The Bethanie Group Inc

2022 Consolidated Annual Report

For the Year ended 30 June 2022

ABN 60 992 323 648

Bethanie
You're among friends

Annual Report Contents

Chair and CEO's Review	3
Mission in Action	7
Directors' Report	9
Auditor's Independence Declaration	11
Financial Statement Contents	12
Consolidated Statement of Profit and Loss and Other Comprehensive Income	13
Consolidated Statement of Financial Position	14
Consolidated Statement of Cash Flows	15
Consolidated Statement of Changes in Equity	16
Notes to the Consolidated Financial Statements	17
Directors' Declaration	39
Independent Auditor's Report	40

Bethanie

Bethanie prides itself on its foundation as Churches of Christ in WA and its Christian heritage.

Bethanie Mission

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

Bethanie Vision

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

Bethanie Purpose

Proudly inspiring the adventure of ageing.

Bethanie Values

Justice, Integrity, Stewardship, Compassion, Respect

Bethanie Six Signature Behaviours

1. We deliver all of our services the way we would like them to be delivered to ourselves.
2. We promote all Bethanie services and products with integrity and enthusiasm.
3. We take ownership for all our actions and responsibilities.
4. We demonstrate that we are the best at what we do.
5. We treat everyone with respect and compassion.
6. We communicate clearly in an honest and transparent manner.

These are the things that make the Bethanie difference.

Chair and CEO's Review

On behalf of the directors, we are pleased to present the 2022 Annual Report for The Bethanie Group Inc ('Bethanie').

Principal activities and strategy

Bethanie provides care and services to people over the age of 55 in Western Australia via:

- 13 aged care homes with 1,134 beds
- Home care to 1,266 customers including 416 home care packages
- 859 independent living units across 11 retirement villages
- 502 social housing units

Our focus to achieve our mission and vision is to optimise our core business, expand into adjacencies and innovate for growth.

Our Strategy is balanced under the following pillars:

- Mission in action
- Great people and culture
- Thriving customers, and
- A sustainable growing business

Our two key interim strategic measures of reach and revenue with a FY23 horizon are:

- enrich the ageing experience of 100,000 Australians
- achieve profitable revenue of $180 million per annum

At the end of Financial Year 2022, we achieved a reach result of 64,000 Australians and $145 million in revenue. Whilst our reach result increased by 17% in FY22 our revenue growth was minimal due to the impact of COVID-19.

A challenging year with COVID-19

Financial Year 2022 was a challenging year for Bethanie and the aged care sector.

In March 2022, after almost two years, Western Australia re-opened its borders to the rest of Australia and the world, with this came COVID-19.

As a result of the lessons learned from other Australian states, Bethanie was well prepared for COVID-19 outbreaks in Western Australia.

Aligned to our low risk appetite, Bethanie put in place stringent policies and protocols to protect our customers and staff, including:

- A comprehensive and evolving COVID-19 response plan
- Immediate lock-down of affected areas within our aged care homes where a COVID-19 case detected
- Temperature checking, PPE and Rapid Antigen Testing (RAT) protocols for staff interacting with home care customers and at our retirement villages and community housing sites
- COVID-19 vaccination of our residents and workforce
- Contactless temperature and sign-in for staff and visitors prior to entry into our sites
- Rapid Antigen Testing regimen for our staff and visitors prior to entry into our sites
- Mandatory PPE requirements for staff and visitors and increasing PPE stock levels
- Increasing staff pay and benefits when working with COVID-19 positive cases
- Strict visitation protocols
- Comprehensive communication plan with customers, families and staff.

As a result of Bethanie's comprehensive controls implemented, we were able to protect all our residential aged care customers from death as a result of COVID-19. This reflects our core focus on customer centred care.

As at 30 June '22, Bethanie had encountered 45 COVID-19 exposures / outbreaks at its residential aged care sites, with the outbreak response costing circa $6.4 million to the Group. Bethanie expects to recover an estimated 70c per dollar spent under the COVID-19 Aged Care Support Program available to aged care approved providers and continues to actively track, prepare and submit COVID-19 grant claims.

In addition to these direct costs, the Group's financial performance was impacted by a loss of revenue due to occupancy reductions at residential aged care homes and loss of service hours to home care customers.

A challenging year with COVID-19 (continued)

Bethanie introduced a number of initiatives to keep our customers connected to their loved ones during COVID-19 outbreaks, including daily video calls and the implementation of our award winning CareApp, a picture sharing platform, as used by our therapy teams as well as increased Chaplaincy support. These were instrumental in maintaining connection and removing the fears of isolation.

Bethanie is proud of its response throughout the various COVID-19 outbreaks and the unwavering commitment and dedication shown by our staff.

Aged care reform

More than a year ago, in March 2021, the Royal Commission into Aged Care Quality and Safety released their Final Report which makes 148 recommendations.

In response, the government released in May 2021 a five year – five pillar aged care reform plan and allocated $17.7 billion to deliver the plan.

Key aspects of the reforms are as follows:

- Short-term financial relief by way of a $10 per day increase in the daily fee supplements
- Mandated minimum care hours from October 2023, with a commitment to increase funding to cover increased costs
- A wide range of regulatory, supervisory, prudential, reporting and governance improvements
- Replacement of Aged Care Funding Instrument (ACFI) with a new funding model referred as Australian National Aged Care Classification (i.e. AN-ACC)
- Confirmation that an independent pricing authority will provide pricing advice to Government
- An increase of 80,000 new home care packages over the next two years
- Establishment of working groups or other bodies to undertake research or planning and propose detailed solutions in a range of areas

The government has started putting in place the reforms, with several already implemented:

1. Establishing a single unified peak body; the Aged & Community Care Providers Association (APCAA).
2. Aged Care and Other Legislation Amendment (Royal Commission Response) Bill 2022 was assented on 5 August 2022 and is now law.

