The Bethanie Group Inc

2020 Consolidated Annual Report

For the Year Ended 30 June 2020

ABN 60 992 323 648

Bethanie
You're among friends

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These general purpose financial statements are the consolidated financial statements of The Bethanie Group Inc (Bethanie) and its controlled entity, Bethanie Housing Ltd (Bethanie Housing). The financial statements are presented in Australian currency.

The Bethanie Group Inc is incorporated under the Associations Incorporation Act 2015 and registered with the Australian Not-for-Profit Commission ("ACNC") in accordance with the Australian Not-for-Profit Commission (ACNC) Act 2012.

Bethanie Housing Ltd is a public company limited by guarantee incorporated under the Corporations Act 2001 and registered with the Australian Not-for-Profit Commission ("ACNC") in accordance with the Australian Not-for-Profit Commission (ACNC) Act 2012.

The principal registered office of The Bethanie Group Inc is at Level 3, 202 Pier St, Perth, WA, 6000.

A description of the nature of the consolidated entity's operations and its principal activities are included in the review of operations and activities on pages 3 to 6 in the CEO and Chairman's Review and in the Directors' Report on pages 7 to 9, both of which are not part of these financial statements.

The financial statements were authorised for issue by the directors on 12 October 2020. The directors have the power to amend and reissue the financial statements.

The Bethanie Mission is:

"To demonstrate the Love of God by positively changing the way Australians experience ageing - every customer, every family, every community, every day."

The Bethanie Vision is:

"Enriching the ageing experience of over 1 million Australians by 2030."

The Bethanie Values are:

"Justice, Integrity, Stewardship, Compassion and Respect."

Bethanie's Six Signature Behaviours:

- Bethanie delivers all of its services the way you would like them to be delivered to you.
- Bethanie promotes all Bethanie services and products with integrity and enthusiasm.
- Bethanie takes ownership for all its actions and responsibilities.
- Bethanie demonstrates that it is the best at what it does.
- Bethanie treats everyone with respect and compassion.
- Bethanie communicates clearly in an honest and transparent manner.

Financial Year 2020 has been successful for Bethanie Group Incorporated (BGI) with the following key highlights:

- Revenue of $127.2m and net cash from operations of $23.0m.
- Bethanie enhanced the ageing experience for over 40,000 Australians.
- Completion of the acquisition of the Como & Subiaco aged care homes (ACHs) from the Berrington Group.
- Completion of construction of Independent Living Cottages (ILCs) at Bethanie Esprit Lifestyle Village and commenced the renovation and refurbishment at Bethanie Warwick.
- Successful response to, and navigation of, the COVID-19 global pandemic with minimal financial impact noting significant focus on this continues.
- Contribution of over $3.0m towards delivery of Bethanie's mission.

CEO and Chairman's Review

On behalf of the Directors, we are pleased to present the 2020 Annual Report for The Bethanie Group Inc.

Performance

Our vision is to *"enrich the ageing experience of over 1 million Australians by 2030"*. We feel it is a privilege to work in this capacity and do not take this responsibility lightly. This year more than ever we have seen this in the commitment and dedication of our staff with the successful response to, and navigation of, the COVID-19 global pandemic with minimal impact to both customer outcomes and financial results.

Following the acquisition of the Berrington residential aged care portfolio within 2020 Financial Year, Bethanie now operates an aged care portfolio of 33 locations and has enhanced the ageing experience for over 40,000 Western Australians. We were pleased to provide certainty of care for Berrington residents and families, ongoing employment for the majority of Berrington employees and the opportunity for Bethanie to care for more Western Australian seniors.

Financially, Bethanie had a pleasing result for the 2020 Financial Year in tough market conditions. Total revenue increased to $127.2m (2019: $123.9m) and net cash from operations increased to $23.0m (2019: $15.1m). These results have allowed a Social Contribution of over $3.0m to be granted towards the delivery of Bethanie's mission.

Market outlook

As a result of people living longer and the significant increase in births in the post-war era Western Australia has a growing elderly population. Due to these growth rates there are increased requirements for new residential aged care capacity over the next 10 years, which brings opportunities.

Despite a soft property market, the COVID-19 pandemic and the Interim Report released by the Royal Commission into Aged Care, opportunities are numerous, and we find ourselves evaluating alliances, joint ventures, mergers and acquisitions. A number of providers in the sector are finding the trading and commercial environment particularly challenging. We continue to explore new revenue and profit streams to ensure our funding is not entirely reliant on an ever-decreasing government funding instrument.

Our broader Vision together with our disciplined approach to corporate governance, risk management and management oversight has resulted in a Board that is more focussed strategically on ensuring our heritage provides the solid foundation to build an organisation that leverages our existing brand as a leading provider of Aged Care services beyond Western Australia.

Royal Commission into Aged Care Quality and Safety

The Royal Commission handed down its Interim Report in October 2019 with three areas identified for immediate action - reducing the home care wait list, reducing the use of restraints and removing younger people from aged care facilities. We will continue to support the ongoing reforms to ensure older Australians receive the quality care and respect they need and deserve, and to enable our dedicated staff to deliver relevant, focussed and heartfelt care to all customers.

Vision

In 2019 we announced our exciting vision aimed at inspiring and innovating Bethanie to expand its mission beyond those that it currently serves. It is a growth strategy and as such has resulted in two strategic measures being developed with a 2023 horizon:

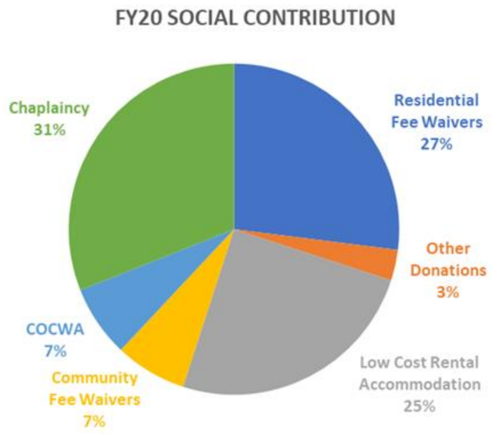
- To enable us to meet our vison we will enrich the ageing experience of 100,000 Australians by 2023.
- We will achieve profitable revenue of $180m per annum by 2023.

The four strategic pillars have been maintained in the 2020 Financial Year and provide the focus for the strategic plan. Strategic projects are focused on these key areas resulting in the creation of targets and outcomes that align with these areas of focus.

Mission in Action

Bethanie's mission is *“to demonstrate the Love of God by positively changing the way Australians experience ageing - every customer, every family, every community, every day”.*

We strive to encourage meaningful social contributions amongst staff, driving activities which are not part of Bethanie’s core business but contribute greatly to the well-being of the community. In the 2020 Financial Year, Bethanie contributed over $3.0m to the Western Australian community in areas illustrated in the graph.



Our partnership with RAW Impact also continued, and for the second year in a row a Bethanie team visited Cambodia and provided housing to the homeless.

We were pleased to increase our Bethanie Memberships in the 2020 Financial Year. Members of Bethanie distribute information and communications, help recruit volunteers as required, communicate with Bethanie about partnership opportunities with their church and attend the Annual General Meeting.

Great People and Culture

The focus for the 2020 financial year was to continue to create processes and platforms that support the leadership within Bethanie. We firmly believe that great staff culture, exceptional customer outcomes and financial sustainability are all a reflection of exceptional leadership.

Following on from last year’s advancements to the Talent & Succession Planning process, we further advanced the process with the creation of Behavioural Competency Profiles for key leadership roles within Bethanie. These were then used to assist with assessing and identifying future successors.

The Bethanie Leadership Excellence Programme was continued in partnership with the Australian Medical Association to support Bethanie's operational and emerging leaders to deliver excellence. The collaboration was initiated to recognise the important role that operational leaders play in creating fantastic experiences for the ageing population.

We now have 31 Registered Nurses who have graduated from Bethanie's Nurse Leaders program, which won the 2018 LASA Excellence Award for WA. The program, now in its second year having commenced in 2018, is a blended learning program focused on supporting innovation and practice improvement ensuring development in, capable leadership, team coordination, clinical decision making, financial acumen.

Bethanie is pleased with our response to the COVID-19 global pandemic with the creation of the Outbreak Response Team, additional ongoing staff costs for administration and cleaning in the ACHs, and the short-term closure of the Living Well Centres all occurring within the year.

The annual survey was undertaken in September 2019 and again produced very pleasing results, including an engagement score 10pp above the benchmark. High level results are below. Our staff retention rate was 81.5% for the 2020 Financial Year, well above the industry average.

We introduced three new systems into our recruitment process during the year to improve both the candidate and hiring manager experience, these were a new ATS Big Red Sky, a one-way and live video interviewing platform, Vidcruiter and a Behavioural testing platform Care Advantage.

Thriving Customers

Our continued strategic intent is to ensure that Bethanie is a customer centric organisation, and that we constantly review the way in which we receive and respond to customer feedback.

It is pleasing to see that 93 percent of customers said they were satisfied with the services received in the annual customer survey. Willingness to recommend Bethanie's services to others also achieved Net Promoter Score of +56, a welcome result when measured against the Ipsos Aged Care Benchmark of +50.

We continued the Big Bethanie Bake Off at Have A Go Day in November. To see our valued seniors, participate in a fun and social activity with purpose and meaning whilst connecting with the wider community, is what Bethanie stands for.

A Sustainable Growing Business

With a network of 33 locations across Western Australia it is vital that we maintain clear visibility on the impact we might have on the communities in which we operate.

In the 2020 Financial Year Bethanie completed the acquisition of the Berrington residential aged care portfolio which included two facilities in Perth, Western Australia - a 99-bed home in Como and a 112-bed home in Subiaco. A significant piece of work is now underway to optimise the care delivery and staffing model such that the operational performance of these sites aligns with expectations from similar ACHs within Bethanie's portfolio.

The 2020 Financial Year also saw the completion of construction of Independent Living Cottages (ILCs) at Bethanie Esprit Lifestyle Village, located in Eaton, Western Australia, with Stage 2 released and sold within the first week. There was also the commencement of a $7.0m renovation and refurbishment for Bethanie Warwick Retirement Village which, when completed, will extend the longevity of the site and allow emphasis to be placed on communal spaces to encourage positive social interaction.

The 2021 Financial Year will see Bethanie's Executive Management Team focus on long-term business sustainability by balancing investments in risk mitigation and organisational governance with investment for growth and diversification. The ongoing impact of COVID-19 is highly unpredictable, with its duration remaining uncertain, and 2021 will also see new government regulation introduced as a result of the Royal Commission into Aged Care Quality and Safety (final report due 2021). The impact of both will be closely monitored and considered as part of the assessment and delivery of strategic growth opportunities and innovation projects, as well as the delivery of a portfolio of strategic projects.

Board Changes

The 2020 Financial Year saw the retirement of Jill Downie after 12 years of service to Bethanie as a Director, and Bruce Davis after 9 years of service to Bethanie as a Director, including 2 years as Board Chair. We would like to extend our thanks to Jill and to Bruce for their enormous contribution to Bethanie, they both will be sadly missed.

As a result of the retirements, we welcomed Jeffrey Williams and Diana Forsyth to the Board. Jeffery is the CEO of St John of God Bunbury Hospital, and previously at St John of God Midland. Diana is the Chief Operating Officer at Harry Perkins Institute of Medical Research, and has a diverse background working in the health, education, community service and resources sectors. Both Jeffery and Diana bring a wealth of experience to the Board.

Thank you

To our customers we would like to extend our profound thank you for placing your care and trust in Bethanie, in what has been a challenging time for the aged care industry.

To our team of over 1,850 extraordinary nurses, carers and other home and support office staff and over 550 volunteers, we would also like to acknowledge and thank you. You provided a vital service, with integrity and enthusiasm, to support elderly Western Australians in continuing to live meaningful lives.

Finally, to our Board and Executive Management Team we thank you the for the diligence and strong leadership in ensuring Bethanie is well placed to deliver the future strategy and vision.

Peter Gibbons, Chairman

Chris How, Chief Executive Officer

Directors' Report

Your Directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of The Bethanie Group Inc (Bethanie) and the entity it controlled for the year ended 30 June 2020.

Directors

Except where noted, the following persons were Directors of the Group during the whole of the financial year and up to the date of this report. All are non-executive directors.

Peter Gibbons (Chairman)
Bruce Davis (Chairman, retired 15/01/2020)
Kylee Schoonens
David Kilpatrick
Todd Mairs
Murray Cook
Jeffrey Williams (Appointed 4/7/2019)
Diana Forsyth (Appointed 31/03/2020)
Jill Downie (Retired 30/08/2019)

During the year the following Directors attended Directors' meetings:

Names	Date appointed	Date retired	Directors' Meetings	
			Number eligible to attend	Number attended
Directors:				
Bruce Davis (Chairman)	04/01/2011	15/01/2020	4	4
Jill Downie	04/01/2011	30/08/2019	1	1
Peter Gibbons (Chairman)	01/01/2015		10	9
Kylee Schoonens	01/06/2016		10	10
David Kilpatrick	20/11/2017		10	10
Todd Mairs	20/11/2017		10	10
Murray Cook	04/07/2018		10	9
Jeffrey Williams	04/07/2019		10	8
Diana Forsyth	31/03/2020		2	2

Directors' Report (continued)

During the year directors attended the following Board Committee meetings:

Name	Services Review	Audit & Risk Management	Nominations, Remuneration & Governance	Property Development
Bruce Davis		7	2	
Jill Downie	1			
Peter Gibbons			5	8
Kylee Schoonens	7			7
David Kilpatrick		5	5	
Todd Mairs	8	12	3	
Murray Cook		13		8
Jeffrey Williams	7			
Diana Forsyth	1			

Principal activities

During the year the principal continuing activities of the Group consisted of:

- Provision of residential aged care services and facilities
- Provision of community care services
- Provision of related corporate and management services
- Provision of retirement village services
- Provision of community housing services

Review of operations

A summary of revenue and profit/(loss) by significant industry segments is set out below:

	Segment Revenue & Other Income		Segment Profit/(Loss)	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
Residential Aged Care Services	93,502	87,189	2,953	8,122
Independent Living Unit Services	10,171	10,725	(63)	2
Community Care Services	19,213	21,460	958	2,176
Bethanie Projects	-	-	1,222	1,266
Other Unallocated	4,105	4,588	(11,581)	(10,976)
Community Housing	4,540	4,406	(1,394)	(1,676)
Total continuing operations	**131,531**	**128,368**	**(7,905)**	**(1,087)**
Inter-segment eliminations -unallocated revenue	(3,112)	(3,048)	-	-
	128,419	**125,320**	**(7,905)**	**(1,087)**

Directors' Report (continued)

Significant events during the year

During the financial year ended 30 June 2020, the following significant events took place.

- Bethanie acquired the Berrington Group on 12 March 2020
- The World Health Organisation declared COVID-19 as a pandemic on 11 March 2020. Bethanie established a Crisis Management Team led by Chris How, CEO, to manage Bethanie's response to the pandemic. Bethanie also created an Outbreak Response Team, funded additional ongoing staff costs for administration and cleaning in our Aged Care Homes and the short term closure of our Living Well Centres
- The Royal Commission into Aged Care Quality and Safety was established on 8 October 2018 and is ongoing

Significant changes in the state of affairs

There are no significant changes in the state of affairs of the Group during the financial year and up until the date of this report.

Likely development and expected results of operations

Other than items noted elsewhere in this report, there are no other salient likely developments.

Matters subsequent to the end of the financial year

Subsequent to 30 June 2020 the termination date for the CBA facilities was extended to 1 July 2021 from 23 March 2021. Further refinancing discussions with CBA have commenced and management has the reasonable expectation that this facility will be further extended. Other than that noted above, there are no other matters subsequent to the end of financial year.

Insurance of Directors and Officers

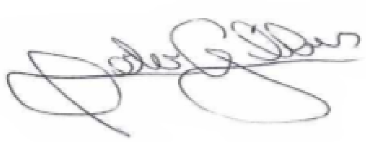
During the financial year, Bethanie paid a premium to insure the directors and officers of Bethanie and its controlled entity against certain liabilities incurred in that capacity. Disclosure of the nature of the liability covered by and the amount of the premiums payable for such insurance is subject to a confidentiality clause under the contracts of insurance.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the directors in their capacity as officers of entities in the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the company.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 60-40 of the Australian Charities and Not-for-Profit Commission (ACNC) Act 2012 is set out on page 10.

This report is made in accordance with a resolution of Directors.



Peter Gibbons
Non-Executive Chairman
Board of Directors
Perth, Western Australia this 12th day of October 2020

Auditor's Independence Declaration under subdivision 60-C section 60-40 of Australian Charities and Not-for-profits Commission Act 2012

To the members of The Bethanie Group Inc

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2020 there have been:

i. no contraventions of the auditor independence requirements as set out in the Australian Charities and Not-for-profits Commission Act 2012 in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG	Jane Bailey
KPMG	Jane Bailey
	Partner
	Perth
	12 October 2020

Bethanie

Consolidated Statement of Profit and Loss and Other Comprehensive Income for the Year ended 30 June 2020

		2020	2019
		$'000	**$'000**
Revenue	5	127,156	123,910
Other income	5	1,263	1,410
Total income		**128,419**	**125,320**
Operating expenses	6	(123,828)	(115,417)
Depreciation	6	(10,952)	(8,846)
Finance costs	6	(1,348)	(1,490)
Loss on revaluation of Investment Properties		(196)	(655)
Profit/(Loss) for the year		**(7,905)**	**(1,087)**
Other Comprehensive income			
Items that will not be reclassified to profit or loss		-	-
Total Comprehensive Income/(Loss)		**(7,905)**	**(1,087)**

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position as at 30 June 2020

		2020 $'000	2019 $'000
ASSETS			
Cash Assets	8	36,812	26,234
Trade and Other Receivables	9	55,374	36,902
Other Assets	10	16,797	3,016
Intangible Assets	11	44,437	1,200
Property Plant and Equipment	12	327,367	282,754
Retirement Village Properties	13	261,925	255,963
Total Assets		**742,712**	**606,069**
LIABILITIES			
Trade and Other Payables	14	16,514	10,591
Provisions	15	15,678	13,237
Borrowings	16	29,288	22,888
Other Liabilities	18	468,436	338,204
Total Liabilities		**529,916**	**384,920**
NET ASSETS		**212,796**	**221,148**
EQUITY AND RESERVES			
Reserves		119,406	119,406
Retained Earnings		93,390	101,742
Total Equity		**212,796**	**221,148**

The above Statement of Financial Position should be read in conjunction with the accompanying notes

Consolidated Statement of Cash Flows for the Year ended 30 June 2020

	Note	2020 $'000	2019 $'000
Cash flows from operating activities			
Subsidies and grants received		85,210	83,545
Receipts from customers		54,355	43,572
Payments to suppliers and employees		(124,723)	(123,133)
Interest received		875	828
Donations and bequests received		-	-
Entry contributions (paid)/received		(1,195)	2,700
Receipts - Lease for Life licences & deferred management fees realised		10,130	9,459
Interest paid		(1,614)	(1,916)
Net cash inflow from operating activities	26	**23,037**	**15,055**
Cash flows from investing activities			
Payments for property, plant and equipment		(15,122)	(7,948)
Proceeds from sale of property, plant and equipment		-	118
Loan repayments to related parties		-	(512)
Proceeds from accommodation bonds		57,528	36,870
Repayment of accommodation bonds		(38,681)	(26,963)
Net repayments of interest free loans		(590)	(750)
Capital Acquisition		(21,994)	-
Net cash (outflow)/inflow from investing activities		**(18,859)**	**816**
Cash flows from financing activities			
Repayments of borrowings		(28,100)	(14,000)
Increase in borrowings		34,500	-
Finance lease payments			
Net cash inflow/(outflow) from financing activities	27	**6,400**	**(14,000)**
Net increase in cash and cash equivalents		10,578	1,871
Cash and cash equivalents at the beginning of financial year		26,234	24,363
Cash and cash equivalents at end of year		**36,812**	**26,234**

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity as at 30 June 2020

	Retained Earnings $'000	Revaluation Reserves $'000	Total $'000
Balance 30 June 2018	102,786	119,406	222,193
Profit/(Loss) for the year	(1,087)	-	(1,087)
AASB 9 adjustment	42	-	42
Balance 30 June 2019	**101,742**	**119,406**	**221,148**
Profit/(Loss) for the year	(7,905)	-	(7,905)
AASB 16 adjustment	(447)	-	(447)
Balance 30 June 2020	**93,390**	**119,406**	**212,796**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Notes to the Consolidated Annual Report

1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of The Bethanie Group Inc and its controlled entity, Bethanie Housing Limited.

a. Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and *The Association Incorporation Act* 2015 and the ACNC Act 2012. Bethanie is a 'not-for-profit' entity for the purpose of preparing the financial statements.

(i) New and amended standards adopted by the Group

This is the first set of the Group's annual financial statements in which *AASB 16 Leases, AASB 15 Revenue from Contracts with Customer* and *AASB 1058 – Income for not-for-profit entities* have been applied. Refer note 1(b).

(ii) Early adoption of standards

The Group has not elected to adopt any new standards before their operative dates this year.

(iii) Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain classes of property, plant and equipment.

