



ACN 168 631 052

NOTICE OF ANNUAL GENERAL MEETING 2015

to be held on

Wednesday 18 November 2015
at 10.30am

Melbourne Recital Centre
Corner of Southbank Boulevard and Sturt Street
Southbank
Victoria

JAPARA HEALTHCARE LIMITED

ACN 168 631 052

Dear Shareholder

On behalf of the Board I am pleased to invite you to attend the 2015 Annual General Meeting (**AGM**) of Japara Healthcare Limited. The following information is enclosed:

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

AGM

The AGM will be held on Wednesday 18 November 2015 at 10.30am Australian Eastern Daylight Time (**AEDT**) at the Salon, Melbourne Recital Centre, corner of Southbank Boulevard and Sturt St, Southbank, Victoria. 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 in relation 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 allow the Share Registry to register your attendance at the Meeting. The registration desk will be open from 10.00am.

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.

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. Please submit your written query using the accompanying Shareholder Question Form to the Share Registry prior to 5.00pm AEDT on 11 November 2015. Alternatively you may complete the Shareholder Question form online before 5.00pm AEDT on 11 November 2015 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 as many Shareholders as possible at the AGM.

Yours sincerely

Linda Bardo Nicholls AO
Chairman, Japara Healthcare Limited

NOTICE OF ANNUAL GENERAL MEETING 2015

Notice is hereby given that the 2015 Annual General Meeting of members of Japara Healthcare Limited (**Japara** or the **Company**) will be held:

Date: 18 November 2015

Time: 10.30am AEDT

Venue: the Salon, Melbourne Recital Centre, Corner of Southbank Boulevard and Sturt St, Southbank, Victoria

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 2015.

Unless specifically requested, Shareholders have not been sent a hard copy of the Annual Report. Shareholders can view the Annual Report which contains the Financial Report for the period ended 30 June 2015 on Japara Healthcare Limited's website at japarahealthcare.com.au.

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 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 written questions, if any, submitted by Shareholders will be made available at the start of the AGM and any written answer tabled by the Auditor at the AGM will be made available as soon as practicable after the AGM.

RESOLUTION 1: REMUNERATION REPORT

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

That the Company's Remuneration Report for the period ended 30 June 2015 (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 as an ordinary resolution of the Company:

That Richard England, a Non Executive Director of the Company, who retires in accordance with Clause 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: ELECTION OF DIRECTOR – JOANNE STEPHENSON

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

That JoAnne Stephenson, a Non Executive Director of the Company, who retires in accordance with Clause 8.1 of the Company's Constitution, offers herself for election and being eligible, is elected as a Director of the Company.

RESOLUTION 4: APPROVAL OF THE COMPANY'S EQUITY INCENTIVE PLAN

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

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

RESOLUTION 5: APPROVAL OF PARTICIPATION OF ANDREW SUDHOLZ IN THE COMPANY'S EQUITY INCENTIVE PLAN

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

That the grant of 365,779 performance rights to the Company's Chief Executive Officer and Managing Director, Andrew Sudholz, under the Company's Equity Incentive Plan, as described in the Explanatory Memorandum, be approved for the purposes of Listing Rule 10.14 and all other purposes.

By Order of the Board

Kathryn Davies
Company Secretary
19 October 2015

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 of the Company as at 7.00pm AEDT on 16 November 2015 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 10.30am AEDT on 16 November 2015, 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, Locked Bag A14
Sydney South NSW 1235 Australia

Online: www.linkmarketservices.com.au

By Facsimile: +61 2 9287 0309

By Hand: Level 12, 680 George St
(within business hours) Sydney NSW 2000

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

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

Proxy Voting by Chairman

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

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 10.30am AEDT on 16 November 2015, being 48 hours before the AGM.

Corporate Representatives

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

Voting at the Meeting

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

Voting exclusion statements

Resolution 1

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

- a. a member of the KMP whose remuneration is included in the 2015 Remuneration Report; and
- b. a closely related party (such as close family members and any controlled companies) of such a KMP.

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

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

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

For the purposes of this voting exclusion, 'KMP' are the directors and those others persons who have authority and responsibility for planning, directing and controlling the activities of the Company, either directly or indirectly, as listed in the Remuneration Report for the year ended 30 June 2015. Their 'closely related parties' are defined in the Corporations Act, and include certain of their family members, dependants and companies they control.

Resolution 4

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

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

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

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

Resolution 5

A vote cast on Resolution 5 must not be cast (in any capacity) by or on behalf of:

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

However, the Company will not disregard a vote cast on Resolution 5 as a proxy for a person who is entitled to vote and:

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

Explanatory Memorandum

INTRODUCTION

This Explanatory Memorandum has been prepared for the information of Shareholders in Japara Healthcare Limited in relation to the business to be conducted at the Company's AGM to be held on 18 November 2015.