   Key aspects include:

   i. Introduction of AN-ACC funding instrument to replace ACFI. In effect, this aligns levels of funding to customer's care needs and generally increases funding.
   ii. Mandated care hours from October '23 based on the overall existing resident care needs. For Bethanie, this results in an overall uplift in care hours that is part funded by an increase in AN-ACC funding. A mandatory quarterly financial report including reported care minutes and the cost of care minutes commenced from the start of FY23 to allow the Department of Health & Aged Care to monitor the transition and compliance with mandated care hours from October '23.
   iii. Introduction of a site-based Star Rating system in December '22 in order for:
      - consumers to make more informed choices about their aged care
      - providers to improve the quality of services provided to consumers
      - the government to provide transparent information about aged care system quality.

Residential aged care sector financial performance

The financial viability of the Aged Care Sector has deteriorated over recent years, with many providers generating substantial losses.

- Across 1,282 residential aged care facilities in Australia, the average operating loss was $12.85 per bed day for the 9-month period end March '22 (StewartBrown Aged Care Sector Report).

Residential aged care sector financial performance (continued)

- ACFI indexation of 1.1% in FY22 did not align to cost inflation due to workforce awards (1.75%-3%), minimum wage increase, the Superannuation Guarantee Scheme (0.5%) and high general inflation in Western Australia.
- Severe staffing shortages and turnover across the sector, amplified by COVID-19 and low unemployment.
- The transition to AN-ACC funding is still being analysed and it is not possible to predict the final impact of the overall outcome. Current modelling suggests that funding of aged care will remain significantly inadequate for the foreseeable future.
- Uncertainty over funding levels due to the transition from ACFI to AN-ACC combined with a higher care minute requirement has generally resulted in lower levels of investment, either from the acquisition or construction of new residential aged care homes.

Despite all the challenges, demand for aged care services in Western Australia is projected to grow significantly over the next 30 years as our population ages along with an increasing need for age-appropriate accommodation and care services. This will require new capital investment and funding to support our ageing population.

1.3 million
Senior Australians used aged care services in 2019-20.
This is expected to almost triple by 2050.
+300%

3.8 million
Australians were aged 65 and over in 2017.
By 2057 this is projected to be 8.8 million.
+230%

366,000
Aged care workers were needed in 2016.
Almost 1 million will be needed by 2050.
+270%

Source: Australian Government Department of Health and Aged Care

Bethanie’s response

Bethanie is well positioned to respond to the sector challenges and play a key role to service the demand for aged care services in WA due to:

- Our mission and values-based culture that puts our customers and staff at the heart of everything we do. A strategically focused Board and experienced management team
- A target growth strategy across diversified business lines including residential aged care, community care, retirement villages and community housing
- A disciplined approach to risk management – as evidenced in our response to COVID-19
- An established brand as a leading provider of aged care services
- Strong balance sheet backing and management

Whilst COVID-19 has provided some short-term challenges, it has allowed us to focus on implementing changes to optimise our core. In parallel, we have continued to selectively explore opportunities to expand into adjacent markets and innovate for growth. These opportunities include:

- Acquisition of Bert England Lodge in August ’22 to add 44 aged care beds to extend Bethanie’s care to these customers.
- Finalise the construction of our Dalyellup Aged Care Home in Q2 FY23 to add a further 120 beds.
- Commenced construction of the next stage of Bethanie Beachside Retirement Village in Yanchep, with the addition of 16 new villas.
- Excellence in Software Application Implementation winner for the implementation of CareApp used by the Therapy teams across residential homes to keep families in touch with their loved ones during various COVID-19 related visitor restrictions and closures.
- Implement clinical indicators and standard clinical process measures to monitor, investigate and improve customer care, resulting in inclusion as a finalist in the National InnovAGING Awards.

Bethanie's response (continued)

- Successfully applying for Social Housing Economic Reform Program (SHERP) grant funding for the refurbishment of 38 community units, plus a $5m funding contribution to the development our community housing site in Fremantle.

Financial & operating performance

Given industry-wide challenges resulting from COVID-19 and reforms in aged care, Bethanie had stable revenues for the 2022 Financial Year of $144.5 million (2021: $143.1 million). Our operating contribution (EBITDA) was however heavily impacted by COVID-19 with an EBITDA loss of $9.2 million.

In addition to the direct costs from the COVID-19 outbreak response, the Group's financial performance was impacted by decreased occupancy and loss of revenue at its residential aged care homes and a loss of service hours delivered to its home care customers.

Despite the Q4 FY22 impact of COVID-19, key drivers of financial performance were stable or improved across FY22, with:

- Residential aged care occupancy at 90.0% (FY21 89.7%)
- Residential ACFI per bed day at $193.4 (FY21 $192.1)
- Community Home Care Packages 416 (372 FY21)
- Community Service Hours -12% (COVID-19 impact)
- Retirement Village Occupancy 91.7% (FY21 88.6%)

Our continued strategic intent is to ensure that Bethanie is a customer centric organisation. It is pleasing to see that 90 percent of **customers** said they were satisfied with the services received in the annual customer survey.

Our annual **staff** survey was undertaken in March 2022 producing a pleasing result, including an engagement score of 77%, compared to best practice of 70%. Our staff retention rate was 73% for the 2022 Financial Year, above the industry average.

Thank you

To our team of over 2,100 extraordinary nurses, carers, other home and support office staff, and over 200 active volunteers, we would like to acknowledge and thank you. The ministry and service of Bethanie to our elders would not be possible without your dedication.

