

Japara Healthcare Limited ("Japara" or "The Company") notes the proposed reforms to aged care funding announced by the Federal Government as part of the 2014 Budget. In particular the Government has announced that:

1. it is redirecting \$1.5 billion from the Aged Care Workforce Supplement into the general pool of aged care funding. Residential, home care and flexible care providers will receive an increase in funding of 2.4% of their basic subsidy from 1 July 2014;
2. the Payroll Tax Supplement paid to some residential aged care providers will be discontinued from 1 January 2015. However, the \$1.5 billion that will be directed into the general funding pool, red tape reduction plan and reforms to the aged care system will deliver benefits that will help providers run their businesses more efficiently and make the most of their funding; and
3. regional, rural and remote aged care providers will receive an additional \$54 million over the next four years from a 20 per cent increase in the Viability Supplement.

The impact of the removal of the Payroll Tax Supplement, if adopted, would be approximately \$4m pre-tax for the year ending 30 June 2015. However, Japara cautions that until the relevant legislation has been passed and the impact of the other proposed reforms are quantified, the overall outcome of these Budget reforms and their ultimate impact on the Company is unclear.

Notwithstanding the above, Japara has determined that the likely reduction in the Payroll Tax Supplement from 1 January 2015 will be offset by greater than expected increases in other supplements and additional revenue in the year ending 30 June 2015. Therefore, Japara believes the financial forecasts in its prospectus dated 11 April 2014 continue to reflect an accurate representation of the likely financial performance of the Company for the year ending 30 June 2015.

For further information, please contact the undersigned on +61 3 9649 2109.

Yours faithfully

John McKenna
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