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

Resolution 1 is an advisory resolution.

Resolutions 2 to 5 are ordinary resolutions requiring a simple majority of votes cast in favour by Shareholders entitled to vote on the resolution.

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

As required by section 317 of the Corporations Act, the Financial Report, Directors' Report and Independent Auditor's Report of Japara Healthcare Limited for the period ended 30 June 2015 will be presented for consideration by Shareholders.

The 2015 Annual Report (which contains each of the above reports) is available on the Company's website at japarahealthcare.com.au.

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 2015 Annual Report, available on the Company's website japarahealthcare.com.au.

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

Richard England 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.

Richard 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 currently the chairman of Ruralco Holdings and is a non executive director of Nanosonics and Macquarie Atlas Roads.

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 the Institute of Chartered Accountants in Australia 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: ELECTION OF JOANNE STEPHENSON

In accordance with Clause 8.1 of the Constitution, Ms JoAnne Stephenson retires, and being eligible, offers herself for election as a Director of Japara.

JoAnne was appointed as a Non Executive Director of Japara on 1 September 2015. She is a member of the Audit, Risk and Compliance Committee and the Remuneration and Nomination Committee.

JoAnne holds a Bachelor of Commerce and a Bachelor of Laws (Honours) from the University of Queensland and is a member of the Institute of Chartered Accountants in Australia and the Australian Institute of Company Directors.

She has over 25 years of extensive experience in financial services having been a partner with KPMG and has key strengths in finance, accounting, risk management and governance.

She is currently a non executive director of ASX listed Asaleo Care Limited and Challenger Limited, Chair of the Audit and Risk Committee of the Department of Health and Human Services (Victoria), Chair of the Melbourne Chamber Orchestra and the Independent Chair of two GE Consumer Insurance entities in Australia. JoAnne was also previously a non executive director of the Peter MacCallum Cancer Institute.

The Board considers JoAnne Stephenson to be independent.

Recommendation: The Directors (with JoAnne Stephenson abstaining) recommend that Shareholders vote in favour of Resolution 3.

RESOLUTION 4: APPROVAL OF THE COMPANY'S EQUITY INCENTIVE PLAN

The Company has established an Equity Incentive Plan (**EIP**) to assist in the attraction, motivation and retention of its senior management and employees. The non executive Directors of the Company believe that the EIP:

- aligns executive reward with Shareholder wealth by tying this component of remuneration to the achievement of performance conditions which are directly linked to the sustainable long-term growth of the Company; and
- is an appropriately designed long term employee incentive scheme, having regard to the role of the EIP in the attraction, motivation and retention of relevant employees and in driving improved performance of the Company and the Group.

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**), will be eligible to participate in the EIP. Under the terms of the EIP, the Board may, from time to time, invite Eligible Employees to participate in a grant of any one or more of performance rights, options or restricted Shares. Eligible Employees who accept an offer to participate in the EIP will be referred to as **Participants** for the purposes of this Explanatory Memorandum.

Key terms of the EIP are:

Performance Rights

Unless the Board determines otherwise, no payment is required for the grant of a performance right. A performance right will entitle the Participant to one Share (or, in certain circumstances, to a cash payment in lieu of a Share) once applicable conditions have been satisfied. Performance rights will only vest if each vesting condition and all other relevant conditions advised to each Participant by the Board in an offer have been satisfied. Vesting conditions are determined by the Board and may include conditions relating to any or all of:

- continuing employment;
- performance of the Participant;
- performance of the Company; or
- the occurrence of specific events.

If the 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).

Participants must not sell, transfer, encumber, hedge or otherwise deal with performance rights.

Options

The Board does not currently intend to grant options to Eligible Employees, however it may wish to do so in the future.

As with performance rights granted the EIP, unless the Board determines otherwise, no payment is required for the grant of an option under the EIP. An option will entitle Participants to receive a Share (or, in certain circumstances, to a cash payment in lieu of a Share) that may only be exercised on satisfaction of applicable conditions and compliance with the applicable exercise procedure (including payment of any applicable exercise price). As with performance rights granted under the EIP, vesting conditions for options are determined by the Board and may include conditions relating to any or all of the examples outlined above.

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 in a particular offer.

Restricted Shares

The Board does not currently intend to issue restricted Shares to (or for the benefit of) Eligible Employees, however it may wish to do so in the future.

If the Board so determines, it may:

- issue restricted Shares to an Eligible Employee;
- procure the transfer of restricted Shares to an Eligible Employee; or
- procure the setting aside of restricted Shares for an Eligible Employee,

As with performance rights and options granted under the EIP, unless the Board determines otherwise, no payment is required for the issue of restricted Shares under the EIP. Restricted Shares may be held by a trustee on behalf of the Participant.

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 Shares will cease (subject to the terms of a particular offer and the Company's policy for dealing in securities). If restricted Shares are held by a trustee and those Shares become unrestricted, the trustee may be directed to transfer the Shares into the Participant's name or sell the Shares and pay the net proceeds to the Participant.

Restricted Shares will be forfeited if the applicable vesting conditions are not satisfied during the relevant vesting period.

Loan terms

If the Board so determines, subject to Shareholder approval if applicable, Eligible Employees may be invited to 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 Shares.

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

- limited recourse in nature, meaning that if the market value of the Shares is less than the loan value at the end of the term of the Loan, the Participant cannot be forced to repay the remaining Loan balance out of their own funds;
- unless otherwise determined by the Board, interest free and fee-free;
- unless otherwise determined by the Board, 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.

The Board does not currently intend to extend Loans to Eligible Employees, but it may wish to do so in the future.

Other features of the EIP

Subject to the terms of any trust arrangements (i.e. where a trustee holds restricted Shares on behalf of a Participant) in respect of Shares allocated to a Participant under the EIP:

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

The Board has discretion over the treatment of performance rights, options or restricted Shares in the event of a change of control of the Company.

Previous offers under the EIP

The EIP was adopted in April 2014 and to date 198,000 performance rights have been awarded under the Plan. All of these were forfeited by the participants after the relevant performance hurdles were not met. No other incentives have been issued under the EIP.

However, as stated in the Remuneration Report contained within the Company's 2015 Annual Report, no Shares vested or were issued (and no cash was paid) during the financial year ended 30 June 2015.

Approval for the purposes of the Listing Rules

Under Listing Rule 7.1, a listed 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 the approval of its

shareholders. An exception to Listing Rule 7.1 applies to any issue under an employee incentive scheme within 3 years of the scheme being approved by members; in this situation, such securities will not be counted when determining whether the 15% limit has been exceeded (Exception 9 in Listing Rule 7.2).

Accordingly, Shareholders are asked to give the Board approval to operate the EIP under which the Board may issue (or agree to issue) equity securities to Eligible Employees. The approval lasts for three years.

Recommendation: the non executive Directors unanimously recommend that Shareholders vote in favour of Resolution 4. Andrew Sudholz does not make a recommendation in respect of the resolution in view of his prospective participation in the EIP.

RESOLUTION 5: APPROVAL OF PARTICIPATION OF ANDREW SUDHOLZ IN THE EQUITY INCENTIVE PLAN

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

Rationale for issue of rights to Andrew Sudholz under the EIP

As mentioned in the above section on the rationale for the EIP, Andrew Sudholz's participation in the EIP will tie his performance based remuneration to the long-term performance of the Company which, the Board believes, will further encourage him to focus on creating value for Shareholders and to remain with the Company. Andrew Sudholz does not currently participate in an equity incentive plan.

Terms of the performance rights

A summary of the key rules of the EIP under which the performance rights will be granted to Andrew Sudholz (if approved by Shareholders) is set out above in relation to Resolution 4.

Approval for the purposes of the Listing Rules

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

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

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

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

Subject to the approval of Resolution 5, it is proposed that 365,779 performance rights will be granted to Andrew Sudholz. The performance rights proposed to be granted to Andrew Sudholz will be subject to the gateway hurdles and a vesting condition described below.

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

The performance rights are subject to a **performance period** of three years from 1 July 2015 to 30 June 2018.

If the gateway hurdles are not met or the vesting condition is not satisfied, none of the performance rights issued to Andrew Sudholz will vest. Any performance rights that remain unvested at the end of the performance period will lapse.

Gateway hurdles

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

- the Company must maintain ongoing aged care accreditation and compliance;
- there must be no material breach with regulatory guidelines across the Company's business; and
- the Company's earnings before interest, tax, depreciation and amortisation (EBITDA) for the year ending 30 June 2016 must meet or exceed a threshold target to be determined by the Board (subject to any adjustments for abnormal or unusual profit items that the Board, in its discretion, considers appropriate).

EPS vesting condition

The proposed grant of performance rights to Andrew Sudholz (and other senior executives of the Company under the EIP) is also linked to an earnings per share (**EPS**) hurdle. The EPS is derived from the Group's net profit after tax in accordance with Australian Accounting Standards and the weighted average number of shares on issue during the financial year (see note 17 to the Company's financial statements in the 2015 Annual Report).

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

Group's CAGR of EPS over the performance period	% of performance rights subject to the CAGR of EPS hurdle
Below 5%	Nil
At 5%	20%
Between 5% and 20%	Increasing on a straight line basis
At or in excess of 20%	100%

These targets are set by the Board to reflect the Board's performance expectations for the financial years between 1 July 2015 to 30 June 2018 (that is, during the performance period), taking into account prevailing market conditions and outlook, as well as the performance achieved by the Company for the 2015 financial year. In setting the EPS targets, the Board aims to strike an appropriate balance between making the targets achievable and motivating exceptional performance of its executives.

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

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

<i>Maximum number of securities that may be issued to Andrew Sudholz if shareholder approval is provided</i>	Andrew Sudholz will be granted 365,779 performance rights. The formula used to calculate the total number of rights to be granted to Andrew Sudholz is based on 1.0 times Andrew Sudholz's total base salary at the time of grant, divided by the volume weighted average price of the Company's Shares over the 10 days ended 30 June 2015, being \$2.63.
<i>The date by which the Company will issue the securities</i>	The Board has resolved to grant the performance rights to Andrew Sudholz no later than 12 months following the AGM, subject to Shareholders approving Resolution 5.
<i>Price at which the performance rights will be issued</i>	The performance rights will be issued at nil cost to Andrew Sudholz. Once the performance rights vest, each performance right entitles Andrew Sudholz to one Share at nil cost.
<i>Information required under Listing Rule 10.15.4A</i>	No other Directors are eligible to participate in the EIP on the basis that all Directors, other than Andrew Sudholz, are non executive Directors and are, therefore, ineligible to be Participants in the EIP.
<i>Terms of any Loan</i>	No Loan will be provided by the Company in relation to the grant of the performance rights proposed to be made to Andrew Sudholz.
<i>Directors' interest in the outcome of the resolution</i>	Other than Andrew Sudholz, no other Director has an interest in the outcome of this Resolution.

Recommendation: The Directors (other than Andrew Sudholz, who has abstained from making a recommendation) recommend that Shareholders vote in favour of Resolution 5.

DEFINITIONS

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

AEDT means Australian Eastern Daylight Time.

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

Board means the Board of Directors of the Company.

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

Constitution means the Company's constitution.

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

Director means a director of the Company.

Explanatory Memorandum means this explanatory memorandum.

Group mean the Company and its controlled entities.

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

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

Meeting (or **AGM**) means the Annual General Meeting of members of the Company to be held on 18 November 2015 at Melbourne Recital Centre, corner of Southbank Boulevard and Sturt St, Southbank, Victoria, 3006 at 10.30am AEDT.

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

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

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

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

Share Registry means Link Market Services Limited.

LODGE YOUR VOTE



ONLINE

www.linkmarketservices.com.au



BY MAIL

Japara Healthcare Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia



BY FAX

+61 2 9287 0309



BY HAND

Link Market Services Limited
Level 12, 680 George Street, Sydney NSW 2000



ALL ENQUIRIES TO

Telephone: +61 1300 554 474



X99999999999

PROXY FORM

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

APPOINT A PROXY

☐ the Chairman of the Meeting (mark box)

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

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the Annual General Meeting of the Company to be held at **10:30am on Wednesday, 18 November 2015 at the Salon, Melbourne Recital Centre, corner Southbank Boulevard and Sturt Street, Southbank, Victoria** (the Meeting) and at any postponement or adjournment of the Meeting.

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

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

VOTING DIRECTIONS

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting.

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

Resolutions

1 Adoption of Remuneration Report

For Against Abstain*

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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5 Approval of Participation of Andrew Sudholz in the Company's Equity Incentive Plan

For Against Abstain*

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
--------------------------	--------------------------	--------------------------

2 Re-election of Director – Richard England

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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3 Election of Director – JoAnne Stephenson

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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4 Approval of the Company's Equity Incentive Plan

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1 (Individual)

Joint Shareholder 2 (Individual)

Joint Shareholder 3 (Individual)

Sole Director and Sole Company Secretary

Director/Company Secretary (Delete one)

Director

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).

HOW TO COMPLETE THIS SHAREHOLDER PROXY FORM

YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

APPOINTMENT OF PROXY

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

DEFAULT TO CHAIRMAN OF THE MEETING

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

VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- (a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- (b) return both forms together.

SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either shareholder may sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Company's share registry or online at www.linkmarketservices.com.au.

LODGEMENT OF A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **10:30am on Monday, 16 November 2015**, being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

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



ONLINE

www.linkmarketservices.com.au

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the Proxy Form).



BY MAIL

Japara Healthcare Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia



BY FAX

+61 2 9287 0309



BY HAND

delivering it to Link Market Services Limited*
Level 12
680 George Street
Sydney NSW 2000

* During business hours (Monday to Friday, 9:00am–5:00pm)

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