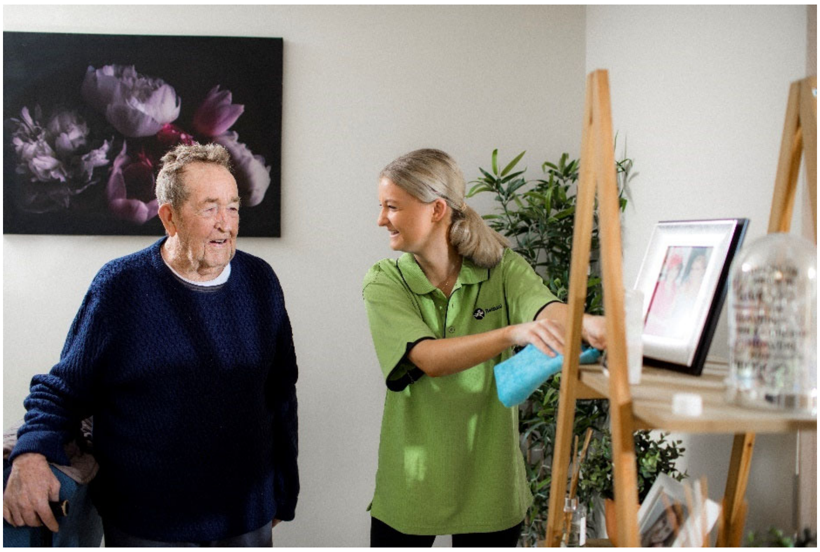
To our customers, we would like to extend our profound thanks for placing your care and trust in Bethanie, in what has been an exceptionally challenging time for the aged care industry.

You provided a vital service, with dedication, 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 for the diligence and strong leadership in ensuring Bethanie is well placed to deliver its Mission and future strategy.

Diana Forsyth, Chair

Chris How, Chief Executive Officer

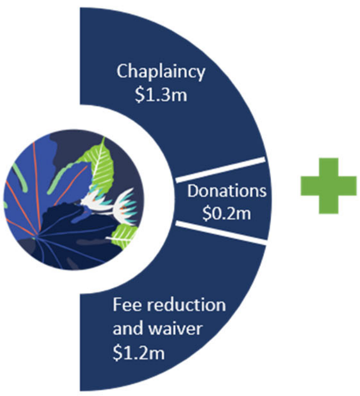


We live by our mission - "to demonstrate the Love of God by positively changing the way Australians experience ageing - every customer, every family, every community, every day".

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 2022 Financial Year, Bethanie contributed over $2.7 million to the Western Australian community.

FY2022 Social contribution



6 children sponsored through various charities

300 meals distributed to the **Salvation Army**

630 shoeboxes packed and donated to **Operation Christmas Child**

90 handbags packed and donated to **Share the Dignity**

We are committed to improve not only the quality of life and care of our seniors but to meet the changing needs and expectations of future generations.

Mission in Action – Residents' stories

Ballroom Dancer

After a diagnosis of Alzheimer's disease, a lady moved into a Bethanie Residential Aged Care Home. Very quickly, the staff got to know her and learnt about living in the country, her family and her love of ballroom dancing.

The resident's birthday was coming up and the family wanted to celebrate at the residential home. It was to be an afternoon tea for the resident, family and friends and for other residents to join in. A staff member who had made a real connection with the resident had some friends who were professional ballroom dancers and secretly arranged for them to attend and dance at the birthday celebration.

The day arrived and the resident was brought to the activity room where family and friends had gathered. The cake and company were lovely, and after a few speeches the ballroom dancers were announced and started to perform. The resident lit up, overjoyed by what she was seeing, the resident grinned from ear to ear.

Understanding what means so much to the resident and helping the resident experience great joy and delight – Mission in Action

ANZAC lockdown

For many Bethanie customers, there are significant nationally recognised events that bring purpose, meaning and hope to their lives. These events are important in the lives of many Bethanie residents. One of these is ANZAC Day.

It was understood that, due to COVID lockdowns and restrictions, ANZAC Day 2022 services would not occur at many of our sites and family visitation would be restricted.

ANZAC lockdown (continued)

The Chaplaincy Team came up with a plan. A special ANZAC day booklet was produced with a few activities associated with ANZAC day – it included a word search, colouring ins, poems, hymns and a little history.

The service was played over the speakers with people observing the minute of silence. The booklets were given out and an opportunity to reminisce was given. Although there had been many times to share stories before, this year the opportunity to reminisce was taken up and people wanted to share their stories, how they had been impacted and how their friends and family were impacted. The whole day became a significant time of sharing stories and reminiscing.

Creating avenues to observe significant events even when restrictions were in place – Mission in Action.

COVID Gardener

During a COVID lockdown, a resident shared how they wanted to revitalise their garden which had stood dormant for some time. On hearing this, a staff member engaged another staff member with a horticultural background who was at the site lending a hand during the lockdown. The two were introduced and over the week a plan was drawn up of what the garden could include. Garden beds were topped up with soil and potting mix. Soon the lockdown was over and the staff member lending a hand had to return to their usual site.

A few months later the staff member visited the resident to see how they had gone. They found that every detail of their plan was now put into place. Plants were growing well, flowers had started to bloom and the resident had a pep in their step and joy on their face.

Connecting over gardening and nature – Mission in action.

Transforming the aged care experience with virtual reality

Virtual reality is changing the lives of our residents.

The risk of experiencing loneliness and social isolation increases as we get older.

Virtual reality is an opportunity to support senior people in maintaining positive physical and mental health and drives social interaction and engagement.

Residents can be "transported" to a different country where they can sit together in a virtual café and chat, sharing memories and stories in astounding surroundings with 360-degree views. Travel the world and explore dream destinations like Paris or realise childhood dreams like swimming with dolphins.

The opportunities and experiences are endless.

Directors' Report

The directors present their report together with the consolidated financial statements of the Group comprising The Bethanie Group Inc ('Bethanie') and its subsidiary for the financial year ended 30 June 2022.

1. The Directors

The directors of the Company at any time during or since the end of the financial year are:

Directors	
Diana Forsyth	Director appointed as Chair on 27 June 2022
Peter Gibbons	Director resigned as Chair on 27 June 2022
Kylee Schoonens	
David Kilpatrick	
Todd Mairs	
Jeffrey Williams	
Maria Foundas	Appointed 2 December 2021
Darren Cutri	Appointed 27 June 2022
Murray Cook	Resigned 30 June 2022

2. Principal activities

The principal activity of the Group during the financial year was the provision of accommodation and care services to people over 55.

There were no significant changes in the nature of the activities of the Group during the year.

3. Review of operations and results of those operations

Bethanie is an aged care provider for seniors seeking to live well and retire into a welcoming and engaging community.

Bethanie is an approved aged care provider under the Aged Care Act 1997 and the Aged Care (Transitional Provisions) Act 1997.

Bethanie's objective is to positively change the way Australians experience ageing.

Further details about the Group's activities are described below:

Aged Care Homes	The Group owns and operates 12 residential aged care homes for people who require 24-hour care. Bethanie's aged care homes are in metropolitan Perth and regional WA with many homes offering specialised dementia care.
At Home Care	The Group offers a wide range of care services from nursing and regular checking to helping with chores and community participation that enable people to remain in their own home. The Group also owns and operates 8 Social Centres for seniors providing valuable social and therapy wellbeing services.
Retirement Living	The Group owns and operates 11 retirement villages. Bethanie's retirement villages allow people over 55 to live independently in a safe environment and in the company of like-minded people.
Community Housing	Bethanie Housing Limited, a subsidiary of the Group, owns and manages affordable and appropriate accommodation including apartments, townhouses and villas for seniors in Perth and regional WA. Bethanie Housing also manages 2 properties owned by the Housing Authority.

For the year ended 30 June 2022, the Group has generated revenue of $144.5 million (2021: $143.1 million) and incurred a net loss of $19.1 million (2021: $5.5 million) driven by the COVID-19 outbreak response direct costs including additional employee benefit expenses and personal protective equipment, and increased care, regulatory and governance requirements in line with the findings from the Royal Commission into Aged Care and industry requirements.

3. Review of operations and results of those operations (continued)

During the financial year the Group faced 45 COVID-19 exposures/outbreaks at its residential aged care homes resulting in circa $6.4 million of outbreak response direct costs.

In addition, the Group's financial performance was impacted during the financial year by a loss of revenue at its residential aged care homes due to decreased occupancy and a loss of service hours to its at home care customers.

The Group is in the process of preparing funding claims under the COVID-19 Aged Care Support Program.

The Group's net cash inflow from operating activities for the year ended 30 June 2022 was $23.1 million (2021: $3.6 million).

4. Significant changes in the state of affairs

In the opinion of the directors there were no significant changes in the state of affairs of the Group that occurred during the financial year under review.

5. Environmental regulation

The Group's operations are not subject to significant environmental regulation under both Commonwealth and State legislation in relation to its activities. The Group conducts its operations with respect to the environment in which it operates and will continue to enhance its focus in this area through ESG initiatives.

6. Events subsequent to reporting date

Effective 4 August 2022, the Group acquired Bert England Lodge, a 44-bed aged care home located in Rockingham for a total purchase price of $6,799,288. The Group had been managing the aged care home since July 2021 after it took over from another aged care provider.

Other than the matter discussed above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future years.

7. Likely developments

Further information about likely developments in the operations of the Group and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Group.

8. Indemnification and insurance of officers and auditors

Since the end of the previous financial year, the Company has not indemnified or made a relevant agreement for indemnifying against a liability any person who is or has been an officer or auditor of the Group.

During the financial year the Company has paid premiums in respect of directors' and officers' liability and legal expenses insurance contracts. Such insurance contracts insure against certain liability persons who are or have been directors or executive officers of the Group.

The directors have not included details of the nature of the liabilities covered or the amount of the premiums paid in respect of the directors' and officers' liability and legal expenses insurance contracts, as such disclosure is prohibited under the terms of the contract.

9. Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 11 and forms part of the directors' report for the financial year ended 30 June 2022.

This report is made out in accordance with a resolution of the directors.

Diana Forsyth
Non-executive Chair

Dated at Perth, Western Australia this 14th day of October 2022

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 2022 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
14 October 2022

Financial Statements Contents

Financial Statements

Consolidated Statement of Profit and Loss and Other Comprehensive Income	13
Consolidated Statement of Financial Position	14
Consolidated Statement of Cash Flows	15
Consolidated Statement of Changes in Equity	16

Notes to the Consolidated Financial Statements

A. About these statements

A1. Reporting entity	17
A2. Basis of preparation	17
A3. Going concern basis	17
A4. Functional and presentation currency	18
A5. Use of judgements and estimates	18
A6. New and amended standards adopted by the Group	18
A7. Presentation of comparative information	18

B. Current performance

B1. Revenue and other income	19
B2. Expenses	21

C. Assets and liabilities

C1. Cash and cash equivalents	22
C2. Trade and other receivables	22
C3. Intangible assets	23
C4. Property, plant and equipment	25
C5. Investment properties	27
C6 Trade and other payables	28
C7 Employee provisions	29
C8 Resident liabilities	30

D. Capital and financing

D1. Borrowings	32
D2. Leases	33
D3. Financial risk management	34
D4. Capital commitments	36

E. Others

E1. Remuneration of auditors	37
E2. Contingent liabilities	37
E3. Economic dependency	37
E4. Parent entity	37
E5. Subsidiary	38
E6. Related party transactions	38
E7. Subsequent events	38

Consolidated Statement of Profit and Loss and Other Comprehensive Income

For the year ended 30 June 2022

	Note	2022 $'000	2021 $'000
Revenue	B1	144,567	143,100
Other income	B1	753	800
Net gain on revaluation	C5	784	5,311
Total revenue and other income		**146,104**	**149,211**
Operating expenses	B2	(151,999)	(143,929)
Depreciation		(10,163)	(9,548)
Finance costs	B2	(1,411)	(1,247)
Impairment expense	C4	(1,700)	-
Total expenses		**(165,273)**	**(154,724)**
Loss for the year		(19,169)	(5,513)
Other comprehensive income		-	-
Total comprehensive loss		**(19,169)**	**(5,513)**

The accompanying notes form part of the consolidated financial statements.

Consolidated Statement of Financial Position

As at 30 June 2022

	Note	2022 $'000	2021 $'000
ASSETS			
Cash and cash equivalents	C1	42,159	35,730
Trade and other receivables	C2	6,124	3,720
Prepayments		2,582	2,190
Right-of-use assets	D2	12,661	13,450
Investment properties	C5	294,023	289,811
Property, plant and equipment	C4	224,073	207,902
Intangible assets	C3	44,017	44,344
Total assets		**625,639**	**597,147**
LIABILITIES			
Trade and other payables	C6	19,112	18,363
Borrowings	D1	52,539	41,431
Employee provisions	C7	16,373	16,658
Lease liabilities	D2	9,790	10,322
Resident liabilities	C8	451,063	414,162
Other liabilities		2,019	2,299
Total liabilities		**550,896**	**503,235**
NET ASSETS		**74,743**	**93,912**
EQUITY			
Retained earnings		74,743	93,912
TOTAL EQUITY		**74,743**	**93,912**

The accompanying notes form part of the consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 30 June 2022

	Note	2022 $'000	2021 $'000
Cash flows from operating activities			
Receipts from government funding		97,158	98,079
Receipts from residents and care recipients		39,651	41,796
Payments to suppliers and employees		(153,681)	(150,864)
Net cash used in operating activities before interest, refundable accommodation deposits and retirement villages' entry contributions		**(16,872)**	**(10,989)**
Proceeds from refundable accommodation deposits		72,406	55,865
Repayments of refundable accommodation deposits		(46,847)	(58,400)
Proceeds from retirement villages' entry contribution		32,474	35,570
Repayments of retirement villages' outgoing contribution less deferred management fees		(16,360)	(18,045)
Interest received		247	588
Interest paid		(1,175)	(1,024)
Net cash generated from operating activities		**23,873**	**3,565**
Cash flows used in investing activities			
Payments for property, plant and equipment		(26,873)	(12,408)
Proceeds from the sale of property, plant and equipment		256	169
Business combination		-	(1,907)
Net cash used in investing activities		**(26,617)**	**(14,146)**
Cash flows from financing activities			
Proceeds from borrowings		26,419	16,668
Repayments of borrowings		(15,566)	(4,525)
Repayment of lease liabilities		(1,680)	(1,757)
Net cash generated from financing activities		**9,173**	**10,386**
Net increase/(decrease) in cash and cash equivalents		**6,429**	**(195)**
Cash and cash equivalents at the beginning of the year		35,730	35,925
Cash and cash equivalents at the end of the year	C1	**42,159**	**35,730**

The accompanying notes form part of the consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2022

	Retained earnings $'000	Contributed equity $'000	Total $'000
Balance as at 1 July 2021	93,912	-	93,912
Loss for the year	(19,169)	-	(19,169)
Balance as at 30 June 2022	**74,743**	**-**	**74,743**
Balance as at 1 July 2020	99,425	-	99,425
Loss for the year	(5,513)	-	(5,513)
Balance at 30 June 2021	**93,912**	**-**	**93,912**

The accompanying notes form part of the consolidated financial statements.

A. About these statements

This section addresses the basis for compiling the financial statements.

A1 Reporting entity
A2 Basis of preparation
A3 Going concern basis
A4 Functional and presentation currency
A5 Use of judgements and estimates
A6 New and amended standards adopted by the Group
A7 Presentation of comparative information

A1. Reporting entity

The Bethanie Group Inc ('Bethanie') is domiciled and incorporated in Australia. The principal registered office of Bethanie is Level 3, 202 Pier St, Perth, WA, 6000. These consolidated financial statements comprise Bethanie and its controlled entity, Bethanie Housing Ltd ('Bethanie Housing') for the year ended 30 June 2022 (together referred to as the 'Group').

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.

The Group is a not-for-profit entity and is primarily involved in the provision of care and accommodation services to people over 55 including aged care homes, at home care, social centres, community housing and related corporate and management services. The Group also operates several retirement villages.

A2. Basis of preparation

These consolidated financial statements have been prepared in accordance with Australian Accounting Standards – Simplified Disclosures, the Association Incorporation Act 2015 and the ACNC Act 2012.

These are the first general purpose financial statements prepared in accordance with Australian Accounting Standards – Simplified Disclosures.

In the prior year, the consolidated financial statements were general purpose financial statements prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements.

The Group has adopted AASB 1060 General Purpose Financial Statements Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities on 1 July 2021 which resulted in a change in the level of required disclosures. The change has no impact on the recognition and measurement of amounts recognised in the consolidated statements of financial position, profit and loss and other comprehensive income and cash flows of the Group.

The financial statements were authorised for issue by the directors on 14 October 2022.

Management are of the view that the requirement under the Accounting Standards to treat refundable accommodation deposits and entry contributions from retirement villages residents as current liabilities do 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 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.

Significant and other accounting policies that summarise the measurement basis used and are relevant to an understanding of the financial statements are provided throughout the notes to the financial statements.

A3. Going concern basis

The consolidated financial statements have been prepared on a going concern basis, which assumes that Bethanie will be able to meet its financial obligations as and when they fall due.

The Group incurred a net loss of $19.1 million including circa $6.4 million of COVID-19 outbreak direct costs.

A3. Going concern basis (continued)

Eligible costs incurred are expected to be recovered under the COVID-19 Aged Care Support Program available to approved aged care providers.

In addition to the direct costs, COVID-19 impacted the Group's financial performance by a loss of revenue due to occupancy reductions at residential aged care homes and loss of service hours to home care customers.

The Group has a Facility Agreement of $85.4 million of which $32.7 million is undrawn as at 30 June 2022. In addition to the committed facilities, the Facility Agreement makes provision for an accordion facility of $15 million which allows the Group to add additional facilities or increase the existing facilities on the same economic terms as the committed facilities.

The potential future impacts of COVID-19 on the Group's future performance and cash flows have been taken into consideration in preparing the consolidated financial statements on a going concern basis.

A4. Functional and presentation currency

The consolidated financial statements are presented in Australian dollars, which is Bethanie's functional and presentation currency.

All values rounded to the nearest thousand dollars ($'000) unless otherwise stated.

A5. Use of judgements and 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 the following notes:

- C3 Intangibles assets: assessment of goodwill valuation
- C4 Property, plant and equipment: assessment of indication of impairment
- C5 Investment properties: estimation of fair value

A6. New and amended standards adopted by the Group

The Group has initially adopted the new standard, AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*. This did not have any impact on the amounts recognised in prior period and is not expected to significantly affect the current or future periods.

A number of other new standards are also effective from 1 July 2021 but they do not have a material effect on the Group's financial statements.

A7. Presentation of comparative information

The presentation of the comparative information has been updated to be consistent with the current year's presentation.

B. Current Performance

This section addresses the financial performance of the Group including the accounting policies applied and key estimates and judgements made.

B1 Revenue and other income
B2 Expenses

B1. Revenue and other income

	2022 $'000	2021 $'000
Aged care homes		
Care		
Government funding	67,609	68,134
Resident fees	26,353	25,748
Accommodation		
Government funding	6,854	6,242
Resident fees	5,403	5,455
Management fees	440	-
Total aged care homes	**106,659**	**105,579**
At home		
Government funding	18,607	19,459
Client contributions	1,003	1,120
Total at home	**19,610**	**20,579**
Retirement living		
Deferred management fees	5,458	5,508
Resident fees	3,938	3,599
Rental income	1,226	1,395
Sale commission and other fees	2,145	1,351
Total retirement living	**12,767**	**11,853**
Community housing		
Rental income	4,499	4,499
Total community housing	**4,499**	**4,499**
Other revenue	1,032	590
Total revenue	**144,567**	**143,100**
Other income		
Interest income	214	502
Donations	145	8
Profit on disposal of plant and equipment	133	39
Sundry income	261	251
Total other income	**753**	**800**

B1. Revenue and other income (continued)

The Group generates revenue primarily from the provision of care and accommodation services to people over 55 including aged care homes, at home care and community housing. The Group also operates several retirement villages.

Revenue is derived from government subsidies, care recipient and resident fees.

Accounting policies relevant to the various sources of revenues are described below:

Aged care homes

Bethanie is an approved aged care home provider under the Aged Care Act 1997.

The amount of funding for care is assessed under the Aged Care Funding Instrument ('ACFI') based on a range of factors including the level of care needs and the financial means of the residents. A supplement is received from the Commonwealth for eligible residents as contribution towards their accommodation and everyday living costs. Government funding is paid monthly in arrears.

Residents are also charged fees (basic daily fees, daily accommodation fees, additional service fees) as contributions towards their care and accommodation and everyday living costs. The fees are mainly determined in accordance with the Government authorised rates. Residents are invoiced monthly.

The Group recognises revenue from aged care homes for care and accommodation over time as performance obligations are satisfied, which is as the services are rendered, primarily on a daily or monthly basis.

At home care

Bethanie is an approved provider of Home Care Packages ('HCP') and Commonwealth Home Support Programme ('CHSP') under the Aged Care Act 1997 and the Aged Care (Transitional Provisions) Act 1997. Both programmes aim to support older people live independently in their own homes. The programmes include support with household tasks, personal care, clinical care, minor home modifications and equipment.

The level of funding per care recipient varies dependent on the level of care needs and the recipient's financial circumstances. Care recipients may be required to make a financial contribution.

The Group recognises revenue from at home care over time as performance obligations are satisfied, which is as the services are rendered, primarily on a daily or monthly basis.

CHSP subsidies are received quarterly in advance based on the agreed funding for the financial year. Any unused funding is recognised as a liability and is included within Trade and Other payables.

Since 1 September 2021, HCP subsidies have been received monthly in arrears, for the amount of actual services delivered only. The Government holds the portion of unspent funds for each care recipient.

Retirement villages

The Group offers a range of resident arrangements for its retirement lifestyle villages including lease for life agreement and rental agreement.

A lease for life arrangement takes the form of a 60-year lease agreement that gives the resident the exclusive right to occupy a unit or apartment at the lifestyle village.

A deferred management fee is payable by the resident in consideration for the supply of accommodation and the right to use the community facilities. Deferred management fees are paid upon exit, with the amount payable calculated as a percentage of either the initial entry contribution paid by the outgoing resident or the entry contribution paid by the new incoming resident in accordance with the terms of the lease for life agreement. Deferred management fee revenue is recognised over the expected length of stay of the resident.

In addition, a fee is payable during the resident stay that covers the running costs of the village including the facilities. Residents are invoiced monthly.

B1. Revenue and other income (continued)

Retirement villages (continued)

The Group recognises revenue from the resident fees over time as performance obligations are satisfied, which is as the services are rendered, primarily on a daily or monthly basis.

Rental income

Rental income for retirement village units and community housing units is recognised on a straight-line basis over the term of the lease.

Interest income

Interest income is recognised as other income using the effective interest method.

Donations

Donations are recognised as other income when received.

B2. Expenses

	2022 $'000	2021 $'000
Operating expenses		
Employee benefits expense	116,539	109,360
Food, utilities, rates and service costs	17,353	15,404
Administration costs	10,414	12,126
Repairs and maintenance	7,693	7,039
Total operating expenses	**151,999**	**143,929**
Finance costs		
Interest and finance charges	1,666	1,408
Amount capitalised	(255)	(161)
Total finance costs expensed	**1,411**	**1,247**

Operating expenses

Operating expenses and other financing costs are recognised in profit or loss in the period in which they are incurred.

Finance costs

Finance costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

C. Assets and Liabilities

This section addresses assets and liabilities of the Group, excluding leases and borrowings, including the accounting policies applied and key estimates and judgements made.

C1 Cash and cash equivalents
C2 Trade and other receivables
C3 Intangible assets
C4 Property, plant and equipment
C5 Investment properties
C6 Trade and other payables
C7 Employee provisions
C8 Resident liabilities

C1. Cash and cash equivalents

	2022 $'000	2021 $'000
Cash	9,196	6,546
Term deposits	32,963	29,184
Total cash and cash equivalents	**42,159**	**35,730**

Cash and cash equivalents include cash on hand and short-term deposits.

Refer to Note D3. Financial risk management for the Group's liquidity policy.

C2. Trade and other receivables

	2022 $'000	2021 $'000
Current		
Trade receivables	2,859	1,174
Provision for expected credit loss	(46)	(55)
Resident loans	195	150
Other receivables	2,257	1,416
Total current trade and other receivables	**5,265**	**2,685**
Non-current		
Resident loans	859	1,035
Total non-current trade and other receivables	**859**	**1,035**
Total trade and other receivables	**6,124**	**3,720**

Trade and other receivables

Trade receivables are initially recognised at the transaction price 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.

C2. Trade and other receivables (continued)

The ageing of the trade receivables is as follows:

	2022 $'000	2021 $'000
Current	1,990	648
1 to 3 months	486	386
Over 3 months	383	140
Total	**2,859**	**1,174**

Resident loans

Resident loans are initially recognised at the transaction price and subsequently measured at amortised cost using the effective interest method. Resident loans are interest bearing.

Expected credit loss ('ECL') assessment

The Group recognises loss allowances for ECLs on financial assets measured at amortised cost.

The group measures the loss allowances at an amount equal to lifetime ECLs. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of the receivables.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted to the effective interest rate of the financial asset.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

C3. Intangible assets

	2022 $'000	2021 $'000
Bed licenses	873	1,200
Goodwill on acquisition of Berrington	43,144	43,144
Total intangible assets	**44,017**	**44,344**

Bed licences

Bed licences are issued by the Federal Government to Approved Providers and can also be purchased and transferred from third party Approved Providers with approval from the Department of Health.

In September 2021, the Department of Health released the "Improving Choice in Residential Aged Care – ACAR Discontinuation" discussion paper which states that bed licenses will be discontinued from 1 July 2024. Consequently, the Group changed the useful life of bed licenses from infinite to finite, being 33 months.

Bed licences are stated at cost at acquisition less any accumulated amortisation and impairment losses.

Goodwill

Goodwill arising in a business combination is initially measured as the excess of the consideration transferred over the acquisition-date fair values of identifiable assets acquired and liabilities assumed. The fair value of refundable accommodation deposits at acquisition (as financial liabilities with a demand feature) equals their carrying values. Goodwill is tested annually for impairment and carried at cost less any accumulated impairment losses. An impairment loss recognised for goodwill cannot be reversed in subsequent years.

C3. Intangible assets (continued)

Goodwill (continued)

	2022 $'000	2021 $'000
Opening balance at 1 July	43,144	43,237
Acquisition of Berrington	-	(93)
Total	**43,144**	**43,144**

Impairment review of non-financial assets

The goodwill arose from the acquisition of the Berrington Group and its two aged care homes (Como and Subiaco). The two aged care homes, each representing a separate cash generating unit (CGU), have been grouped together for the purpose of testing goodwill for impairment.

At each reporting date, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the assets' recoverable amount is estimated. Impairment testing is performed annually for goodwill and other intangible assets with indefinite useful lives.

The recoverable amount of the combined Bethanie Subiaco and Bethanie Como CGUs and goodwill was determined based on the fair value less cost of disposal (FVLCD) determined using an income based approach to derive the price that would be received to sell the CGU in an orderly transaction with a market participant, less the costs of disposal.

The recoverable amount was determined to be higher than the carrying amount of the CGU. No impairment loss has therefore been recognised.

This approach has been determined to be Level 3 within the fair value hierarchy.

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 the following assumptions:

Occupancy	ramp up in occupancy to 97% within 12 to 18 months which is in line with Bethanie's other aged care homes
Discount Rate	discount rate of 12% was used representing the Group's WACC (7.5%) plus a risk premium
Average RAD value	management have assumed an average RAD value of $760,000 which is consistent with RAD prices at the aged care homes
RAD/DAP Ratio	management have assumed a ratio of 65:35, which is in line with Bethanie's ratio for other aged care homes
Useful life	to the time remaining on each land lease; Bethanie Subiaco, 42 years; Bethanie Como 58 years
Growth rate	an annual growth rate of 1.5% has been assumed

Management has applied significant judgement in determining and applying these assumptions within the model, considering past experience as well as reasonable expectations based upon the best available data.

Management believe that any reasonably possible change in the key assumptions would not cause the carrying amount of the combined CGUs to exceed their recoverable amount.

C4. Property, plant and equipment

	Land $'000	Buildings $'000	Property under construction $'000	Plant and equipment $'000	Motor vehicles $'000	Total $'000
Year ended 30 June 2022						
Opening net book value	37,109	146,133	12,090	10,877	1,693	207,902
Additions	2,375	7,850	12,816	3,790	43	26,874
Disposals	-	-	-	-	(122)	(122)
Transfer to Investment Properties	-	-	(799)	-	-	(799)
Depreciation expense	-	(4,543)	-	(3,061)	(478)	(8,082)
Impairment expense	-	-	(1,700)	-	-	(1,700)
Closing net book value	**39,484**	**149,440**	**22,407**	**11,606**	**1,136**	**224,073**
Cost	39,484	165,632	24,107	36,868	3,632	269,723
Accumulated depreciation	-	(16,192)	(1,700)	(25,262)	(2,496)	(45,650)
Closing net book value	**39,484**	**149,440**	**22,407**	**11,606**	**1,136**	**224,073**
Year ended 30 June 2021						
Opening net book value	37,109	150,274	12,847	11,737	2,031	213,998
Additions	-	229	9,822	2,103	254	12,408
Business combination	-	-	-	-	-	-
Disposals	-	-	-	(24)	(131)	(155)
Transfers	-	-	-	-	-	-
Transfer to Investment Properties	-	-	(10,579)	-	-	(10,579)
Depreciation expense	-	(4,370)	-	(2,939)	(461)	(7,770)
Closing net book value	**37,109**	**146,133**	**12,090**	**10,877**	**1,693**	**207,902**
Cost	37,109	157,782	12,090	33,078	3,972	244,031
Accumulated depreciation	-	(11,649)	-	(22,201)	(2,279)	(36,129)
Closing net book value	**37,109**	**146,133**	**12,090**	**10,877**	**1,693**	**207,902**

Land and Buildings comprise of the Group's aged care homes, owned community housing and rental retirement villages as well as undeveloped lands.

C4. Property, plant and equipment (continued)

Recognition and measurement

Items of property, plant and equipment are measured at cost less any accumulated depreciation and impairment losses, if any. Such cost includes the borrowing costs for long term construction projects if the recognition criteria are met.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items and depreciated accordingly.

Any gains and loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Subsequent expenditure

Subsequent expenditure is capitalised only when it is probable that future economic benefits associated with the item will flow to the Group.

Depreciation

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Buildings	40 years
Plant and equipment	25 years
Motor vehicles	7 years

Land is not depreciated.

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

Impairment review of non-financial assets

At each reporting date the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the assets' recoverable amount is estimated. The recoverable amount is the fair value of the asset or CGU at the reporting date

For impairment testing assets are grouped together into cash generating units (CGU). Each property is considered a separate CGU.

An impairment loss is recognised in profit or loss if the carrying amount of an asset or CGU exceeds its recoverable amount.

Key estimates, assumptions and judgements

Management use judgement to review the portfolio of properties for indication of impairment.

As part of the review management consider internal and external sources of information including the external valuation reports prepared by an independent property valuer as required by the bank under the terms of the Facility Agreement.

No indicators of impairment were identified from the assessment performed.

Assets pledged as security

The carrying amount of the land and buildings pledged as security for the borrowing (Note D1. Borrowings) is $110.1 million (2021: $107.4 million).

C5. Investment properties

	2022 $'000	2021 $'000
Opening balance at 1 July	289,811	270,479
Additions	849	10,594
Fair value adjustment	3,363	8,738
Closing balance at 30 June	**294,023**	**289,811**

Investment properties comprise of the retirement villages that are leased to residents under a lease for life arrangement.

Recognition and measurement

Investment properties are initially measured at cost and subsequently at fair value with change recognised in profit or loss.

Any gain or loss on disposal of an investment property is recognised in profit or loss.

Fair value measurement

The investment property portfolio is valued annually. The fair value of the investment properties was determined as at 30 June 2022 internally using a discounted cash flow valuation model.

Key assumptions include:

Discount rate	12%
Residents' length of stay	11 years
Growth rates	1.5% to 2.2%

The net gain on revaluation is as follows:

	2022 $'000	2021 $'000
Gain on revaluation of investment properties	3,363	8,738
Loss on revaluation of resident liabilities	(2,579)	(3,427)
Total	**784**	**5,311**

Assets pledged as security

The carrying amount of the investment properties pledged as security for the borrowing (Note D1. Borrowings) is $294.0 million (2021: $289.8 million).

C6. Trade and other payables

	2022 $'000	2021 $'000
Current		
Trade payables	5,378	6,387
Sundry creditors and accruals	5,464	3,969
Subsidies received in advance	6,785	3,773
Unspent client funds	1,485	4,234
Total trade and other payables	**19,112**	**18,363**

Trade payables, sundry creditors and accruals

Trade payables, sundry creditors and accruals represent liabilities for goods and services provided 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 transaction price and subsequently measured at amortised cost using the effective interest method.

Subsidies received in advance

Subsidies received in advance represent various government subsidies received in cash for which the services have not been provided to the residents or care recipients at the end of the reporting year.

Subsidies received in advance includes $1.7m funding received in Bethanie Housing Limited under the Social Housing Economic Recovery Package Grants Program to be spent on the refurbishment of properties.

Unspent home care funds

Until 1 September 2021, under the Home Care Package program, the full monthly subsidy a care recipient was entitled to was received by the care provider on a monthly basis. Any amounts received above the services provided were held as unspent home care funds until utilised or transferred to another provider.

From 1 September 2021 the subsidy is received for the amount of the services delivered, with the Government holding the portion of unspent funds for each care recipient. Any unspent home care funds held by the care provider at the time of the transition are to be fully utilised before any further subsidies are received in relation to a care recipient.

C7. Employee provisions

	2022 $'000	2021 $'000
Current		
Annual leave	9,986	9,849
Long service leave	4,281	4,369
Total current employee provisions	**14,267**	**14,218**
Non-current		
Long service leave	2,106	2,440
Total non-current employee provisions	**2,106**	**2,440**
Total employee provisions	**16,373**	**16,658**

Employee 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 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 current liability for annual leave and long service leave (for which settlement within 12 months of the reporting date cannot be deferred) is 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 non-current liability for long service leave is recognised 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. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted to determine their present values.

A reconciliation of employee provisions is provided below:

	Annual leave $'000	Long service leave $'000
1 July 2021	9,849	6,809
Additions	8,647	950
Utilised	(8,510)	(1,372)
30 June 2022	**9,986**	**6,387**

C8. Resident liabilities

	2022 $'000	2021 $'000
Current - Expected settlement within 12 months		
Refundable accommodation deposits	52,624	48,541
Retirement village resident liabilities net of accrued deferred management fees	10,540	9,496
Guaranteed buy back	5,910	4,010
Interest free loans	3,603	4,413
Total current resident liabilities – expected settlement within 12 months	**72,677**	**66,460**
Current - Expected settlement after 12 months		
Refundable accommodation deposits	163,021	141,546
Retirement village resident liabilities net of accrued deferred management fees	215,365	206,156
Total current resident liabilities – expected settlement after 12 months	**378,386**	**347,702**
Total resident liabilities	**451,063**	**414,162**

Refundable accommodation deposits

Refundable accommodation deposits ('RADs') (also called accommodation bonds) are deposits paid by residents in aged care homes upon admission. Residents can choose to pay a full lump-sum RAD, a regular rental-type payment called a 'daily accommodation payment' ('DAP'), or a combination of both.

RADs are refundable when the resident vacates the aged care home in accordance with the prudential requirements set out in the Aged Care Act 1997.

RADs are non-interest bearing and are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest rate method. As financial liabilities with a demand feature, the carrying value of RADs at balance date approximates their fair value.

Approved Aged Care Providers are required to implement and maintain a liquidity management strategy to ensure they have sufficient liquidity to refund RADs as they fall due.

Refer to Note D3. