list-style-type: none"> <li>Potential impact expected to be largely offset by the introduction of DAPs</li> </ul>
<b>Accommodation bond price cap</b>	<ul style="list-style-type: none"> <li>Cap on accommodation bonds of \$550,000 (with Government approval required for prices set above this cap)</li> </ul>	<ul style="list-style-type: none"> <li>“Benign” impact on many aged care operators due to high price threshold set, albeit operators with high bond places may face net cash outflows</li> </ul>
<b>Changes to means testing criteria</b>	<ul style="list-style-type: none"> <li>Accommodation support payments determined under new arrangements based on resident’s annual income + asset value</li> </ul>	<ul style="list-style-type: none"> <li>Little or no impact to operators</li> </ul>
<b>Increased Government accommodation supplements funding for refurbished aged care facilities</b>	<ul style="list-style-type: none"> <li>Increase in the maximum accommodation supplement available to operators for eligible concessional resident in relation to completed or significantly refurbished aged care facilities</li> </ul>	<ul style="list-style-type: none"> <li>Likely to have a minor impact to operators due to the applicability to refurbished facilities only</li> </ul>
<b>Increased transparency of prices and payment methods</b>	<ul style="list-style-type: none"> <li>Residents will continue to have the choice of payment option by lump sum and/or period payment, however will be required to publish the prices on MyAgedCare.gov.au</li> </ul>	<ul style="list-style-type: none"> <li>✓ Potential for the market to perceive a correlation between quality and price</li> </ul>

Sources: Japara research

## Appendix 3 – Positive impact of regulatory reform

Revised regulatory changes to the aged care industry, which commenced on 1 July 2014, are expected to provide a number of positive benefits for larger, well-capitalised operators, such as Japara healthcare

Ability to charge bonds on high care places

- There is potential for Japara Healthcare to strengthen its existing long-term cash flow position through the application of accommodation bonds to places currently categorised as high care

Increased occupancy flexibility

- As a result of the removal of the high care/low care categories, Japara Healthcare will be able to allocate places to any resident based on demand and irrespective of the level of care they require

Flexibility to charge additional fees

- Operators will have more flexibility to set resident fees for accommodation and provide “hotel type” services (subject to approval by the Government) to meet individual resident demands. Accordingly, Japara Healthcare will be entitled to charge fees, in addition to those legislated, by agreeing those fees directly with the resident

Increased Government funding for refurbished facilities

- Given Japara Healthcare’s existing focus on the development of brownfields, there is potential for Japara Healthcare to receive increased Government funding, pertaining to Concession resident, at any refurbished facilities

Consolidation

- Japara Healthcare has significant access to capital and has been highly acquisitive both prior to and since listing.
- Sector thematics are driving an acceleration in consolidation which will enhance Japara Healthcare’s growth strategy

# Appendix 4 – Aged Care Funding Instrument

ACFI funding scale				
Domain Name	Domain attributes	Low (up to)	Med (up to)	High (up to)
Activities of Daily Living (ADL)	<ul style="list-style-type: none"> <li>- Nutrition</li> <li>- Mobility</li> <li>- Personal hygiene</li> <li>- Toileting</li> <li>- Continence</li> </ul>	\$36.11	\$78.62	\$108.92
Behaviour (BEH)	<ul style="list-style-type: none"> <li>- Continence</li> <li>- Cognitive skills</li> <li>- Wandering</li> <li>- Verbal behaviour</li> <li>- Physical behaviour</li> <li>- Depression</li> </ul>	\$8.25	\$17.10	\$35.66
Complex Health Care (CHC)	<ul style="list-style-type: none"> <li>- Medical</li> <li>- Complex health</li> </ul>	\$16.25	\$46.27	\$66.27
Total		\$60.61	\$141.99	\$210.85

- The Aged Care Funding Instrument (ACFI) is a resource allocation instrument focusing on the care needs among residents as a basis for allocating funding.
- The ACFI tool consists of 12 questions spread across three domains, with each having four ratings (A,B,C or D) and two diagnostic sections.
- The culmination of this assessment results in a overall rating per domain which dictates the level of direct ACFI funding (refer table no left).
- In addition, to the core ACFI funding, the Government provides supplements relating to specific care needs (such as oxygen and enteral feeding) as well as residents (veterans, fully supported residents etc.)
- Whilst the tool is complex, it allows the operator to more accurately match the level and type of car being provided with the commensurate funding.

# Appendix 5 – Accommodation bond characteristics

Characteristic	Description
Key source of funding	<ul style="list-style-type: none"><li>• “User pays” system developed by the Government to reduce the potential funding burden from an ageing population</li><li>• Developed to incentivise private sector to bear the development risks and associated returns</li><li>• RAD repayments are guaranteed by the Government in the event of operator default</li><li>• A capital payment made by an incoming resident and received by the operator in respect of their occupied place</li><li>• Provides an increasing cash flow stream through growth in the value of bonds over time</li></ul>
Bond dynamics	<ul style="list-style-type: none"><li>• Payable either as a lump sum, periodically (e.g. fortnightly, known as DAP) or as a combination of the two</li><li>• Residents cannot be charged a bond that would leave with less than \$49,296 in net assets<sup>1</sup></li><li>• Operator enjoys benefit of any form of price/capital appreciation through the ability to receive new bonds at a higher amount</li></ul>
Retention and charging	<ul style="list-style-type: none"><li>• Operators are entitled to retain funds as agreed for care services, additional services or combination payments.</li><li>• The RAD balance becomes refundable to the resident (net of retention amounts referred to above), or the Residents’ estate, immediately, if moving to another facility, or within 14 days of the grant of probate of the Resident’s Will</li></ul>
Use of funding	<ul style="list-style-type: none"><li>• The Aged Care Act stipulates that RAD’s must only be utilised for approved purposes, which include capital works, retiring debt and the purchase of additional facilities</li></ul>
Accounting treatment	<ul style="list-style-type: none"><li>• Classified as liabilities under AIFRS, however not typically considered debt by banks for lending purposes</li><li>• Periodic payments (DAP’s) are recognised as revenue in the profit and loss statement, whilst RAD lump sums are accounted for as liabilities on the balance sheet (with corresponding increases in cash)</li><li>• Results in high cash returns to equity and appear as cash inflows in the cash flow statement</li></ul>

Source: Japara research; Schedule of Resident Fees and Charges from 1 January 2016, Australian Government – Department of Social Services

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