

## Chairman and CEO's review



**Linda Bardo Nicholls AO**  
Chairman



**Chris Price**  
CEO & Managing Director

Dear Shareholders,

On behalf of the Board of Directors (Board) we are pleased to present our 2021 Annual Report. The impact of the COVID-19 pandemic has been extreme throughout the Aged Care sector. With a significant presence in Victoria, Japara was affected by both the Melbourne COVID-19 outbreaks and the extended Victorian lockdowns. Throughout this challenging period, your Company's key focus has been the care, wellbeing, and safety of our 4,000+ residents and over 5,800 staff. We continued to provide the highest standard of personalised care with Registered Nurses in each of our 50 homes 24 hours a day, and we spent over 100% of care revenue received from Government and residents on costs associated with the provision of quality care and operating the business.

### FY2021 review

During a year dominated by the COVID-19 pandemic, Japara's response has been informed by expert medical advice. Strict early application of biosecurity measures including Personal Protective Equipment, infection control training, outbreak simulations, compulsory flu vaccinations, visitation restrictions, increased cleaning rosters, regular updates to resident families, and dedicated employee assistance programs helped minimise the impact of COVID-19 in our homes. The year started with community transmission greatly affecting five of our homes including the residents and staff. Our condolences were passed on to the families of our residents that sadly passed away at that time.

Appropriate decisions to limit infection spread were required and significant investment was made prior to the Victorian 'second wave'. Costs of operations increased, and Japara applied successfully for Grants under Federal Government COVID Relief programs. Understandably, occupancy declined to below budgeted levels especially in Victoria despite efforts to boost occupied places with shorter term

respite care. As expected, the easing of restrictions and the COVID-19 vaccine rollout have been catalysts for gradual improvement and occupancy at year end was 89.0%.

The Government response to the recommendations of the Royal Commission into Aged Care Quality and Safety was received in the second half of the year together with a new \$10 per resident per day basic daily fee supplement from 1 July 2021. COVID-19 Aged Care Workforce Retention Bonus grants were received and paid to eligible staff and applications were made for grant reimbursements as a result of the Single Site Worker Initiative payments made to applicable employees. While the additional funding is welcome, the underlying structural issues of the cumulative and growing 'negative jaws' gap between indexation of Federal Government care funding and Fair Work Annual Wage Reviews and the significant taxation differences (including payroll, fringe benefits and income tax) favouring not-for-profit operators were not addressed.

Notwithstanding tough conditions, our lenders continued to be supportive and balance sheet strength and liquidity have been maintained with \$132.8 million of cash and undrawn debt available at year end. During the year, Japara continued to focus on the implementation of major IT projects and its real estate strategy. New homes were opened at Trugo Place (120 places) in Victoria, and Corymbia (100 places) in NSW. The brownfield extension at our Albury & District home added 25 places while significant refurbishments were completed at three Victorian homes to improve their amenity and earn the Higher Accommodation Supplement. Several greenfield and brownfield projects, paused for the duration of the COVID-19 pandemic, are ready to resume when conditions improve. Two older closed homes and some surplus vacant land were sold in addition to one other with an accompanying long-term lease-back arrangement. Revaluation of real estate delivered a small earnings uplift. Japara ended the FY2021 year with EBITDA<sup>1</sup> of \$19.8 million and a Net Loss after Tax<sup>2</sup> of \$14.1million. No dividends were declared.

### Outlook

The short-term outlook for aged care remains challenging although the underlying demand for residential aged care will persist for Australia's rapidly ageing population. In a material event subsequent to year-end, the Board announced it was recommending an acquisition offer under a Scheme of Arrangement (Scheme) with the not-for-profit aged care provider, Calvary, at \$1.40 a share. This recommendation is in the absence of a superior proposal and subject to an Independent Expert concluding (and continuing to conclude) that the Scheme is fair and reasonable and in the best interests of shareholders. The outcome of this offer and approval of the Scheme by shareholders will be decided at an Extraordinary General Meeting in October 2021.

### Appreciation

COVID-19 has been confronting and frightening for many of our residents and their relatives, whom have displayed remarkable strength and support for Japara, for which we are grateful.

Our sincere thanks and appreciation goes to all our dedicated front line staff for providing outstanding care and compassion during these challenging times. We also thank our executives and support office team for all their hard work and commitment in supporting our homes and navigating the many challenges confronted. Finally, we thank you, our shareholders, for your on-going support of Japara.

**Linda Bardo Nicholls AO**  
Chairman  
30 August 2021

**Chris Price**  
CEO & Managing Director  
30 August 2021

1. EBITDA is a measure consisting of earnings before interest, tax, depreciation, amortisation and impairment of non-current assets.  
2. Loss attributable to members of the Group.