Directors' Report

The directors present their report together with the consolidated financial statements of Japara Healthcare Limited (**the Company**) and its controlled entities (**the Group**) for the financial year ended 30 June 2020 and the Independent Auditor's Report thereon.

1. Directors

The directors of the Company at any time during the financial year and up to the date of this report were:

Linda Bardo Nicholls AO
BA (Econ), MBA, FAICD (Life)

Non-Executive Chairman
Director since 19 March 2014

Linda is a senior executive and company director with more than 30 years' experience across Australia, New Zealand and the United States. In addition to her current Australian listed company directorships, she is Chairperson of Melbourne Health and a Member of the Museums Board of Victoria.

Previously, Linda has held the position of Chairman at some of Australia's most well-regarded companies including Healthscope, Australia Post and Yarra Trams.

Linda holds a Master of Business Administration from Harvard Business School, a Bachelor of Arts in Economics from Cornell University and is a Life Fellow of the Australian Institute of Company Directors.

Other current Australian listed company directorships:

Medibank Private (appointed 31 March 2014), Inghams Group (appointed 7 October 2016)

Former Australian listed company directorships in last three years:

Fairfax Media (resigned 7 December 2018)

Chris Price
B Bus, CA

Chief Executive Officer & Managing Director (CEO)
Director since 20 March 2020

Chris was appointed as Chief Executive Officer & Managing Director of the Company on 20 March 2020. He was previously the Chief Financial Officer, having held this position since joining the Company in June 2015.

Chris has over 25 years of experience in the financial services, professional services and manufacturing sectors. Prior to joining the Company, he was Managing Director of former ASX listed professional services firm Crowe Horwath Australasia Limited, having previously served as its Chief Financial Officer for seven years.

He is a member of Chartered Accountants Australia and New Zealand and has a Bachelor of Business from RMIT University.

Chris has not held any other directorships of listed companies in the last three years.

Richard England
FCA, MAICD

Non-Executive Director
Director since 19 March 2014

Chairman of the Audit, Risk and Compliance Committee and a member of the People, Culture and Remuneration Committee and the Zero Harm 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 Chairman of Qantm Intellectual Property and Hobart International Airport. He is also a Non-Executive Director of Friendly Society Medical Association and Indigenous Art Code.

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 Chartered Accountants Australia and New Zealand and a member of the Australian Institute of Company Directors.

Other current Australian listed company directorships:

Qantm Intellectual Property (appointed 17 May 2016)

Former Australian listed company directorships in last three years:

Bingo Industries (resigned 13 November 2019), Automotive Holdings Group (resigned 31 October 2019), Nanosonics (resigned 31 August 2019), Atlas Arteria (resigned 30 November 2018)

David Blight
BAppSc PRM (Val)

Non-Executive Director
Director since 19 March 2014

Member of the People, Culture and Remuneration Committee, the Audit, Risk and Compliance Committee and the Zero Harm Committee.

David is the co-founder and CEO of ARA Australia, the Australian business of the Singapore based ARA Group. ARA is an Asia Pacific real estate investment management firm with over $50 billion in funds under management.

David is also a Non-Executive Director of Lifestyle Communities.

His previous roles include Vice Chairman of ING Real Estate and Global Chairman and CEO of ING Real Estate Investment Management based in The Netherlands. He has also held senior executive positions with Armstrong Jones, Mirvac Group and APN Property Group. David has more than 30 years' experience in the real estate industry, across all major global markets and property sectors.

David holds a Bachelor of Applied Science in Property Resource Management (Valuation) from the University of South Australia.

Other current Australian listed company directorships:

Lifestyle Communities (appointed 15 June 2018)

Former Australian listed company directorships in last three years:

Cromwell Property Group (resigned 19 July 2019)

1. Directors continued

JoAnne Stephenson
BComm, LLB, CA, MAICD

Non-Executive Director
Director since 1 September 2015

Chairman of the People, Culture and Remuneration Committee and a member of the Audit, Risk and Compliance Committee and the Zero Harm Committee.

JoAnne holds a Bachelor of Commerce and Bachelor of Laws (Honours) from the University of Queensland and is a member of Chartered Accountants Australia and New Zealand 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.

JoAnne is a Non-Executive Director of Challenger, Asaleo Care and Myer Holdings.

She is also Chair of the Major Transport Infrastructure Board (Victoria).

Other current Australian listed company directorships:

Challenger (appointed 8 October 2012), Asaleo Care (appointed 30 May 2014), Myer Holdings (appointed 28 November 2016)

Former Australian listed company directorships in last three years:

None

Leanne Rowe AM
Doctor of Medicine (MD), MB BS, FRACGP, Dip RACOG, FAICD, HonLLD (Monash)

Non-Executive Director
Director since 1 July 2019

Chairman of the Zero Harm Committee and a member of the Audit, Risk and Compliance Committee and the People, Culture and Remuneration Committee.

Leanne is a Clinical Professor and Medical Practitioner with over 30 years of clinical experience in the public and private health systems across acute care, aged care, mental health and community health.

She is Chairman of Nexus hospitals and a Non-Executive Director of the Medical Indemnity Protection Society and MIPS Insurance. Previously she was Chairman of the Royal Australian College of General Practitioners and a Non-Executive Director of I-MED Radiology Network, Medibank Private, GMHBA, Australian Health Management, Barwon Health and Beyond Blue.

Leanne is a former Deputy Chancellor of Monash University and has been awarded a Doctor of Laws (honoris causa) for her services. She has also received a Member of the Order of Australia for her services to medicine and is a Fellow of the Royal Australian College of General Practitioners and the Australian Institute of Company Directors.

Leanne has not held any other directorships of listed companies in the last three years.

No longer in Office:

Andrew Sudholz
FPI, MAICD

Former Chief Executive Officer & Managing Director
Director from 19 March 2014 to 20 March 2020

Andrew is a founding shareholder and was an executive director of the Company. Andrew has more than 30 years' of experience in the real estate, healthcare and professional services industries.

Previously, Andrew was a global partner of the Arthur Andersen Group, a national partner of Ernst & Young's Real Estate Advisory Services Group and the state general manager of the Triden Corporation.

He is a fellow of the Australian Property Institute, a former president of the Victorian division and national board member of the Property Council of Australia and a member of the Australian Institute of Company Directors.