(iv) Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

(v) Presentation of statements of financial position on a liquidity basis

Management of the Group have taken the view that in complying with the requirements of the AASBs, the treatment of Accommodation bonds/Refundable accommodation deposits and Ingoing contributions for Retirement Villages as current liabilities does not reflect the true liquidity position of the Group as these liabilities are not likely to be repaid in the next 12 months.

Accordingly, the Group has adopted the liquidity balance sheet presentation (AASB 101) on the basis that it presents a more reliable and relevant view. Amounts expected to be recovered or settled after 12 months have been disclosed in the notes 15 and 18.

1. Summary of significant accounting policies (continued)

b. Changes in significant accounting policies

Except for the changes detailed below, the Group has consistently applied the accounting policies set out in note 1 to all periods presented in these financial statements.

(1) First time adoption of AASB 16 - Leases

AASB16 – Leases removes the lease classification test and requires all leases (including operating leases) to be brought onto the balance sheet. The definition of a lease is also amended and is now the new on/off balance sheet test for lessees. The Group applied AASB 16 from 1 July 2019.

Property and Equipment leases

Where the Group is the lessee, leases are recognised on the balance sheet with the exception of short term or low value leases. An asset (the right to use the leased item) and a financial liability to pay rentals is recognised. An associated depreciation expense and finance costs will be recognised in the consolidated statement of profit or loss and other comprehensive income. The Group assessed all its property leases to determine the application of AASB16.

AASB16 was applied retrospectively for the lease of Bethanie on Pier with any adjustment taken to the opening balance of Retained Earnings. For all other property leases, the right-of-use-asset was measured as being equal to the lease liability with no adjustment required on the adoption of the standard to retained earnings.

On transition to AASB 16, the Group recognised additional right-of-use-assets and associated lease liabilities. Where AASB 16 was applied retrospectively, any difference was recognised in retained earnings.

The impact of the transition to AASB16 is as follows:

	2020
	$'000
Right-Of-Use-Asset	
Right-of-use asset - initial recognition as at 1 July 2019	19,587
Accumulated depreciation - intitial recognition as at 1 July 2019	(2,949)
Depreciation for the year ended 30 June 2020	(1,410)
Right-of-use asset - as at 30 June 2020	**15,228**
Lease Liability	
Lease Liability - initial recognition as at 1 July 2019	13,105
Less lease payments for the year ended 30 June 2020	(1,397)
Plus interest expense for the year ended 30 June 2020	165
Lease liability - as at 30 June 2020	**11,872**
AASB 16 decrease to Retained Earnings as at 1 July 2019	**447**

1. Summary of significant accounting policies (continued)

b. Changes in significant accounting policies (continued)

(i) First time adoption of AASB 16- Leases (continued)

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate ('IBR') at 1 July 2019 or the rate implict in the lease if it was available. The IBR applied ranges from 1.8% to 6.06%.

Resident liabilities

The Group has assessed the impact of AASB 16 in respect of resident agreements, which under AASB 16 are deemed to be a lease specifically due to the security of tenure that these offer to the Group's residents. The accounting treatment for residential aged care accommodation arrangements where residents have elected to pay a DAP has not changed under AASB 16.

For residential aged care accommodation arrangements where the resident has elected to pay a RAD or Bond, the Group receives a financing benefit in the form of an interest free loan. Adoption of AASB 16 requires recognition of interest expense (to impute an interest charge on RADs and Bonds) and, correspondingly, income (to reflect the interest free loan financing benefit received) with no net impact on profit or loss.

The Group has concluded that the impact of this assessment is immaterial as there is no economic incentive for the resident to stay at any specific home and the resident agreement only requires seven days written notice to vacate. Given the non-cancellable period of the lease term is seven days, the difference between the fair value of the refundable deposit, and the nominal amount of the RAD would be negligible.

(2) AASB 15 – Revenue from Contracts with Customers
AASB 1058 – Income for not-for-profit entities

AASB 15 established a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including AASB 118 Revenue, AASB 111 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. The Group has applied AASB 15 from 1 July 2019. The Group identified each of its revenue streams and undertook a five step review to determine the impact of AASB 15. The Group determined that current revenue recognition principles were in line with AASB 15 and no changes were required to the Group's revenue recognition processes.

AASB 1058 clarifies and simplifies the income recognition requirements that apply to not-for-profit entities, in conjunction with AASB 15. The requirements of AASB 1058 more closely reflect the economic reality of not-for-profit entity transactions that are not contracts with customers. The timing of income recognition depends on whether such a transaction gives rise to a liability or other performance obligation. The Group has applied AASB 1058 from 1 July 2019. The Group determined that the application of AASB 1058 did not require any changes to the current revenue recognition approach.

1. Summary of significant accounting policies (continued)

c. Segment reporting

It is a requirement of the accounting standards that the segments be shown in line with reporting to the CODM (Chief Operating Decision Maker).

Operating segments are reported in a manner consistent with the internal reporting provided to the CODM. The CODM, who is responsible for allocating resources and assessing performance of the segments has been identified as the Chief Executive.

The Group operates to provide care and accommodation services to the aged and disabled.

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A business segment is a reportable segment if a majority of its revenue is earned from sales to external clients and at least one of the following applies:

a. The revenue from sales to external clients is 10% or more of total segment revenue from all segments; or its reported revenue, including both sales to external customers and intersegment sales or transfers, is 10% or more of the combined revenue of all; or

b. The segment result is 10% or more of the combined result of all profitable segments, or the combined results of all segments that made a loss, whichever is the greater in absolute amount; or

c. Its assets are 10% or greater of the combined assets of all operating segments.

A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments. The Group operates within one geographical segment; that being Western Australia.

d. Revenue Recognition

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a good or service to a customer.

Revenue is recognised for the major business activities as follows:

Deferred Management Fees

Across the portfolio of Lifestyle Villages, Bethanie Group offers a range of Resident Agreements that may include a deferred management fee or sinking fund fee payable by the Resident. Generally, these agreements include the following components:

1. Summary of significant accounting policies (continued)

d. Revenue recognition (continued)

Deferred Management Fees (continued)

Deferred Management fees:

- Stated as annual percentage of Resident entry or exit price (stated in Agreements as either "Ingoing Contribution" or "Lease Tenure Amount");
- Limited to a maximum period (for example, 2.5% per annum for maximum 10 year period of tenure); or
- Reduced annual percentage after initial period with no overall maximum period. (for example, 2.5% per annum for first 10 year period of tenure, plus 1.5% per annum for each year of tenure thereafter).

Interest Income

Interest income is recognised using the effective interest method.

Project income – Community Housing

Capital grants received under an enforceable agreement from the Federal Government to enable Bethanie Housing to acquire or construct an item of plant, property and equipment are recognised as income when the obligation to construct or purchase is completed.

Asset Grant Income

Asset grant income is recognised at fair value where there is a reasonable assurance that the grant will be received and that Bethanie Housing will comply with all conditions including the performance of any services required. The grant income is recognised when invoiced and receivable from the Department of Housing (DoH), under the terms of the Community Housing Agreement dated 11 January 2011.

Interest Free Loan Contracts

(i) The Group has a number of interest free loans where the entry contribution was recognised as liability at the date of invoice upon admission. The interest free loan is recorded as a liability as it is refunded to the resident upon termination. These Interest Free Loan Contracts are no longer entered into.

(ii) Interest earned on the interest free loan balance is revenue to Bethanie and accounted for monthly on an accruals basis.

Share of Capital Gain

This is recognised as revenue when received from the outgoing resident upon the subsequent re-lease of units under the Lease for Life agreement.

Maintenance Fees

Revenue and expenses of the retirement villages are included in the financial results of Bethanie.

Contributions

Contributions from the government are recognised as income once the Group gains control of the funds.

1. Summary of significant accounting policies (continued)

d. Revenue recognition (continued)

Subsidies

Subsidies from the government for residential care purposes are recognised over time on a continual basis as the services provided under the funding model are consumed by the customer over time.

Rental Revenue

The Group receives rental income for Community Housing units and other retirement village units. Rental income is recognised on an accruals basis in the Income Statement.

e. Taxation - Income Tax

The Group has been endorsed as a deductible gift recipient and income tax exempt charity under current Australian Taxation Legislation.

f. Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST) except:

(i) where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or

(ii) for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the taxation authority are presented as operating cash flows.

g. Goodwill and Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

1. Summary of significant accounting policies (continued)

h. Property, plant and equipment

The company engages external, independent and qualified valuers to determine the fair value of the company's land and buildings at least every three years. As at 30 June 2020, the fair values of the land and buildings were based on a Director's Valuation.

Land and buildings are shown at fair value, based on periodic, but generally triennial, valuations by external independent valuers, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Increases in the carrying amounts arising on revaluation of land and buildings are recognised in other comprehensive income and accumulated in reserves in equity. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases are first recognised in other comprehensive income to the extent of the remaining surplus, while all other decreases are charged to profit or loss.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives as follows:

Classes of assets:

Buildings	over 40 years
Building Equipment	over 25 years
Plant & Equipment	over 10 years
Motor Vehicles	over 7 years
ICT Equipment	over 3 – 5years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss. When revalued assets are sold, it is Group policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

1. Summary of significant accounting policies (continued)

i. Investment properties

The Group classifies Retirement Living Properties as Investment Properties. Investment Properties are measured at fair value using a discounted cash flow valuation model.

j. Cash and cash equivalents

For the purpose of presentation in the Consolidated Statement of Cash Flows, the direct method is used whereby major classes of gross receipts and gross cash payments are disclosed, except where cash receipts and payments occur on behalf of others. Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of 3 months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. This also includes funds which are offset against bank borrowings that are available for redraw.

Cash includes deposits at call which are readily convertible to cash on hand and which are used in the cash management function on a day to day basis, net of outstanding bank overdrafts.

Interest accrued is shown as receivable.

k. Trade receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses measured at lifetime Expected Credit Losses. Any impairment is recognised in profit or loss.

l. Tenancy bonds held by the Bond Administrator

Tenancy bonds that have been paid across to the Bond Administrator are disclosed as a receivable at cost.

m. Investments and other financial assets

Classification

The Group classifies financial assets in the following categories: financial assets measured at amortised cost, FVOCI and FVTPL. The classification of financial assets under AASB 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. AASB 9 eliminates the previous AASB 139 categories of held to maturity, loans and receivables and available for sale. AASB 9 largely retains the existing requirements in AASB 139 for the classification and measurement of financial liabilities.

Financial assets measured at amortised cost

Financial assets measured at amortised are included in trade and other receivables (note 9) in the balance sheet.

Recognition and derecognition

Purchases and sales of financial assets are recognised on trade-date; the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, Bethanie measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

1. Summary of significant accounting policies (continued)

m. Investment and other financial assets (continued)

Impairment

The Group recognises loss allowances for expected credits losses on financial assets measured at amortised cost and measures loss allowances at an amount equal to lifetime expected credit losses. The amortised cost of trade receivables is reduced by the impairment losses measured at an amount equal to expected lifetime expected credit loss. Any impairment is recognised in profit or loss.

n. Intangible Assets

Intangible assets acquired by the Group are capitalised at cost and from a business combination are capitalised at fair value as at the date of acquisition. Following initial recognition, the cost model is applied to the class of intangible assets.

The useful lives of intangible assets are assessed to be either finite or indefinite. Assets with finite lives will be amortised systematically over their useful lives and charged as an expense to profit or loss. Assets with indefinite lives will not be amortised but will be reviewed annually for impairment.

Goodwill on business combination

Bethanie applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred and liabilities incurred, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

Bethanie recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of fair value of consideration transferred over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognised in profit or loss immediately.

Bed Licences

Bed licences acquired by Bethanie directly from the Commonwealth at zero cost or through a business combination will not be brought into account as intangible assets, unless an active market exists and, if so, a revaluation may be performed at the Board's discretion to bring the licences to fair value.

For an active market to exist there are three criteria which are required to be met:

(i) the items traded in the market are homogenous;
(ii) willing buyers and sellers can normally be found at any time; and
(iii) prices are available to the public.

Intellectual property

Intellectual property will not be recognised as an intangible asset and the cost of development continues to be expensed in the period incurred.

1. Summary of significant accounting policies (continued)

n. Intangible assets (continued)

IT development and software

Costs incurred in developing products or systems and costs incurred in acquiring software and licences that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised include external direct costs of materials and service, direct payroll and payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight line basis over periods generally ranging from 3 to 5 years.

IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility and where Group has an intention and ability to use the asset.

o. Trade and other payables

These amounts represent liabilities for goods and services provided to the association prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

p. Loans and Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this
case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Any difference between the proceeds net of transaction costs and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Other borrowing costs are expensed.

q. Leases

The Group applied AASB 16 from 1 July 2019. Leases (with exceptions) are recognised on the balance sheet as a Right-to-use Asset with a corresponding Lease Liability. Depreciation and finance costs are recognised in the consolidated statement of profit or loss and other comprehensive income.

The Group elected to use the recognition exemptions for leases, that, at the commencement date, have a lease term of less than 12 months and for lease contracts for which the underlying asset is of low value. Where this election is used, the lease is not recognised in the balance sheet and the rental payments are expensed in the consolidated statement of profit or loss and other comprehensive income.

1. Summary of significant accounting policies (continued)

q. Leases (continued)

Transition to AASB 16

On transition to AASB16 as at 1 July 2019, the Standard was applied (with exceptions) to leases and the Right-of-use-asset was measured as being equal to the Lease Liability with no adjustment required on the adoption of the Standard to Retained Earnings. The exceptions to this are as follows:

- where the Group elected to apply the recognition exemption for short term and/or low value leases. Total lease payments in relation to these leases were $0.1m for FY20.
- the Standard was applied retrospectively for the lease of Bethanie on Pier premises with the adjustment on transition taken to the opening balance of Retained Earnings. The Right-of-Use-Asset was measured as including all lease payments under the lease (paid and to be paid) discounted using the Group's Incremental Borrowing Rate as at 1 July 2019. The Lease Liability was measured as the future lease payments to be made from 1 July 2019 discounted using the Group's Incremental Borrowing Rate as at that date. The decrease to Retained Earnings of $0.4m, represents the cumulative difference between lease payments expensed to Comprehensive Income/(Loss) under the lease up to 30 June 2019, and depreciation and interest expense calculated under the Standard for the Right-of-Use-Asset and Lease Liability under the lease for the period to 30 June 209.
- as part of the Berrington acquisition, the Group acquired an asset being prepaid rent of $3.9m for the Como and Subiaco land. The prepaid rent of $3.9m was included in the initial measurement of the Right-of-use Asset for lease of the land.

The Group uses the Incremental Borrowing Rate where the rate implicit in the lease is not available. The Incremental Borrowing Rate used by the Group ranges from 1.8% to 6.06%.

r. Unearned Revenue and Income received in advance

Income received in advance relates to funds advanced by St John of God Hospital for the construction of a Cancer Respite centre at Dalyellup as rental consideration under a lease agreement that commenced in 2012 for 40 years. The balance represents the funds to be amortised as revenue over the remaining period of the lease. The current year unearned revenue is rental and fees received in advance of the period to which the rentals and fees relate.

s. Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

1. Summary of significant accounting policies (continued)

t. Employee entitlements

(i) Short-term obligations

Liabilities for wages and salaries, including annual leave and long service leave expected to be settled within 12 months after the end of the period in which the employees render the related service, are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and long service leave is recognised in the provision for employee benefits. Where an employee has reached seven years of service, their long service leave entitlement is recognised as a current liability. All other short-term employee benefit obligations are presented as payables.

(ii) Other long-term employee benefit obligations

The liability for long service leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

u. Community programs accounting treatment of unspent subsidies

Bethanie Group provide services to clients under the Commonwealth Home Support Programme (CHSP) and Home and Community Care (HACC) program. Both programs are administered by the Department of Health. Throughout the financial year, client service delivery is managed to ensure subsidies are fully utilised. Any subsidy funds not expended at the end of the financial year are transferred to an unspent contributions account. These funds are then utilised in accordance with guidance received from the Department. These funds are shown as Other Liabilities in the financial statements.

v. Prudential funds reserve

It is a policy of Bethanie that a minimum of 15% of resident accommodation bond contributions, ILU guaranteed buy back and interest free loans are maintained in liquid assets.

w. Sinking Fund

Sinking fund fee revenue is brought to account upon termination of Lifestyle Village Residency Agreement.

- Stated as annual percentage of Resident entry or exit price (stated in Agreements as either “Ingoing Contribution” or “Lease Tenure Amount”);
- Limited to a maximum period (for example, 2.5% per annum for maximum 10 year period of tenure); or
- Reduced annual percentage after initial period with no overall maximum period. (for example, 1.0% per annum for first 10 year period of tenure thereafter).

x. Tenancy bond obligations

Tenancy bonds relating to two weeks’ rental are paid across to the Bond Administrator and disclosed as a liability to the tenants and are non-interest-bearing.

1. Summary of significant accounting policies (continued)

y. New accounting standards and interpretations not yet adopted

There are currently no standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

z. Principles of consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group. Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Parent entity financial information

The financial information for the parent entity disclosed in note 28 has been prepared on the same basis as the consolidated financial statements, except as set out below.

Investments in controlled entities

Investments in controlled entities are accounted for at cost in the financial statements of Bethanie Group Incorporated.

2. Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including interest rate risk and price risk), credit risk and liquidity risk.

The Group uses different methods to measure different risks to which it is exposed. These methods include sensitivity analysis and forecasts of interest rate movements for interest rate risk and ageing analysis for credit risk. These methods seek to minimise potential adverse effects on the financial performance of the business operations. The Group also utilises rolling cash flow forecasts to ensure available credit lines and borrowing facilities are sufficient.

Financial risk management is carried out under policies or practices approved by the Board of Directors. The Chief Financial Officer identifies, evaluates and manages financial risks in co-operation with Bethanie operating unit managers.

2. Financial risk management (continued)

The Group hold the following financial instruments classified as financial instruments at amortised cost:

	2020	2019
Financial Assets	**$'000**	**$'000**
Cash and cash equivalents	36,812	26,234
Accrued DMF receivable	36,880	31,778
Trade and other receivables	18,494	5,124
	92,186	**63,136**
Financial Liabilities		
Trade and other payables	16,514	10,591
Borrowings	29,288	22,888
Other liabilities	468,436	338,204
	514,238	**371,683**

a. Market risk

The Group is not exposed to market price risk, other than with the ILUs where prices could be affected by real estate market fluctuations.

Cash flow and fair value interest rate risk

The Group has significant interest-bearing assets and the income and operating cash inflows can be materially exposed to changes in market interest rates. The Group invests prudential funding in 90 day fixed term deposits classified as held-to-maturity financial assets. They are therefore not subject to interest rate risk as defined in AASB 7, since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates. The Group interest-rate risk arises from borrowings from Financial Institutions to fund its land acquisition and construction programs.

Borrowings issued at variable rates expose the Group to cash flow interest-rate risk. The exposure to interest rates is constantly monitored and where appropriate, steps taken to manage the exposure to mitigate the cost to the Group by holding a percentage of its borrowings at fixed rates, where appropriate.

b. Interest Rate risk

At the reporting date, the Group had 100% of its bank loans exposed to variable rate borrowings amounting to $29.3m (2019: 22.9m).

Net exposure to interest rate risk

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift. The scenarios are run only for liabilities that represent the major interest-bearing positions. The simulation is done at maturity of both fixed and variable interest rate borrowings to minimise interest rate risk.

2. Financial risk management (continued)

Group sensitivity

At 30 June 2020, if the interest rates had increased by 100 basis points or decreased by 100 basis points from the year end rates with all other variables held constant, profit for the year would have been $4,000 lower or higher. At 30 June 2019, if the interest rates had increased by 100 basis points or decreased by 100 basis points from the year end rates with all other variables held constant, profit for the year would have been $5,000 lower or higher. Further disclosure on exposure to interest rate risk is available in note 17.

c. Credit risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, held-to-maturity investments, deposits with banks and financial institutions as well as credit exposures to outstanding receivables as listed below. For banks and financial institutions, generally only independently rated parties with a minimum rating of 'A' are accepted.

The Group has no significant concentrations of credit risk. The Group has policies in place to ensure that wherever possible sales of products and services are made to residents and clients with an appropriate credit history. Residential care residents undergo an assessment of assets and income and all customers are encouraged to sign up to a direct debit agreement or Centrepay deduction for payment of fees owing to reduce credit risk. The majority of retirement village residents, residential care residents and community care clients as well as 100% of community housing tenants are on direct debit or Centrepay agreements for payments of fees owing, to reduce credit risk.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rates.

	2020 $'000	2019 $'000
Cash and cash equivalents		
Counterparties with external credit rating		
(Moody's) 'A' Rating	36,812	26,234
Clients receivables		
Counterparties without external credit rating	16,359	3,356

Individual receivables which are known to be uncollectable are written off by reducing the carrying amount directly. The other receivables are assessed collectively to determine whether there is objective evidence that an impairment has been incurred but not yet identified. For these receivables the estimated impairment losses are recognised in a separate provision for impairment.

The Group considers that there is evidence of impairment if any of the following indicators are present:

- Significant financial difficulties of the debtor
- Probability that the debtor will enter bankruptcy or financial reorganisation

Detailed disclosure on impairment of trade receivables are included in note 9.

2. Financial Risk management (continued)

d. Liquidity risk

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Due to the dynamic nature of the underlying businesses, the Group aims at maintaining flexibility in funding by keeping committed credit lines available with a variety of banks, surplus funds are generally only invested in instruments that are highly liquid.

The Group has a prudential liquidity risk policy in accordance with the *Fees and Payments Principles 2014 (No.2) ("*the Principles*")* that guides its financial management of liquid assets. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities.

	2020	2019
	$'000	$'000
Variable rate:		
Credit Card facility	140	140
Expiring within 12 months (A rating)	123,400	163,400
	123,540	163,540

The credit card facilities may be drawn at any time and may be terminated by the bank without notice. The unsecured bill acceptance facility may be drawn at any time and is subject to annual review. Subject to the continuance of satisfactory credit ratings, the bank loan facilities may be drawn at any time.

The following table analyses the Group financial liabilities into relevant maturity groupings based on contractual maturities. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts as the impact of discounting is not significant.

2. Financial Risk management (continued)

d. Liquidity risk (continued)

Contractual maturities of financial liabilities as at 30 June 2020	Less than 6 months $'000	6 to 12 months $'000	Between 1 & 2 years $'000	Between 2 & 5 years $'000	Over 5 years $'000	Contractual cash flows $'000	Carrying amount $'000
Trade payables	16,514	-	-	-	-	16,514	16,514
Borrowings	453	29,487	-	-	-	29,940	29,288
Interest free loans	683	683	1,367	3,762	1,078	7,573	5,095
Accomodation Bonds*	206,900	-	-	-	-	206,900	206,900
Retirement Living Resident Liabilities**	229,735	-	-	-	-	229,735	229,735
Lease Liabilities	850	1,351	1,682	5,158	4,516	13,558	11,872
Deferred Consideration	2,000	-	-	-	-	2,000	2,000
Guranteed Buy Back	3,075	-	-	-	-	3,075	3,075
Income received in advance	2,374	32	65	194	1,767	4,433	4,433
Other Liabiliites	5,327	-	-	-	-	5,327	5,327
	467,911	31,554	3,114	9,114	7,360	519,053	514,238

Contractual maturities of financial liabilities as at 30 June 2019	Less than 6 months $'000	6 to 12 months $'000	Between 1 & 2 years $'000	Between 2 & 5 years $'000	Over 5 years $'000	Contractual cash flows $'000	Carrying amount $'000
Trade payables	10,591	-	-	-	-	10,591	10,591
Borrowings (excluding finance leases)	628	628	23,777	-	-	25,032	22,888
Interest free loans	680	680	1,360	3,976	1,291	7,986	5,684
Accomodation Bonds*	101,385	-	-	-	-	101,385	101,385
Retirement Living Resident Liabilities**	220,265	-	-	-	-	220,265	220,265
Guranteed Buy Back	4,270	-	-	-	-	4,270	4,270
Income received in advance	924	32	65	194	1,831	3,047	3,047
Other Liabiliites	3,553	-	-	-	-	3,553	3,553
	342,296	1,340	25,201	4,170	3,122	376,129	371,683

**Accommodation bonds:*

Bethanie Group holds accommodation bonds for residents in aged care facilities and due to mandatory regulations does not control the timing of repayment.

During the financial year, the Group recognised $132.1m in bonds received which includes bonds taken on as part the Berrington acquisition of $95.6m (including $20m bonds funded by the Government). The Group also repaid $38.7m (2019: $26.9m) in bonds including $5.4m to Como and Subiaco residents. Excluding bonds related to the Berrington acquisition, the Group received bonds of $30.6m (2019: $36.9m) and repaid $33m (2019: $26.9m) representing 33% of the previous year's liability. Management assume from this that approximately $52.6m (2020 estimate $36.9m) will be received in 2021 and $43.5m (2020 estimate $29.5m) will be repaid in 2021.

2. Financial risk management (continued)

d. Liquidity risk (continued)

***Retirement village resident liabilities*

Bethanie Group recognises a liability when a resident occupies a retirement villa under a Lease for Life contract. These liabilities are classified as current per the Accounting Standards; however, they will not be expected to be repaid in the next 6 months. Under the Lease for Life contractual terms, resident obligations are repaid from incoming residents – which results in a nil cash impact. During the financial year, the amounts repaid upon termination of the existing customers were $7.6m (2019 $11.2m) and at the same time upon re-lease with the new customers the amounts received were $7.6m (2019 $11.2m).

e. Fair Value measurements

The Group uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. The fair value of current borrowings approximates the carrying amount, as the impact of discounting is not significant.

i) Fair Value hierarchy

This note explains the judgements and estimates made in determining the fair values of the nonfinancial assets that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the company has classified its non-financial assets and liabilities into the three levels prescribed under the accounting standards. An explanation of each level is provided below:

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

2. Financial risk management (continued)

e. Fair Value measurements (continued)

At 30 June 2020	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Aged Care Homes & Community Care	-	-	218,130	218,130
Affordable Housing	-	-	85,146	85,146
Retirement Village Assets	-	-	298,805	298,805
Resident Liabilities	-	-	(220,268)	(220,268)
Net Financial Assets	**-**	**-**	**381,812**	**381,812**

At 30 June 2019	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Aged Care Homes & Community Care	-	-	174,907	174,907
Affordable Housing	-	-	87,272	87,272
Retirement Village Assets	-	-	287,741	287,741
Resident Liabilities	-	-	(220,268)	(220,268)
Net Financial Assets	**-**	**-**	**329,653**	**329,653**

Aged Care Homes, Community Care properties, Affordable Housing properties, Retirement Village Assets and Resident Liabilities are recognised as level 3. The company's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

ii) Valuation processes

For both direct replacement and market-based values, the company engages external, independent and qualified valuers to determine the fair value of the company's land and buildings at least every three years. As at 30 June 2018, the fair values of the land and buildings were determined by Property Valuation & Advisory (WA) using the Depreciated Replacement Cost method. As at 30 June 2020, a Director's Valuation was used.

Retirement Village Assets are valued using a Discounted Cash Flow model. Key inputs used include; discount rate 12%, resident turnover of 11 years and the following growth rates.

Year	% Growth Rate
1	-1%
2	0%
3	1%
4	1.5%
5+	2.2%

3. Critical accounting estimates and judgements

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies. This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be wrong. Detailed information about each of these estimates and judgements is included in this note, together with information about the basis of calculation for each affected item in the financial statements.

3. Critical accounting estimates and judgements(continued)

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

3a. Critical Accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future based on historical performance and value judgements of the future business operations. The estimates and assumptions that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

- *Estimation of fair value of Land and buildings*

The Group has certain assets classed as Property, Plant & Equipment (principally Land and buildings) that are carried at amounts representing fair value as at the balance date. The entity considers information from a variety of sources including recent sales evidence when arriving at the carrying value. Management are required to undertake an assessment of the valuation of Property, Plant and Equipment on an annual basis, and make judgement upon whether the carrying value of the PPE is materially different from fair value. The assessment outcome indicated the carrying value of the PPE is not materially different from fair value

- *Estimation of fair value of Investment property*

The Group classifies Retirement Living Properties as Investment Property and are measured using a Discounted Cash Flow revaluation model detailed at 2(d)(ii).

- *Assessment of fair value of Land and Buildings*

BGI management are required to undertake an assessment of the valuation of Property, Plant and Equipment on an annual basis, and make judgement upon impairment indicators. Management reviewed the Depreciated Replacement Cost valuation used to show fair value of land and buildings and assessed that there was no requirement for impairment or uplift of the asset value.

- *Assessment of COVID-19 response*

The World Health Organisation declared COVID-19 as a pandemic on 11 March 2020. Chris How, CEO, led a Crisis Management team to manage Bethanie's response. An Outbreak Response Team was also created, as well as the provision of additional staff for administration and cleaning of Aged Care Homes. Bethanie also implemented the short-term closure of our Living Well Centres. These responses combined with Western Australia's overall effective navigation of the pandemic, the impact on both customer outcomes and financial results was minimal.

- *Assessment of Goodwill acquired on acquisition of Berrington*

For the purpose of impairment testing goodwill has been allocated to CGUs that are expected to benefit from the synergies of the business combination and which represent the level at which management will monitor and manage goodwill.

3. Critical accounting estimates and judgements(continued)

3a. Critical Accounting estimates and assumption (continued)

The carrying amount of goodwill has been allocated to the following CGU's:

CGU	2020 $'000	2019 $'000
Bethanie Subiaco and Bethanie Como	43,327	-
Total Goodwill	**43,327**	

The goodwill arose from the acquisition of the Berrington Group and has been allocated to the two facilities that were acquired as part of this business combination. The recoverable amount of the Bethanie Subiaco and Bethanie Como CGU's and goodwill was determined based on the FVLCD (fair value less cost of disposal). The determination of FVLCD represents management's assessment of future trends in the relevant industries and has been based on historical data from both external and internal sources and was most sensitive to:

- RAD/DAP ratio
- Rostering costs
- Useful life
- Discount rate
- Growth rate

RAD/DAP Ratio: in determining the FVLCD management have assumed a RAP/DAP ratio of 90:10, this is in line with the historical base seen in the CGU's
Rostering costs: an increase in the staff costs has been assumed to raise the standard of care at the CGU to those seen at other BGI facilities.
Useful life: the useful life of the CGU equates to the time remaining on each land lease; Bethanie Subiaco, 42 years; Bethanie Como 58 years
Discount Rate: in determining the FVLCD the discount rate of 12% was used. This represents BGI's WACC of 7.5% plus a risk premium
Growth rate: an annual growth rate of 1.5% has been assumed

The impairment test for the Bethanie Subiaco and Bethanie Como CGU indicated that no impairment was required. At 30 June 2020 the recoverable amount exceeded the carrying amount. Management has applied significant judgement in determining and applying assumptions within the modelling, taking into account past experience as well as reasonable expectations for the impacts of COVID-19, based upon the best available data.

- *Assessment of assessment of the Group as a Going Concern*

The consolidated financial statements have been prepared on a going concern basis, which assumes that BGI will be able to meet its financial obligations as and when they fall due. In reaching this position management have assessed the impact of COVID-19 and concluded it will have minimal financial impact over the next 12 months.

3. Critical accounting estimates and judgements(continued)

3a. Critical Accounting estimates and assumption (continued)

For the year ended 30 June 2020, BGI incurred a net loss of $7.9m (FY19: net loss of $1.1m), primarily driven by an increase in employee benefit expenses arising from the Berrington acquisition, which is in line with the expansion of the business. The Group's net cash inflow from operating activities for the year ended 30 June 2020 was $15.2m (2019: $15.1m).

Borrowings of $29.3m comprises the loan drawn down from the CBA facilities. At 30 June 2020 the termination date for these facilities was 23 March 2021, extended to 1 July 2021 subsequent to year end. Further refinancing discussions with CBA have commenced and management has the reasonable expectation that this facility will be extended.

3b. Estimation of fair value of Resident Liabilities

The group's recognises receipts from the Bethanie Lifestyle village villas as lease rentals received in advance and recognised them in the Consolidated Statement of Financial Position. The Resident Liability is estimated taking into the future expected obligations of the Group on termination of the "Lease for Life" agreements.

3c Critical judgements in applying the entity's accounting policies.

The Group has processes involving internal review and reviews by the Audit and Risk Management Committee and Board to reasonably ensure the Group applies its accounting policies. The Group is satisfied that these financial statements reflect consistent application of the stated significant accounting policies shown in note 1.

4. Segment information

a. Description of segments

The Executive Leadership Team examines the Group's performance based on business segments from a service and activity type perspective and has six reportable segments identified below:

Business segments

i. Residential Care Services: This includes the financial results in the provision of aged care services in hostels, nursing homes and aged care facilities (ACF).

ii. Independent Living Unit (ILU) Services: This segment includes the activities of the supply of accommodation in retirement villages and independent living unit villas. The sales of lease for life licences are also included in this segment.

iii. Community Care Services: This segment covers the provision of community aged care service programs which are funded by the State and Commonwealth Governments.

iv. Bethanie Projects: This segment mainly includes the costs associated with the building construction supervision.

v. Community Housing: This includes the activities associated with the construction of community housing for Bethanie Housing and the provision of community housing for seniors.

vi Other: Unallocated. All activities that do not fall into the above reportable segment groups.

4. Segment information (continued)

b. Primary reporting format – business segment

2020	Residential	ILU Services	Community Services	Bethanie Project	Other Unallocated	Community Housing	Total	Inter-segment eliminations	Total External
Revenue	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Resident Charges	25,530	5,306	947	-	212	4,500	36,495	-	36,495
Other	1,088	4,841	-	-	3,242	5	9,176	-	9,176
Government Subsidies	66,348	-	18,249	-	-	-	84,597	-	84,597
Inter-segment services revenue	-	-	-	-	-	-	-	(3,112)	(3,112)
Total services revenue	92,967	10,147	19,197	-	3,454	4,505	130,269	(3,112)	127,156
Interest income	442	-	-	-	521	2	965	-	965
Other income	93	24	17	-	129	34	298	-	298
Total segment income	**93,502**	**10,171**	**19,213**	**-**	**4,105**	**4,540**	**131,531**	**(3,112)**	**128,419**
Expenditure									
Employee expenses	71,448	4,281	15,615	(1,397)	4,860	516	95,323	-	95,323
Interest expense	748	298	-	-	156	146	1,348	-	1,348
Other expenses	12,827	4,994	2,206	183	8,327	3,080	31,617	(3,112)	28,504
Depreciation and amortisation expense	5,525	464	434	(8)	2,343	2,192	10,952	-	10,952
Total segment expenditure	90,549	10,038	18,255	(1,222)	15,686	5,935	139,240	(3,112)	136,128
Gain/(Loss) on revaluation of Investment Prope	-	(196)	-	-	-	-	(196)	-	(196)
Profit/(Loss) for the year	**2,953**	**(63)**	**958**	**1,222**	**(11,581)**	**(1,394)**	**(7,905)**	**-**	**(7,905)**
Segment assets	310,315	142,795	4,939	3,734	194,620	88,831	745,234	(2,522)	742,712
Segment liabilities	218,099	22,847	6,037	411	276,565	5,958	529,916	-	529,916
Net assets	**92,216**	**119,948**	**(1,098)**	**3,323**	**(81,945)**	**82,874**	**215,318**	**(2,522)**	**212,796**
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	3,497	10,448	-	2,379	20	-	16,345	-	16,345

Bethanie

4. Segment information (continued)
b. Primary reporting format – business segment

2019	Residential Aged Care Services	ILU Services	Community Care Services	Bethanie Projects	Other Unallocated	Community Housing	Total	Inter-segment eliminations	Total External
Revenue	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Resident Charges	23,356	5,110	1,182	-	390	4,374	34,412	-	34,412
Other	60	5,462	13	-	3,603	5	9,142	-	9,142
Government Subsidies	62,833	18	20,272	-	280	-	83,403	-	83,403
Inter-segment services revenue	-	-	-	-	-	-	-	(3,048)	(3,048)
Total services revenue	86,248	10,590	21,466	-	4,274	4,378	126,957	(3,048)	123,910
Interest income	832	-	-	-	210	3	1,045	-	1,045
Other income	109	135	(6)	-	104	25	366	-	366
Total segment income	**87,189**	**10,725**	**21,460**	**-**	**4,588**	**4,406**	**128,368**	**(3,048)**	**125,320**
Expenditure									
Employee expenses	63,017	4,542	16,742	(1,065)	3,496	23	86,756	-	86,756
Interest expense	654	519	-	-	92	225	1,490	-	1,490
Other expenses	10,900	4,578	2,077	(193)	10,704	3,642	31,708	(3,048)	28,661
Depreciation and amortisation expense	4,495	430	465	(8)	1,271	2,192	8,846	-	8,846
Total segment expenditure	79,067	10,068	19,284	(1,266)	15,564	6,083	128,800	(3,048)	125,752
Gain/(Loss) on revaluation of Invest Properties	-	(655)	-	-	-	-	(655)	-	(655)
Profit/(Loss) for the year	**8,122**	**2**	**2,176**	**1,266**	**(10,976)**	**(1,676)**	**(1,087)**	**-**	**(1,087)**
Segment assets	163,771	326,458	3,918	2,293	21,096	91,055	608,591	(2,522)	606,069
Segment liabilities	100,786	230,834	5,499	158	40,857	6,787	384,920	-	384,920
Net assets	**62,985**	**95,624**	**(1,581)**	**2,135**	**(19,761)**	**84,268**	**223,670**	**(2,522)**	**221,148**
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	4,636	817	110	-	2,873	-	8,437	-	8,437

4. Segment information (continued)

c. Notes to and forming part of the segment information

Inter-segment transfers

Segment revenues, expenses and results include transfers between segments. Such transfers are priced on a commercial basis and are eliminated on consolidation.

5. Revenue and other income

	2020	2019
Revenue	**$'000**	**$'000**
Profit includes the following specific revenue:		
Community Grants	17,754	83,403
Service Fees - Community and Retirement Villages	6,465	30,038
Lease income - Government funded	66,348	-
Lease income - Resident Service Fee Income	25,530	-
Life Leases	433	609
Entry contributions and bond retentions	-	131
Deferred management fees	4,296	4,404
Property Rental income	4,500	4,374
Grants	1,097	-
Miscellaneous revenue	732	951
	127,156	**123,910**
Other Income		
Interest Income	965	1,045
Profit on disposal of plant and equipment	-	85
Donations	2	-
Sundry Income	296	281
	1,263	**1,411**

6. Expenses

	2020	2019
Profit includes the following specific expenses:	**$'000**	**$'000**
Operating expenses		
Employee benefit expenses	95,323	87,243
Food, utilities, rates and service costs	11,709	11,807
Administration costs	9,398	8,570
Repairs and maintenance	7,378	7,797
Loss on disposal of property,plant & equipment	20	-
Total Operating Expenses	**123,828**	**115,417**

6. Expenses (continued)

Depreciation	**2020 $'000**	**2019 $'000**
Buildings	6,716	6,180
Plant and equipment	2,263	2,098
Building equipment	80	80
Motor vehicles	482	488
Right-of-use-asset	1,410	-
Total Depreciation	**10,952**	**8,846**
Finance Costs		
Interest and finance charges	1,831	1,979
Amount capitalised	(482)	(489)
Finance Cost Expensed	**1,348**	**1,490**

7. Remuneration of Auditors

During the year the following fees were paid for services:	**2020 $'000**	**2019 $'000**
Audit fees paid during the year	120	130
Consultancy and advisory	126	46
Total	**246**	**176**

8. Cash and Cash Equivalents

	2020 $'000	**2019 $'000**
Cash at bank and on hand	8,030	2,957
Term deposits and deposits at call	28,782	23,277
	36,812	**26,234**

Cash at bank and on hand

Cash on hand is non-interest bearing. Cash at bank earned an interest rate of 0.10% during the year.

Terms and conditions in relation to term deposits and deposits at call are included in note 17.

Financial Assets are presented as cash equivalents if they have a maturity of three months or less from the date of acquisition and are available on call.

Term deposits are presented as cash equivalents if they have a maturity of three months or less from the date of acquisition and are repayable with 24 hours' notice with no loss of interest.

9. Trade and other Receivables

	2020	2019
	$'000	**$'000**
Trade and other receivables*	16,359	3,356
Resident loans	1,016	959
Tenancy bonds held by Bond Admistrator	507	448
Goods and Services tax receivable	368	143
Workers compensation receivables	244	218
Accrued DMF receivable	36,880	31,778
	55,374	**36,902**

*Trade and Other Receivables includes $12.7m in Bond Receivables that relates to the acquisition of the Berrington Group

The ageing of Trade & Other Receivables

	2020	2019
	$'000	**$'000**
1 to 3 Months	7,320	1,761
3 - 6 Months	1,885	167
Over 6 Months	46,169	34,974
	55,374	**36,902**

As at 30 June 2020, trade receivables of $16.4m (2019 $3.4m) were due and payable and not impaired.

The ageing of these trade receivables is as follows:

	2020	2019
	$'000	**$'000**
1 to 3 Months	6,808	1,454
3 - 6 Months	1,885	167
Over 6 Months	7,666	1,735
	16,359	**3,356**

10. Other assets

	2020	2019
	$'000	$'000
Prepayments	1,570	3,016
Right-to-use-asset*	15,228	-
	16,797	**3,016**

*Refer note 21

11. Intangible assets

	2020	2019
	$'000	$'000
Bed licences at cost	1,200	1,200
Goodwill on acquisiton of Berrington*	43,237	-
	44,437	**1,200**

*Refer note 20

12. Property, plant and equipment

	Land $'000	Buildings $'000	Property under construction $'000	Building equipment $'000	Equipment & Furnishings $'000	Motor Vehicles $'000	Total $'000
Year ended 30 June 2019							
Opening net book amount	76,152	188,557	6,510	1,757	7,414	2,880	283,270
Additions	-	312	6,981	-	953	191	8,437
Disposals	-	-	-	-	(18)	(90)	(107)
Transfers	-	3,338	(7,116)	-	3,778	-	-
Depreciation expense	-	(6,180)	-	(80)	(2,098)	(488)	(8,846)
Closing net book value	**76,152**	**186,028**	**6,375**	**1,677**	**10,029**	**2,493**	**282,754**
As at 30 June 2019							
Cost or fair value	76,152	192,627	6,375	2,004	26,647	4,011	307,816
Accumulated depreciation	-	(6,599)	-	(327)	(16,618)	(1,517)	(25,062)
Closing net book value	**76,152**	**186,028**	**6,375**	**1,677**	**10,029**	**2,493**	**282,754**
Year ended 30 June 2020							
Opening net book amount	76,152	186,028	6,375	1,677	10,029	2,493	282,754
Additions	-	175	15,613	-	536	20	16,345
Additions - Business combination	-	44,390	-	-	1,252	162	45,804
Disposals	-	-	-	-	-	(162)	(162)
Transfers	-	725	(1,311)	-	586	-	-
Transfer to Investment Properties	-	-	(7,830)	-	-	-	(7,830)
Transfer to Profit and Loss	-	-	(1)	-	-	-	(1)
Depreciation expense	-	(6,716)	-	(80)	(2,263)	(482)	(9,542)
Closing net book value	**76,152**	**224,602**	**12,846**	**1,597**	**10,140**	**2,032**	**327,367**
As at 30 June 2020							
Cost or fair value	76,152	237,918	12,846	2,004	29,021	4,031	361,972
Accumulated depreciation	-	(13,316)	-	(408)	(18,881)	(2,000)	(34,604)
Closing net book value	**76,152**	**224,602**	**12,846**	**1,597**	**10,140**	**2,032**	**327,367**

Refer to note 16 for non-current assets pledged as security. There were no impairment losses incurred during the current financial year (2019: nil).

13. Retirement Village Properties

At 30 June 2018	**$'000**
Cost	253,149
Total	**253,149**
As at 30 June 2019	
Opening balance	253,149
Additions	3,470
Fair value adjustment	(655)
Total	**255,963**
As at 30 June 2020	
Opening balance	255,963
Additions*	6,157
Fair value adjustment	(196)
Total	**261,925**

* includes transfers from Property under construction of $7.8m

The Group measures Investment Properties at fair value using a discounted cash flow valuation model, refer to note 2 e) ii)

14. Trade and other payables

	2020	**2019**
Expected to be paid within 12 months:	**$'000**	**$'000**
Trade payables	5,430	3,317
Sundry creditors and accruals	11,083	7,273
	16,514	**10,591**

15. Provisions

	2020	**2019**
Employee Benefits - expected to be realised within 12 months*	**$'000**	**$'000**
Long Service Leave	4,122	3,816
Annual Leave	8,991	7,454
	13,114	**11,270**
Employee Benefits expected to realised after 12 months		
Employee benefits - Long Service Leave	2,564	1,968
Total	**15,678**	**13,237**

The Group does not have the right to defer payment of these employee benefits, refer to note 1(t)(i)

16. Borrowings

	2020	2019
Secured	**$'000**	**$'000**
Due and payble within 12 months:		
Bank Loans	29,288	-
Not expected to be paid within 12 months:		
Bank Loans	-	22,888

The bank loans are secured by a first mortgage over Bethanie's freehold land and buildings. The terms of the first mortgage preclude the assets being sold or used as security for borrowings without the permission of the bank. The bank also has a deed of fixed and floating charge over the organisation's assets. The Bank Loan Facility term is to March 2021. In July 2020, the Bank Loan Facility was extended until July 2021 with the Group currently in negotiations to extend the Bank Loan Facility for a period of 3-5 years.

	2020	2019
	$'000	**$'000**
The carrying amount of assets pledged as security for borrowings are:	534,856	522,232
Access was available at balance date to the following lines of credit:		
Credit Card facility	140	140
Bank loan facilities*	123,400	163,400
Used at balance date	(29,288)	(22,888)
Un-used at balance date	94,252	140,652

*The Bank Loan Facilty expires in March 2021

The weighted average interest rates are 1.32% on the bank loans (2019: 2.55%).

17. Interest Rate Risk Exposure

The following table sets out the Group's exposure to interest rate risk, including the effective weighted average interest rate by maturity period.

2020	Note	Floating Interest Rate	Fixed Interest 1 Year or less	Fixed Interest 2 to 5 Years	Non-Interest Bearing	Total	Weighted Average Interest Rate
Financial Assets		**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	
Cash at Bank	17a. (i)	8,006	-	-	-	8,006	0.10%
Term Deposits	17a. (ii)	-	28,782	-	-	28,782	1.64%
Cash on Hand	17a. (xvii)	-	-	-	24	24	
Trade and Other Receivables	17a. (iii)	-	7,444	6,878	3,156	17,478	5.63%
DMF Receivable	17a. (xvii)	-	-	-	36,880	36,880	
Resident Loans	17a. (iv)	-	1,016	-	-	1,016	7.05%
Total Financial Assets		**8,006**	**37,243**	**6,878**	**40,060**	**92,186**	
Financial liabilities							
Trade Creditors	17a. (v)	-	-	-	5,430	5,430	
Sundry Creditors and accruals	17a. (vi)	-	-	-	11,083	11,083	
Monies Held in Trust	17a. (vii)	-	-	-	145	145	
Village Reserve Funds	17a. (viii)	-	-	-	435	435	
Income Received in Advance	17a. (ix)	-	-	-	4,353	4,353	
Accommodation Bonds	17a. (x)	-	-	-	206,900	206,900	
Unsecured Interest Free Loans	17a. (xi)	-	-	-	5,615	5,615	
Resident Liabilities	17a. (xii)	-	-	-	229,735	229,735	
Bank Loans	17a. (xiii)	29,288	-	-	-	29,288	1.32%
Lease Liabilities	17a. (xiv)	11,873	-	-	-	11,873	
Deferred Consideration	17a. (xv)	-	-	-	2,000	2,000	
Other Liabilities	17a. (xvi)	-	-	-	7,381	7,381	
Total Financial Liabilities		**41,161**	**-**	**-**	**473,077**	**514,238**	

17. Interest Rate Risk Exposure (continued)

2019	Note	Floating Interest Rate	Fixed Interest 1 Year or less	Fixed Interest 2 to 5 Years	Non-Interest Bearing	Total	Weighted Average Interest Rate
Financial Assets		**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	
Cash at Bank	17a. (i)	2,933	-	-	-	2,933	0.85%
Term Deposits	17a. (ii)	-	23,277	-	-	23,277	2.62%
Cash on Hand		-	-	-	24	24	
Trade and Other Receivables	17a. (iii)	-	2,859	112	1,193	4,165	5.92%
DMF Receivable	17a. (xvii)	-	-	-	31,778	31,778	
Resident Loans	17a. (iv)	-	959	-	-	959	7.16%
Total Financial Assets		**2,933**	**27,096**	**112**	**32,995**	**63,136**	
Financial liabilities							
Trade Creditors	17a. (v)	-	-	-	3,317	3,317	
Sundry Creditors and Accruals	17a. (vi)	-	-	-	7,273	7,273	
Monies Held in Trust	17a. (vii)	-	-	-	70	70	
Village Reserve Funds	17a. (viii)	-	-	-	339	339	
Income Received in Advance	17a. (ix)	-	-	-	3,047	3,047	
Accommodation Bonds	17a. (x)	-	-	-	101,385	101,385	
Unsecured Interest Free Loans	17a. (xi)	-	-	-	6,138	6,138	
Resident Liabilities	17a. (xii)	-	-	-	220,265	220,265	
Bank Loans	17a. (xiii)	22,888	-	-	-	22,888	2.55%
Other Liabilities	17a. (xvi)	-	-	-	6,960	6,960	
Total Financial Liabilities		**22,888**	-	-	**341,835**	**371,683**	

17. Interest Rate Risk Exposure (continued)

Terms and conditions relating to the above financial instruments:

(i) Cash at bank earning a weighted average interest rate of 0.10% (2019: 0.85%).
(ii) Term deposits earning a weighted average interest rate of 1.64% (2019: 2.62%).
(iii) Trade receivables that do not relate to accommodation bonds are non-interest bearing and are due within the next 12 months. Accommodation bonds owing in trade receivables are interest bearing at a weighted average interest rate of 5.63% (2019: 5.92%).
(iv) Resident loans are interest bearing at a weighted average interest rate of 7.05% (2019: 7.16%) and are due on termination of the lease for life agreement.
(v) Trade creditors are non-interest bearing and are normally settled within 30 day terms.
(vi) Sundry creditors and accruals include accruals for operating expenses yet to be invoiced and salary wages incurred but not yet paid.
(vii) Monies held in trust represent monies received by Bethanie from clients for fees and lease settlements in advance that are not due within the fortnight of the last billing prior to balance date.
(viii) The Village Reserve fund is a fund set up specifically for the Bethanie Lifestyle Villages. This fund is administered and used at the discretion of Bethanie at all times, to fund or reimburse those costs and expenses incurred for major replacements or renovations of the Village.
(ix) Income received in advance relates to funds advanced by St John of God Hospital for the construction of a Cancer Respite centre at Dalyellup as rental consideration under a lease agreement that commenced in 2012 for 40 years. The balance represents the funds to be amortised as revenue over the remaining period of the lease.
(x) Residential accommodation bonds represent the net amount of accommodation bond after retention amount due to Bethanie and are non-interest bearing.
(xi) Interest free loans are unsecured advances deposited by the independent living unit resident as part of the agreement to occupy Bethanie's residential units and are non-interest bearing.
(xii) The Resident Liability is the recognition of the Life Leases for lease rentals received in advance.
(xiii) Bank Loans – Bank loans are secured by a first mortgage over Bethanie's freehold land and buildings. Bank loans held at balance date have a weighted average interest rate of 1.32% (2019 2.55%), with interest calculated daily and charged monthly.
(xiv) Lease liabilities are valued using the incremental borrowing rate which ranged from 1.8% - 6.6%. Refer to note 21 Lease Accounting.
(xv) Deferred consideration is a non-interest bearing final payment in relation to the acquisition of Berrington.
(xvi) Other liabilities are non-interest bearing liabilities including unspent community funds, guaranteed buy backs (RV) and unclaimed monies.
(xvii) DMF receivable are non-interest bearing accrued deferred management fees. Refer to note 1(d) for more information on deferred management fees.

18. Other Liabilities

Although Bethanie does not have the unconditional right to defer settlement, the amounts disclosed below for accommodation bonds/RADs, Resident Liabilities and interest free loans are expected to be settled in greater than 12 months. The amounts expected to be settled in less than 12 months are based on the level of bond/RAD and interest free loan refunds that actually occurred in 2019/20. The amounts expected to be settled in less than 12 months for Resident Liabilities are based on contracted Life Leases resales.

	2020	2019
Amount expected to be settled in the next 12 Months:	**$'000**	**$'000**
Unclaimed monies and Chaplaincy Trust Fund	36	29
Lease Liability - Right-to-use-assets*	1,673	-
Income Received in Advance	2,327	957
Unspent Grants - Community Programs	3,994	2,661
Project Vendor Retentions	276	-
Monies held in trust	145	70
Village Reserve Funds	435	339
Accommodation Bonds	67,843	26,963
Guaranteed Buy Back (RV)	3,075	4,270
Unsecured interest fee loans and tenancy bonds	1,030	1,393
Deferred consideration	2,000	-
Resident Liabilities	7,629	11,287
	90,463	47,968
Amount expected to be settled in greater than 12 Months:		
Lease Liability - Right-to-use-assets*	10,200	-
Income Received in Advance	2,026	2,091
Accommodation Bonds	139,057	74,422
Unsecured interest fee loans and tenancy bonds	4,585	4,746
Resident Liabilities	222,106	208,978
	377,974	290,237
*Refer note 21	**468,436**	**338,204**

Accommodation Bonds includes $95.6m acquired as part of the acquisition of Berrington Group.

19. Contingencies

Certain land, buildings, furniture, plant and motor vehicles forming part of the asset were funded with Commonwealth Government contributions. These contributions may be repayable should the Group dispose of the assets.

	2020 $'000	2019 $'000
Bank guarantee in relation to rental premises	900	900

20. Disclosure of the business combination transaction

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expenses as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in the profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in the profit or loss.

On 12 March 2020 Bethanie reached agreement with the Berrington Group administrators to acquire the Aged Care Homes at Berrington Como and Berrington Subiaco. Details of the business combination as follows:

Description	$'000
Initial Purchase Price	12,122
Adjustments	8,872
Deferred Fees	3,000
Total Purchase Price	23,994
Cash Assets	10,268
Trade and Other Receivables	18,830
Other Assets	4,001
Property, Plant and Equipment	45,719
Provisions	(1,309)
Other Liabilities	(96,751)
Net Assets and Liabilities	(19,243)
Goodwill	43,237

21. Lease Accounting

The application of AASB 16 resulted in the recognition of Right-of-use-assets, Lease Liabilities, depreciation expense and interest expense. The incremental borrowing rate used as the discount rate ranges from 1.8% to 6.06%.

	2020
Right of use Asset	**$'000**
Right-of-use asset - intial recognition as at 1 July 2019	19,587
Accumulated depreciation - intitial recognition as at 1 July 2019	(2,949)
Depreciation for the year ended 30 June 2020	(1,410)
Right-of-use asset - as at 30 June 2020	**15,228**
Lease Liability	
Lease Liability - intital recogntion as at 1 July 2019	13,105
Less lease payments for the year ended 30 June 2020	(1,397)
Plus interest expense for the year ended 30 June 2020	165
Lease Liability - as at 30 June 2020	**11,872**

22. Capital Commitments

Capital expenditure contracted for as at reporting date but not recognised as liabilities are as follows:	2020 $'000	2019 $'000
Property, plant and equipment		
Bethanie Esprit, Eaton	510	1,117
HASU Refurb project	96	24
Dalyellup	903	-
On the Park - Service Apartments	27	18
On the Park - ACF	-	20
Business Transformation Project	163	-
ICT Project	128	-
Warwick	2,543	-
	4,370	**1,179**

Operating Lease commitments

The Group leases various offices and community care sites under non-cancellable operating leases expiring within one to ten years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

22. Capital Commitments (continued)

Operating Lease commitments	2020 $'000	2019 $'000
- Not later than 12 months	3,467	1,245,704
- Between 12 months and 5 years	-	5,108,171
- Greater than 5 years	-	1,482,983
Minimum lease payments	**3,467**	**7,836,858**

23. Key management personnel compensation

Key management personnel includes members of the Board and Senior Executives as listed below.

	2020 $'000	2019 $'000
Salary and fees	2,572	2,339
Superannuation	193	191
	2,765	2,530

Payments to non-executive Directors during 2020

	$'000
Bruce Davis	62
Jill Downie	17
Peter Gibbons	97
Kylie Schooens	70
David Kilpatrick	74
Todd Mairs	73
Murray Cook	72
Jeffrey Williams (appointed 4 July 2019)	60
Diana Forsyth (appointed 31 March 2020)	10
	535

23. Key management personnel compensation (continued)

Directors at 30 June 2020 were:

- Peter Gibbons (Chairman)
- Kylee Schoonens
- David Kilpatrick
- Todd Mairs
- Murray Cook
- Jeffrey Williams
- Diana Forsyth

Aggregated payments to Senior Executives, including pre-packaged annual salary benefits, totalled $2,229,703 (2019: $1,922,997).

Senior Executives during the year were:

- Chris How, Chief Executive Officer;
- Jo Christie, Chief People, Culture and Brand
- Roule Jones, Chief Financial Officer
- Felicity Beaulieu, Chief Operating Officer – Residential
- Shane Ogilvie, Chief of Strategy & Innovation
- David Larmour, Acting Chief Operating Officer – Community, Bethanie Care Services Support
- David Harrison, Chief Operating Officer – Residential (resigned 12/06/20)
- Samantha Drury, Chief Financial Officer (resigned 20/12/19)

Other than disclosed in note 23, there are no other transactions with related parties during the year. Other relevant details of the directors are disclosed in the Directors' Report.

24. Economic dependency

The Group depends on the Department of Health and Ageing for over 50% of its revenue in the form of subsidies and contributions.

25. Events occurring after the balance sheet date

Subsequent to 30 June 2020 the termination date for the CBA facilities was extended to 1 July 2021 from 23 March 2021. Further refinancing discussions with CBA have commenced and management has the reasonable expectation that this facility will be further extended. Other than that noted above, no matters or circumstances that have arisen since 1 July 2020 that have significantly affected or may significantly affect:

a the Group's operations in future financial years, or
b the results of those operations in future financial years, or
c the Group's state of affairs in future financial years.

26. Reconciliation of profit after income tax to net cash flow from operating activities

	2020	2019
	$'000	$'000
Profit for the year	(7,905)	(1,087)
Add adjustments for:		
Depreciation	10,952	8,846
Net Loss on disposal of property, plant & equipment	70	(10)
Asset contribution income	-	-
Changes in assets and liabilities		
Decrease in trade and other receivables	8,574	899
Decrease in subsidy receivables	10,622	8,903
Increase in trade and other payables	4,144	883
Increase in provisions	1,131	802
Decrease in interest payable/(receivable)	(343)	(609)
Deferred income	(4,405)	(4,228)
Fair value gain - investment properties	196	655
Net cash inflow from operating activities	**23,037**	**15,055**

27. Changes in liabilities arising from financing activities

	Cash and Cash Equivalents	Borrowings	Total
	$'000	$'000	$'000
Net Debt as at 30 June 2019	26,234	(22,888)	3,345
Cashflows	10,578	(6,400)	4,178
Net Debt as at 30 June 2020	36,812	(29,288)	7,524

28. Parent entity financial information

(a) Summary of financial information

The individual financial statements for Bethanie show the following aggregate amounts:

	2020	2019
	$'000	$'000
Balance sheet		
Total Assets	656,013	517,414
Total Liabilities	523,569	378,011
Equity		
Revaluation reserve	110,152	110,152
Retained earnings	22,292	29,250
Total Equity	**132,444**	**139,402**
Profit/(Loss) for the year	(6,510)	590

(b) Guarantees entered into by the parent entity

Bethanie guarantees the loan account to Bethanie Housing.

(c) Contingent liabilities of the parent entity

Contingent liabilities of Bethanie are disclosed within note 19

(d) Contractual commitments for the acquisition of property, plant and equipment of the parent entity

Contractual commitments for the acquisition of property, plant and equipment of Bethanie are disclosed within note 22.

DIRECTORS' DECLARATION

In the directors' opinion:

(a) the financial statements of Bethanie Group Inc and notes set out on pages 11-54 are in accordance with the Associations Incorporation Act 2015, including:

  (i) complying with Accounting Standards, the Associations Incorporation Act 2015, the ACNC Act 2012 and other mandatory professional reporting requirements, and
  (ii) giving a true and fair view of the entity's financial position as at 30 June 2020 and of its performance for the financial year ended on that date, and

(b) there are reasonable grounds to believe that the entity will be able to pay its debts as and when they become due and payable

Note 1 (a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

This statement is made in accordance with a resolution of the Board.

Signed for and on behalf of the Board by:

Peter Gibbons
Non-Executive Chairman
Board of Directors
The Bethanie Group Inc

Perth, Western Australia this 12th day of October 2020

Independent Auditor's Report

To the members of The Bethanie Group Inc

Report on the audit of the Group Financial Report

Opinion

We have audited the consolidated ***Financial Report*** of The Bethanie Group Inc and its controlled entities (the Group Financial Report).

In our opinion, the accompanying Financial Report of the Group is in accordance with Division 60 of the Australian Charities and Not-for-profits Commission (ACNC) Act 2012, and the Associations Incorporations Act 2015 including:

- Giving a true and fair view of the Group's financial position as at 30 June 2020, and of its financial performance and its cash flows for the year ended on that date; and
- Complying with Australian Accounting Standards for Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 203.*

The ***Financial Report*** of the Group comprises:

- Consolidated statement of financial position as at 30 June 2020.
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended.
- Notes including a summary of significant accounting policies
- Directors' declaration.

The ***Group*** consists of Bethanie Group Inc and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of the ACNC Act 2012 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants including Independence Standards* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Other Information

Other Information is financial and non-financial information in the entity's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

The Other Information we obtained prior to the date of this Auditor's Report was the Chairman's Overview, Chief Executive 2020 Annual Report and Directors' Report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express any form of assurance conclusion thereon.

In connection with our audit of the Group Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Group Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- Preparing the Group Report that gives a true and fair view in accordance with Australian Accounting Standards and the ACNC.
- Preparing the Group Financial Report in accordance with the Associations Incorporations Act 2015.
- Implementing necessary internal control to enable the preparation of the Group Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.
- Assessing the Group's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- To obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- To issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Group Financial Report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit.

KPMG

We also:

- Identify and assess the risks of material misstatement of the Group Financial Report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, international omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the Audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the registered Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the registered Entity's ability to continue as a going concern. If we could conclude that a material uncertainty exists, we are required to draw attention in our Auditor's Report to the related disclosures in the Group Financial Report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditor's Report. However, future events or conditions may cause the registered Group to cases to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the Group Financial Report, including the disclosures, and whether the Group Financial Report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group and the Company to express an opinion on the Group Financial Report and the Company Financial Report. We are responsible for the direction, supervision and performance of the Group and the Company audits. We remain solely responsible for the audit opinions.

We communicate with the Directors of the registered Group regarding, among other matters, the planned scope and timing of the audit and significant findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG

Jane Bailey

KPMG

Jane Bailey
Partner
Perth
12 October 2020