Andrew holds an Associate Diploma of Valuations from the Royal Melbourne Institution of Technology.

Andrew has not held any other directorships of listed companies in the last three years.

Directors' Report continued

2. Company secretaries

Bruce Paterson

Bruce has over 30 years' corporate experience in senior roles with listed and unlisted companies. Prior to joining the Company, he was Company Secretary of a top 200 ASX listed professional services company, Crowe Horwath Australasia Limited for 14 years.

Bruce was appointed as lead Company Secretary of the Company in December 2015.

He has a Bachelor of Business in Accounting and a Graduate Diploma in Company Secretarial Practices. Bruce is a Fellow of the Governance Institute of Australia, the Institute of Chartered Secretaries & Administrators and CPA Australia.

Chris Price

Chris is the CEO and was appointed as a Company Secretary in July 2015.

3. Directors' meetings

The number of directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the directors during the financial year are:

Director	Board Meetings		Audit, Risk & Compliance Committee Meetings		People, Culture & Remuneration Committee Meetings		Zero Harm Committee Meetings	
	A	**B**	**A**	**B**	**A**	**B**	**A**	**B**
Linda Bardo Nicholls AO[1]	11	11	5	5	4	4	4	4
Chris Price[1,2]	3	3	1	1	1	1	1	1
Richard England	11	11	5	5	4	4	4	4
David Blight	10	11	5	5	3	4	4	4
JoAnne Stephenson	10	11	4	5	4	4	4	4
Leanne Rowe AM	11	11	5	5	4	4	4	4
Andrew Sudholz[1,3]	8	8	4	4	3	3	3	3

A – Number of meetings attended while a director
B – Number of meetings held while a director
1 – Attended Committee meetings by invitation
2 – Appointed 20 March 2020
3 – Retired 20 March 2020

4. Principal activities

The principal activities of the Group during the financial year was that of owner, operator and developer of residential aged care homes. No significant change in the nature of these activities occurred during the financial year.

5. Operating and financial review

Overview of the Group

The Group is one of the largest private sector residential aged care operators in Australia with over 4,400 operational resident places across 51 homes located in Victoria (33 homes), New South Wales (eight homes), Queensland (three homes), South Australia (five homes) and Tasmania (two homes).

The Group's core business is providing residential aged care services. It also operates 180 Independent Living Units (**ILUs**) across five retirement villages, located adjacent to its residential care homes. Retirement village revenue accounts for less than 1% of the Group's operations by revenue.

Since its inception in 2005, the Group has successfully expanded its business by developing, extending and significantly refurbishing its existing homes, building new homes and selectively acquiring other homes.

The Group's parent company, Japara Healthcare Limited, was admitted to the official list of ASX Limited on 17 April 2014.

5. Operating and financial review continued

Overview of the Group continued

The Group's provision of care is underpinned by an operating model that is designed to facilitate ageing-in-place by servicing the full spectrum of resident care needs. It specialises in high acuity care including dementia. This operating model is aimed at achieving:

- above industry average occupancy levels through providing a high standard of resident care, wellbeing and amenity;
- eligible Federal Government care funding matched to resident acuity; and
- cash flow generation to meet working capital requirements, facilitate growth and provide returns to shareholders.

Funding sources

The Group derives funding from two main sources being care funding (daily Federal Government funding and daily resident contributions) and accommodation funding (daily Federal Government funding and resident contributions in the form of daily payments and lump sum payments).

Federal Government and resident contributions

As an approved provider of residential aged care services, each of the Group's homes is eligible to receive funding contributions from the Federal Government. Funding is in the form of subsidies and supplements for approved residents in funded places, on a 'per resident per day' basis. It includes care and accommodation components. Additionally, the Federal Government has also paid assistance funding to approved providers more recently during the financial year to aid COVID-19 pandemic (**COVID-19**) preparations. Approximately 72% (2019: 73%) of customer contract revenue for the financial year was from Federal Government care and accommodation funding.

The Group also receives contributions from residents for the provision of a full spectrum of residential aged care services, optional additional services and Daily Accommodation Payments (**DAPs**). Resident contributions made up approximately 28% (2019: 27%) of customer contract revenue for the financial year.

Refundable Accommodation Deposits (RADs)

RADs account for a significant component of the Group's accommodation funding. RADs are lump sum payments made by certain residents with the financial means in lieu of paying a DAP, and are refunded to the resident upon their departure from the home in accordance with the legislated time frames. The Group maintains a conservative RAD management regime with the average value of incoming RADs set with reference to the median house price in the relevant Local Government Authority.

During the financial year, the Group used accommodation funding received from RADs for the following purposes:

- capital works for residential aged care home developments (including acquisition of land) and significant refurbishments, and associated expenditure on fit-out and new equipment;
- repaying bank debt used to finance capital works for residential aged care homes; and
- refunding RADs when due and payable.

The Group maintains a disciplined approach to capital expenditure, with all key capital projects subject to strict approval protocols. Capital expenditure comprises expenditure on asset enhancement and replacement programs and general maintenance projects. It also includes growth capital expenditure comprising brownfield (extensions) and greenfield (new build) development projects and acquisition of residential care homes.

Residents that have been assessed by the Federal Government as having the financial means have the option to either pay a RAD, a DAP, or a combination of both. A DAP is calculated on a daily basis and charged monthly and recognised in revenue as a resident contribution. The value of a DAP is calculated with reference to the room value using an interest rate set by the Federal Government.

Bank debt

The Group borrows money from time to time in order to finance its activities. The Group has bank borrowing facilities with a syndicate of lenders which are principally used to finance the Group's developments on a short to medium term basis and the acquisition of residential aged care homes.

Key costs

The Group's key cost relates to staffing which was approximately 74% (2019: 69%) of total revenue for the financial year. Other costs include medical supplies, catering, cleaning, consumables, repairs and maintenance, energy, utilities and support office costs.

As one of the largest operators of residential aged care services in Australia, the Group seeks to leverage its ability to achieve cost advantages through internalisation and centralisation of certain functions, economies of scale and group buying power.

Review of operations

	2020 $'000	2019 $'000	Change %
Revenue and other income	427,532	399,768	6.9
Earnings Before Interest, Tax, Depreciation and Amortisation (**EBITDA**)[1]	32,875	49,553	(33.7)
Profit / (loss) attributable to members of the Group	(292,087)	16,433	(1,877.4)
Total comprehensive income attributable to members of the Group	(294,714)	14,021	(2,201.9)

1. EBITDA is non-IFRS financial information prepared in accordance with ASIC Regulatory Guide 230 – Disclosing non-IFRS financial information. EBITDA is a measure consisting of earnings before interest, tax, depreciation, amortisation and impairment of non-current assets and has been adjusted from the reported information to assist readers to better understand the financial performance of the business. This non-IFRS financial information, while not subject to audit, has been extracted from the financial statements, which have been subject to an audit by the external auditor.

Operational results

The Group delivered EBITDA of $32,875,000 for the financial year in a challenging operating environment.

A $292,087,000 loss attributable to members of the Group was recorded which includes a non-cash impairment charge against the Group's non-current assets of $291,923,000.

Total revenue and other income of $427,532,000 was up 6.9% on last year while a net loss after tax of $292,087,000 was recorded, mainly attributable to the non-cash impairment charge against the Group's non-current assets of $291,923,000. This non-cash impairment charge comprised of $289,500,000 relating to a reduction in the carrying value of intangible assets associated with uncertainty created by COVID-19 and arising from the Royal Commission into Aged Care Quality and Safety (**Royal Commission**), and $2,423,000 relating to a reduction in the carrying value of the property, plant and equipment of the Group's Wyong home in NSW, that is expected to close in early September 2020.

The Group increased its revenue from new places delivered by greenfield and brownfield developments completed during the financial year and throughout the previous financial year. The Group also received $5,490,000 of additional COVID-19 specific funding from the Federal Government to assist in reinforcing safety and care levels for residents. Additionally, the Group generated net gains of $7,415,000 from the disposal of otherwise non-income generating surplus assets. Revenue from existing mature homes was lower as occupancy levels continued to decline over the financial year, consistent with sector experience. Average occupancy for the financial year was 92.2% compared with 93.0% in the previous financial year. Sector-wide occupancy pressures have been encountered following an excess of new supply of homes recently coming into the market to meet expected future demands. There has also been weaker consumer confidence in the sector anecdotally on the back of the activities and interim findings of the Royal Commission and the potential impacts of COVID-19.

Increased revenue was more than offset by increased operating costs, in particular staffing costs where wage rate increases through enterprise agreements still continue to exceed the indexation increases received in Federal Government care funding. Other operating cost increases included resident costs, utility expenses, staff redundancy payments and Royal Commission participation costs.

EBITDA of $32,875,000 is before the $289,500,000 non-cash impairment of the Group's intangible assets. An estimated range of this impairment was foreshadowed in May 2020, with the amount being determined after detailed consideration of a range of future assumptions including discount rates, business and industry operating performance, the economic environment and regulatory conditions. Further details of the uncertainties and impacts of COVID-19 are set out later in this report. The non-cash impairment was charged against the Group's goodwill. This has resulted in the majority of goodwill being impaired, with a balance of $31,764,000 remaining at 30 June 2020. Further details are disclosed in Note F3 to the financial statements.

A net loss after tax was recorded for the financial year due to the overall decline in EBITDA, the non-cash impairment charge and increased depreciation and finance costs attributable to new and re-developed homes and applying the new leases accounting standard.

A non-cash fair value charge through other comprehensive income occurred during the year amounting to $2,627,000 (2019: $2,412,000) net of income tax as a result of the Group's interest rate swaps that were entered into in April 2019. Further details on these interest rate swaps are disclosed in Note G3(c) to the financial statements.

A summary of the audited Statement of Financial Position is set out below:

	2020 $'000	2019 $'000	Change %
Total assets	1,252,016	1,439,153	(13.0)
Total liabilities	1,029,049	907,069	13.4
Net assets	222,967	532,084	(58.1)

5. Operating and financial review continued

Review of financial position

Total assets and total liabilities for the prior comparative period have both been restated upward by $60,518,000 following an income tax accounting policy change made during the financial year. Further details are disclosed in note A5 to the financial statements.

The Group's total assets decreased by 13.0% during the financial year. While property, plant and equipment assets associated with capital expenditure on the Group's development program increased, together with recording right of use assets in respect of the Group's operating leases for the first time in applying the new accounting standard AASB 16 Leases, this was more than offset by the non-cash impairment of non-current assets, primarily relating to the Group's intangible assets.

Total liabilities increased by 13.4%, mainly due to an increase in bank borrowings to fund the above increase in assets, from RADs, being monies refundable to residents, and the recording of lease liabilities in accordance with AASB 16 Leases. Further details are disclosed in Note F2(a) to the financial statements.

During the financial year an additional $69,750,000 of the Group's banking facilities was drawn down primarily to fund developments, with $41,250,000 being repaid from net RAD cash inflows and net proceeds from asset sales. A total of $239,000,000 (2019: $210,500,000) was drawn down from the Group's banking facilities as at the reporting date. Together with the Group's cash balances of $48,286,000 (2019: $31,472,000), the Group's net debt as at the reporting date amounted to $190,714,000 (2019: $179,028,000), of which $36,214,000 (2019: $44,528,000) is considered core net debt and $154,500,000 (2019: $134,500.000) is development debt.

The Group has $345,000,000 of syndicated bank loan facilities with availability through to September 2023. In addition, the Group has flexibility to activate an accordion facility providing an additional $45,000,000 for working capital purposes if required. The non-cash impairment of non-current assets during the financial year did not impact the bank loan facilities, including related covenants, and the Group continues to enjoy strong support from its lenders. Additionally, the non-cash impairment does not affect the Group's future cash flows or its ability to undertake capital management initiatives.

On-going portfolio management of the Group's real estate assets continued during the financial year. The sale and lease back of its Springvale home in Victoria and the disposal of vacant land in Highton, Victoria realised cash of approximately $16,900,000 net of costs, the majority of which was used to repay bank debt.

In March 2020, the Group received a Notice of Decision to Impose Sanctions (**Notice**) from the Aged Care Quality and Safety Commission (**ACQSC**) in respect of its Wyong home in New South Wales. The Group was extremely disappointed to receive this Notice despite its best efforts to consistently deliver the highest standard of person-centred care and services to its residents. A plan was immediately implemented with the ACQSC to move the home back to full compliance and have the sanctions lifted. However, in late June 2020, the Group made the difficult decision in the residents' best interests, and with the ACQSC's support, to commence a plan for their re-homing and to close the Wyong home. When the home was acquired by the Group in April 2018, it was under sanctions. The Group was able to move the home to full compliance and have the sanctions lifted in May 2018. The Group's intention was to develop a new replacement home in an adjoining suburb on vacant land acquired as part of the same purchase transaction. However, development planning permission could not be obtained and due to the physical limitations of the existing Wyong home, its approaching functional obsolescence, and continued operational challenges, the Group notified the ACQSC, the residents and their families and staff that it would be closing the home. This is expected to occur in early September 2020. At 30 June 2020, the Group had impaired the property, plant and equipment of the Wyong home by $2,423,000 and recorded a provision for the redundancy costs of its staff of $858,000.

Net RAD and ILU resident loan cash inflows for the financial year were $55,763,000 (2019: $44,729,000), the increase reflecting the Group's completion of developments and significant refurbishments during the year.

The Group's current liabilities exceed current assets by $675,758,000 (2019: $613,474,000) as at 30 June 2020. This arises predominantly because of the requirement to classify the Group's obligations to residents for RADs and ILU resident loans as current liabilities, whereas, the property, plant and equipment, investment properties and intangible assets to which such funds relate are required to be classified as non-current assets.

The Group maintains a minimum level of liquidity to ensure RADs are able to be refunded as required and the timing of its working capital requirements are generally consistent throughout the course of a financial year with no significant variations. The Group's cash position is expected to provide sufficient liquidity to meet the Group's current anticipated cash requirements.

The Group's financial and liquidity positions remain sound. However, over time, it may seek additional funding from a range of sources to diversify its funding base to reduce reliance on the bank finance market and to manage its exposure to interest rate risk.

COVID-19

The Group's business operations have continued during COVID-19, although the pandemic presents extreme challenges for the Group and the broader aged care sector as the residents we care for are amongst the most vulnerable to the virus. The lack of a vaccine and the severity of the disease in frail elderly people, leading to higher fatality rates, has required an increase in vigilance and preparedness in response. While the Group has significant experience in responding to known infection outbreaks at its homes, such as influenza and gastroenteritis for example, COVID-19 is significantly more contagious and proving more difficult to prevent and control in a residential home environment. Individuals with COVID-19 may be asymptomatic or be infectious for days prior to showing symptoms. With a reported incubation period of up to 14 days, regular testing for COVID-19 may be required. The risk to our residents and staff contracting the virus is heightened with increased levels of community transmission as has been the experience within some of our homes subsequent to 30 June 2020 and across the residential aged care sector both nation-wide and world-wide.

The Group has a comprehensive COVID-19 response plan which was prepared and enacted in early 2020. Strict infection control measures compliant with the requirements of State and Commonwealth health authorities were implemented at all Group homes. These included pre-entry health screening of all visitors and staff, the use of personal protective equipment, monitoring residents for signs and symptoms of COVID-19 and additional cleaning of high touch points. During COVID-19 outbreaks, visitor restrictions are introduced and isolation and cohorting measures undertaken while having regard to the particular circumstances. An experienced emergency management committee oversees the Group's COVID-19 response plan including during an outbreak. Outbreaks are closely monitored by the Group's quality management team in addition to State and Commonwealth health authorities and the aged care regulator. Notification to the relevant authorities and contact tracing is immediately initiated following a confirmed case and identified close contacts are notified and are required to isolate.

COVID-19 has impacted the Group's business during the year resulting in lower revenue due to lower occupancy levels and additional operating costs at homes. The Federal Government's COVID-19 assistance funding helped to offset the additional preparatory costs incurred. These relate to such areas as further education and infection control training, additional care and cleaning shifts, increased procurement and use of personal protective equipment, cleaning supplies and communication equipment for residents and their families to remain in contact. The Group was not entitled to receive any financial assistance for staff through the Federal Government's JobKeeper subsidy arrangements during the financial year.

As a result of workplace restrictions due to COVID-19, the majority of the Group's Melbourne support office workforce were working from home in the later part of the financial year and continue to do so. This has not unduly affected the Group's operations or care and services to residents given the remote and secure technology and communication platforms in place. Travel to homes by the support office staff has been limited, particularly as State borders have been closed, which has assisted with some cost savings.

Availability of staff at Group homes has also been impacted by COVID-19, more noticeably in July and August 2020 and particularly within Victoria where there has been a considerable number of homes across the sector with COVID-19 outbreaks. A large casual and part-time workforce is employed within the sector, often working across multiple homes for multiple approved providers. This can heighten the risk of the introduction of COVID-19 into homes and reduces the available workforce when positive cases or close contact staff are required to self-isolate.

The Group's consumable supply chains, including for personal protective equipment and cleaning supplies, have been less certain with some items in short supply, more expensive and with longer delivery times during COVID-19. The Group has called upon its strong supplier relationships and received assistance from the Federal Government by accessing the national medical stockpile to cover its requirements.

The uncertain outlook created by COVID-19 has had a significant impact on the forecast performance of the Group and was a significant contributor to the non-cash impairment recognised during the financial year, as mentioned earlier in this report. Given declining occupancy levels and associated revenues which are unlikely to improve within the COVID-19 environment, and the on-going increase in staff and other costs of caring for residents, the decision was made to offer some redundancies to staff at the support office prior to financial year end. A provision in respect of these redundancy costs of $370,000 is included within the financial statements.

Business strategies and prospects for future financial years

The Group is committed to maximising the value of its current portfolio of homes through organic growth while maintaining a high level of resident care and support in line with its ageing-in-place care model.

In addition to organic growth, and having regard to the projected future demand profile for residential aged care and senior living, the Group has an expansion strategy which centres on increasing the size of its residential care home portfolio through developments and selective acquisitions, and the development of co-located senior living at a select number of homes.

In light of the uncertain economic outlook created by COVID-19 and having regard to its objective of managing liquidity risk, the Group has undertaken a review of its capital requirements and has placed a number of development projects on hold with a decision to proceed into construction to be made when it is deemed prudent to do so. Other development projects that are currently under construction are proceeding as scheduled.

5. Operating and financial review continued

Business strategies and prospects for future financial years continued

The Group is a supporter of reform that appropriately balances the community need for high quality residential aged care and the sector's financial sustainability. The Federal Government has previously identified the importance of the continuum of care model and the goal of enabling a seamless transition between home and residential care for ageing residents. The Royal Commission's recommendations due for release in February 2021 are expected to shape the direction and design of the aged care sector moving forward if adopted by the Federal Government. The Group seeks to position itself to respond to resulting changes through its support and participation and to progress potential opportunities across the care continuum in the medium term.

Organic growth

i. Occupancy levels

The Group has historically achieved higher than sector average occupancy levels and continues to target incremental improvement over the medium term across its portfolio of homes. COVID-19 has negatively affected occupancy levels across both the sector and the Group. Homes with COVID-19 outbreaks are temporarily unable to admit new residents and demand has declined more broadly as some onsite potential resident inspections have been made more challenging due to visitation restrictions. Additionally, consumer confidence appears lower with the spread of COVID-19 into residential aged care homes and the Royal Commission's activities and interim findings. There has also been an excess of new supply of homes recently coming into the market to meet expected future demand. Accordingly, the short-term outlook for occupancy is uncertain.

The Group has a dedicated client services team in place which supports the home managers to maintain a close relationship with the Group's resident consumer base and referral networks. Benchmarked occupancy levels across the Group and its competitors are used for strategic direction and improvement initiatives.

The Group continues to provide care and services that are closely aligned with consumer demands and expectations and is proactive in strategic marketing and refurbishment activities to maximise occupancy levels. In addition, the Group's development growth strategy has been targeted towards undersupplied areas, as identified by its internal research team, to support higher occupancy levels across the Group.

ii. Additional services

The Group has a suite of additional services that are available to its residents for a fee. Revenue from additional services continues to grow modestly and is expected to generate further revenue growth from resident contributions as they access these services and more new homes open. The majority of the Group's developments are being designed to enhance the level and availability of additional service offerings.

iii. Cost reduction initiatives

The Group constantly reviews its supply and service contracts and providers seeking improvements to quality and service standard, in addition to efficiencies and cost savings. It also continually refines its operations to identify improved and more efficient methods including through the use of technology.

iv. RAD funding

The Group has continued to receive strong net RAD inflows during the financial year. Further new capital is anticipated to be received from RADs linked to newly delivered operational places from brownfield and greenfield developments and existing places at significantly refurbished homes.

Development program

The projected future demand profile for residential aged care and senior living is strong notwithstanding some short-term oversupply currently existing in the residential market.

The Group has an in-house managed development program which has been operational since FY2016. During the year, two new greenfield developments were completed and opened under this program. The first in Robina, Queensland added 106 new places to the portfolio and the second in Mount Waverley, Victoria adding a further 105 new places. Additionally, brownfield extensions at our Brighton-Le-Sands home in New South Wales and Mirboo North home in Victoria were completed providing further new places. To date the development program has delivered in excess of 800 net new residential aged care places to the Group's portfolio. The Group also seeks to expand further into selective senior living opportunities on a co-located basis with its existing homes.

The Group currently has two greenfield developments in construction phase at Newport in Victoria and Belrose in New South Wales which will collectively add a further 222 new places. A brownfield extension to our Albury home in New South Wales has recently been completed providing a further 28 new places. A further four greenfield projects, several brownfield projects and three senior living projects are currently at various stages of the pre-construction development process. The Group owns or has secured land sites for all these projects.

The Group has 750 un-activated provisional licences issued by the Department of Health for development purposes. It also holds 323 other surplus licenses to support the places being built under the Group's current development program. Any shortfall in licences is expected to be obtained from future Aged Care Approvals Round allocations or by acquisition.

It is expected that the costs of the Group's developments will, to a large extent, be initially funded from the Group's bank borrowing facilities. This bank debt is expected to be repaid by the RAD inflows received from residents entering the new or re-developed homes post completion.

The Group has a separate significant refurbishment program in place with a further two homes being significantly refurbished during the financial year. The Group is entitled to receive additional Federal Government funding from accommodation supplements for each concessional resident in newly built or significantly refurbished homes. In all, 36 of the 51 homes in the portfolio now qualify for this additional supplement.

Acquisitions of existing residential aged care homes

The Group reviews opportunities to acquire existing residential aged care homes. The Group targets individual or groups of homes where shareholder value can be enhanced through operational improvements and efficiencies. This may occur through the implementation of the Group's operating model, its buying power and removal of duplicated administration costs.

Acquisitions are undertaken subject to meeting the Group's strict investment criteria, market conditions and availability of capital. The Group is not actively considering any new acquisitions at this time having regard to its objective to managing liquidity risk.

Material business risks

The following are considered material business risks for the Group.

Change of regulatory framework or funding

The Australian residential aged care sector is highly regulated and significantly funded by the Federal Government. The provision of services is governed by the Aged Care Act 1997 and over 70% of the Group's revenue is from Federal Government care and accommodation funding. The receipt and use of RADs and the allocation of bed licences are also Federal Government regulated. Accordingly, regulatory and funding changes may have an adverse impact on the way the Group promotes, manages and operates its homes, its financial position and performance, and its developments program.

The initial findings of the Royal Commission from its interim report released in October 2019, have foreshadowed that a fundamental overhaul of the design, objectives, regulation and funding of the sector is required. The Royal Commission's final report is due by 26 February 2021 for Federal Government consideration.

The Group has limited control over this area of risk but seeks to influence regulatory decision-making through submissions and consultation at senior Federal Government levels, including within Treasury, Health and Aged Care departments, primarily through the Aged Care Guild. Additionally, both the Group and the Aged Care Guild have provided submissions and direct evidence to the Royal Commission.

The CEO has responsibility for managing regulatory risk and is the Company's delegate on the Aged Care Guild which seeks to support sustainability and ongoing investment in the sector to meet forecast increasing future demand. The CEO develops strategies, with the support of the Board, in anticipation of and to mitigate risk in regulatory and funding changes.

Staff availability and wage increases

A portion of the Group's workforce are skilled healthcare workers whose services are in high demand from other aged care and health sector providers. There may also be a limited pool of such workers, particularly in regional and remote areas. Accordingly, there is a risk that the Group will not be able to attract and retain an adequate number of skilled healthcare workers for its existing and future operations and this risk is currently being exacerbated due to COVID-19 where homes with COVID-19 outbreaks may require staff to self-isolate and restrictions are in place preventing the spread of the virus by encouraging workers not to work at multiple aged care homes.

The Group manages its skilled and general workforce risk by providing an attractive employee value proposition, including opportunity, training and support, and reducing reliance on casual and agency workers. Initiatives in place during COVID-19 to retain and bolster the Group's workforce include paying staff a COVID-19 allowance and higher shift rates and accessing the Government's emergency surge workforce in the event of an outbreak.

5. Operating and financial review continued

Material business risks continued

Staff availability and wage increases continued

The majority of the Group's staff costs, relating to its skilled and unskilled care workforce, are set under State-based enterprise agreements which contain fixed increases over their terms. The Group negotiates with staff, through union representation, for future wage increases which is undertaken without knowledge of future Federal Government funding indexation levels. Accordingly, there is a risk that future increases in staff costs are higher than the increases in Federal Government funding, particularly as funding increases are set without reference to State-based labour costs. The Group's staff costs as a percentage of total revenue for the financial year was approximately 74% (2019: 69%). Increasing staff costs in excess of the increases in Federal Government funding may adversely affect the Group's financial performance.

The Group manages its wage costs to revenue ratio to mitigate a decline in profitability while ensuring that the care needs of residents are met. The Group seeks to implement information technology solutions to create efficiencies in its workforce by minimising administration hours and maximising care hours, while also enhancing its overall level of revenue through optimising occupancy and ensuring it receives the correct Federal Government funding for the care provided to each resident.

Reduction in occupancy levels

In the ordinary course of its business, the Group faces the risk that occupancy levels may fall below expectations, for example, with a nationwide severe outbreak such as influenza or COVID-19 or an excess supply of places in the market. Competition from newer homes and providers offering discounted terms can also impact occupancy levels. Lower occupancy levels adversely affect the Group's financial performance by reducing the amount of Federal Government care and accommodation funding it is entitled to, resident contributions, accommodation payments and RADs. A decrease in occupancy levels may also result in an increase in financing costs. Such occurrences are likely to lead to a decline in the Group's profitability.

To mitigate occupancy level risk, occupancy is monitored daily at a home and line management level. Home managers are responsible for their homes' occupancy levels, which is a KPI for performance assessment purposes. Homes are supported by line management and a dedicated client services team who have access to referrer networks and direct marketing resources. The Chief Operations Officer has overall responsibility for occupancy levels and reports directly to the CEO. The Board is provided with occupancy data, trend analysis and action plans to address declines in occupancy. The Group has a targeted development program for its existing homes to remain contemporary and competitive, and meet consumers' changing expectations. Greenfield projects are intentionally built in undersupplied geographic markets to assist in countering potential occupancy level reductions.

Decline in RADs

Residents with the financial means may choose to pay RADs when coming into a home. The value of RADs are determined having regard to local aged care conditions and residential property market values. The Group may use RADs to assist in funding the development and refurbishment of its homes, to repay other RADs and for limited other purposes as prescribed by law. A number of factors can lead to a decline in RADs creating risk for the Group. These include:

- where a larger than expected number of RAD paying residents depart leading to a substantial and immediate outflow of funds;
- a reduction in the value of RADs paid by new residents compared with departing residents;
- a shift away from new residents choosing to pay RADs; and
- declining occupancy where RADs are repaid and not replaced.

A decline in RADs may have a material impact on the Group's cash flows and financial position.

To mitigate risk associated with RADs, the Group regularly monitors the level of RADs and has adopted a Board approved liquidity management strategy to ensure adequate funds are available to repay RADs when required. Bank borrowing facilities have been negotiated to support this strategy. A conservative approach is also used by the Group in pricing RADs to protect against declines associated with a significant downturn in property markets.

Large scale infectious outbreaks

Large scale infectious outbreaks (**Outbreaks**), such as influenza and COVID-19, may significantly impact the health and safety of the Group's residents and staff and its business operations. Other material business risks may also eventuate including a reduction in occupancy levels, staff availability and reputational damage.

Outbreaks require infection control measures to be implemented which may require additional staffing, particularly if home staff are themselves infected or unable to attend work. Additional personal protective equipment, cleaning and waste collection will be required, as well as administrative support in communicating and dealing with residents, their families, health and other authorities. Sourcing additional staff, supplies and services may prove difficult should others have similar demands during Outbreaks. Their cost and delivery time frames may also increase. As homes are likely to be closed to accepting new residents during Outbreaks, a reduction in occupancy and associated revenue may result. Further, revenue may be impacted if special service offerings provided to residents paying an additional fee are required to be suspended or ceased.

The Group has an established emergency response process supported by emergency response plans for handling Outbreaks. Site emergency response teams are enacted and are supported by an overarching emergency response committee comprising senior management and subject matter experts as required. For example, with current COVID-19 outbreaks, a dedicated external infection control expert is a key committee member. The Group's executive leadership team and Board receive regular reports and monitor progress and developments.

The Group typically carries an emergency stockpile of personal protective equipment and other supplies at times of known Outbreaks which it seeks to compile where possible in advance. The Group has strong supplier relationships it may call upon and has access to the national medical stockpile for additional personal protective equipment. During Outbreaks, State and Commonwealth Government authorities may provide support and assistance, as has been the experience with COVID-19, where a surge workforce has been established to assist with bolstering staffing to providers. The Group may also offer more attractive temporary financial arrangements to secure additional short-term staffing. The Group's 51 homes are geographically disbursed across five States which can assist with sharing of resources. Group support to its homes is available on both a central and regional basis from dedicated staff including experienced quality managers.

Health and safety

The health, safety and wellbeing of residents, home staff and visitors are critical to the Group for its on-going business operations. A poor or unsafe home and workplace can lead to injuries and discontentment amongst residents, relatives and staff, resulting in adverse financial performance, litigation and reputation issues for the Group. Preparedness and capability for dealing with emergency and hazardous events including natural disasters and infectious outbreaks are critical.

The Group delivers care and services to its residents through a comprehensive and robust process which is supported by policies and procedures compliant with the Aged Care Act 1997 and other regulations. Home staff are under the control and supervision of qualified home managers and receive regular on-going training to safeguard and promote the health, safety and wellbeing of both residents and themselves. Audits and post incident investigations are conducted to identify and address risks of injury or illness. Homes are assisted by experienced quality managers and other professionals who provide work health and safety, human resource and operational support. The Chief Clinical Governance and Risk Officer has overall responsibility for resident care services while the Chief HR Officer has overall responsibility for staff work health and safety and wellbeing. Both executives report directly to the CEO and provide regular reports to the Board and its Zero Harm Committee on the health, safety and wellbeing of residents and staff for oversight and improvement monitoring.

The Group has an established emergency response process for dealing with emergency and hazardous situations as outlined elsewhere in this report to safeguard the health and safety of residents, visitors and staff.

Loss of key personnel

The Group relies on a high quality management team with significant residential aged care sector experience. The inability to recruit or the loss of key members of the Group's management team at home and support office levels could adversely affect the Group's ability to operate its homes and its business to the required standards, to remain competitive and achieve its objectives.

This could undermine the Group's ability to effectively comply with regulations and may result in damage to its brand and a reduction in demand for its residential aged care services. These occurrences may adversely impact the Group's financial performance and position. The cost to replace key personnel is also expensive.

The Group has processes in place to manage the potential loss of key personnel. The Board has responsibility for CEO succession planning while the CEO has responsibility for succession planning of other key personnel with the support of the Chief HR Officer and other members of the executive leadership team. The Board is required to be immediately advised of any resignation or termination of senior management. The Company's remuneration framework and employee value initiatives are overseen by the Board's People Culture and Remuneration Committee. These arrangements can assist with retention through their design, including deferral and forfeiture elements for incentives. Key personnel may also have extended termination notice periods which allows for an orderly transition of the role.

5. Operating and financial review continued

Material business risks continued

Loss of approvals or accreditation

Residential aged care homes are required at law to be operated by Approved Providers and accredited in various ways. These approvals are generally subject to regular review and may be revoked in certain circumstances. Residential aged care homes must be accredited to attract Federal Government care and accommodation funding. If the Group does not comply with regulation and is unable to secure accreditation for the operation of its homes or future resident places, or if existing accreditation or approvals are adversely amended or revoked, this can affect Federal Government funding. Such circumstances can potentially result in the breach of bank lending covenants and therefore adversely impact the financial performance and position and future prospects of the Group.

The Group has robust policies and procedures in place covering required accreditation standards for each home. Home staff are educated and regularly trained to ensure these standards are upheld and are supported by experienced quality managers and other professionals. The Chief Clinical Governance and Risk Officer has overall responsibility for ensuring accreditation standards are maintained and reports directly to the CEO. The Board and its Zero Harm Committee are provided with regular reports on the outcomes of periodic regulatory accreditation audits with learnings communicated across the Group. Remuneration incentive arrangements for the executive leadership team, including the Chief Clinical Governance and Risk Officer and the CEO, have a gateway hurdle relating to maintain on-going accreditation and compliance standards. When the Group acquires a new home, it undertakes a review of accreditation standards within three months using a gap analysis process to identify risks. New homes are transitioned to Group standards with the support of the Group's quality managers and other professionals.

Information Technology breaches

The Group collects, stores and uses personal and sensitive information relating to its residents, their representatives and staff. Such information is typically in electronic format and therefore subject to risk of loss or breach resulting from incidents such as system failures, data theft and cyber-attacks. The aged care sector is a known target area for ransomware cyber-attacks given the nature of information providers hold. The Group's reputation, business operations and financial performance may be adversely impacted in the event of an Information Technology (**IT**) data breach.

The Group has invested heavily in its IT capability and has in place a modern and secure IT framework with next generation firewalls and best of breed service filtering. Systems are housed at professional purpose-built offsite premises, with multi-backup capability. Specialist real-time monitoring is in place to safeguard against cyber-attacks. Staff have also been trained to remain vigilant for potential data breaches.

Reputational damage

The Group operates in a commercially sensitive sector in which its reputation could be adversely impacted should it, or the residential aged care sector generally, suffer from any adverse publicity. Such publicity, as a result of outcomes from the Royal Commission or COVID-19, may lead to a reduction in occupancy at the Group's homes, including for existing and new residents, and affect staff morale and retention, which may adversely impact the Group's financial performance and position and future prospects.

Robust controls and processes are in place to safeguard resident and staff health, safety and wellbeing. The Group seeks to avoid reputational incidents through a strong operating and control environment. When potential incidents are identified or become known, they are promptly reported to the executive leadership team and to the Board (when applicable) in accordance with standing policy. The executive leadership team, under the CEO's direction, is responsible for developing appropriate strategies and responses. Where necessary, the Group's emergency response committee is enacted to assist. The CEO and Chief Financial Officer have authority under the Group's Communication Strategy for commenting externally on reputational related matters. The Group engages external public relations advisors and other experts as required to assist with strategy, response and handling. From an aged care sector perspective, the Company supports and is also supported by the Aged Care Guild which is proactive in raising concerns and providing positions and responses to sector related matters.

Claims and litigation

Due to the personal nature of the services the Group provides, it is exposed to third party claims risk from residents, staff and others. This may include professional indemnity and public liability claims, WorkCover and employee practice claims and other litigation such as arising from coronial inquests.

The Group may also be subject to securities related class actions including for breach of its continuous disclosure obligations under the *Corporations Act 2001*.

The foregoing risks may adversely impact the Group's financial performance as significant expenditure may be incurred in responding to such matters. The Group's reputation may also be affected.

The Group has annual insurance arrangements in place to help protect against financial exposure for claims and litigation risks. The extent to which these arrangements will respond is subject to the terms and conditions of the relevant policy arrangements including cover levels and any exclusions.

6. Dividends

Dividends paid or determined for payment on ordinary shares are as follows:

Final dividend: nil cents per share (2019: 3.35 cents)	$nil
Interim dividend: 2.00 cents per share (2019: 2.80 cents)	$5,345,000

The interim dividend paid during the financial year was franked to 50% (FY2019: unfranked). The Directors have determined not to pay a final dividend for the 2020 financial year. The final dividend paid for FY2019 was franked to 50%.

7. Significant changes in the state of affairs

COVID-19

As mentioned earlier in this report, the direct financial impact during the financial year from increased levels of care and safety associated with COVID-19, including for staffing, cleaning supplies and protective equipment, was predominantly offset by specific Federal Government funding to the aged care sector for COVID-19. However, since 1 July 2020, the significantly increasing number of COVID-19 cases and outbreaks primarily caused by community transmission in Victoria, and the move to Stage 4 restrictions in Melbourne and Stage 3 restrictions throughout the rest of that State, will have a greater financial impact to the Group in the next financial year, without further funding support from the Federal Government. This is mainly as a result of 33 of the Group's 51 homes being in Victoria, with some of them experiencing COVID-19 outbreaks.

COVID-19 has impacted the financial year in various ways. The most significant as set out in the financial report was the impairment of the Group's intangible assets, with an impairment charge relating to the Group's intangible assets of $289,500,000 being recognised in the Statement of Profit or Loss and Other Comprehensive Income. Additionally, there has been an increase in the expected credit loss provision as a result of the wider economic impact of COVID-19 to reflect the increased risk that some residents and family members are no longer able to fund their full aged care costs and a downward revaluation of some of the Group's investment properties to reflect the recent decrease in overall property values.

Other

Other significant changes in the state of affairs of the Group during the year may be disclosed elsewhere in this report.

8. Events subsequent to reporting date

COVID-19 outbreaks

At the date of this report, four of the Group's Victorian homes are being greatly affected by COVID-19 outbreaks being Goonawarra, Elanora, Millward and The Regent. The extent of each outbreak is varied but each of these homes have confirmed cases of residents and staff who have tested positive for the virus. Many close contact staff working in the homes are also affected through self-isolation. Sadly, there have been some resident fatalities resulting from the virus and our support, thoughts and deepest sympathy have been extended to affected families. The Group continues to act vigilantly to protect the health and safety of residents and staff at all its homes. It has enacted appropriate precautions and responses in line with its own protocols and directives and guidelines of the Commonwealth and State Governments and the ACQSC. It is not possible to determine when outbreak measures will be lifted at each affected home nor whether other Group homes, including in other States or with COVID-19 outbreaks, will be similarly affected.

The Goonawarra home has had a Notice to Agree issued by the ACQSC relating to its COVID-19 outbreak. This notice specified certain requirements for the monitoring and management of the home including:

- Not admitting new residents into the home until the Victorian Public Health Unit has declared the home free of COVID-19 and the ACQSC is satisfied that the risk to residents has been mitigated;
- The appointment of a suitably qualified and experienced adviser to assist with ensuring the health and wellbeing of residents; and
- Communicating daily with, and providing weekly written reports to, the ACQSC, together with regular communication with all families of the residents.

The Goonawarra home is fully compliant with the Notice to Agree, with an internal suitably qualified and experienced adviser having been appointed with the ACQSC's agreement.

8. Events subsequent to reporting date continued

Wyong closure

As mentioned earlier in this report, the Group is expecting to close its home in Wyong, New South Wales in early September 2020. This home was acquired in April 2018 as part of a portfolio of homes and had been identified for future replacement. Unfortunately, development planning permission could not be obtained, with the decision to close the home being made in the residents' best interests following sanctioning of the home in March 2020 and having regard to its physical limitations, approaching functional obsolescence and continued operational challenges. The Group has successfully re-homed all residents at other Group and nearby homes. It is proposed to sell the Wyong property in due course.

Other

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of the affairs of the Group in future financial years.

9. Likely developments

Information relating to the likely developments in the operations of the Group and the expected results of those operations in future financial years is set out in section 5 and elsewhere in this report.

10. Indemnification and insurance of officers

Indemnification

The Company has agreed to indemnify the current and former directors and officers of the Company, against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as directors and officers of the Company and its controlled entities, to the full extent permitted by law. The Company has also agreed to meet the full amount of any such liabilities, including costs and expenses.

The Company has agreed to indemnify the current and former directors and officers of its controlled entities for all liabilities to another person (other than the Company or a related body corporate) that may arise from their position, except where the liability arises out of conduct involving a lack of good faith. The Company has also agreed to meet the full amount of any such liabilities, including costs and expenses.

Insurance premiums

During the financial year, the Group paid a premium in respect of a contract insuring current and former directors and officers of the Group against certain liabilities that may be incurred by such directors and officers in the discharge of their duties to the extent permitted by the *Corporations Act 2001*.

Details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors' and officers' contract of insurance have not been disclosed as this is prohibited under its terms.

The Company has not provided any indemnity or insurance for the auditor of the Company.

11. Non-audit services

During the year, KPMG, the Group's auditor, has performed certain other services in addition to its statutory duties. Other services are performed by KPMG where the Group considers that KPMG is best qualified or positioned to perform those services and that the performance of those services would not compromise auditor independence requirements.

The directors have considered the other services provided during the year by the auditor and in accordance with written advice provided by the Audit, Risk and Compliance Committee, are satisfied that the provision of those other services during the year is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* due to the following:

- the other services provided do not undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Group, acting as an advocate for the Group or jointly sharing risks and rewards.

Details of the amounts paid to the Group Auditor for audit and non-audit services provided during the year are set out below:

	2020 $'000	2019 $'000
Audit and review services	406	275
Taxation services	61	112
Advisory services	32	50
	499	437

12. Environmental regulation

The Group's operations have a modest environmental impact and accordingly, are not subject to any particular and significant environmental regulation under either Commonwealth or State legislation.

13. Proceedings on behalf of the Company

No proceedings have been brought or intervened in on behalf of the Company with leave of Court under section 237 of the *Corporations Act 2001*.

14. Lead Auditor's Independence Declaration

The Lead Auditor's Independence Declaration is set out on page 26 and forms part of this Directors' Report for the financial year ended 30 June 2020.

15. Rounding off

The Group is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 dated 24 March 2016 and in accordance with that legislative instrument, amounts in the financial report and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Remuneration Report

The Remuneration Report is set out in section 16 on pages 29 to 42 and forms part of this Directors' Report.

Signed in accordance with a resolution of the directors:

Signed and dated at Melbourne on 26 August 2020

Chris Price

Linda Bardo Nicholls AO
Chairman

Chris Price
CEO & Managing Director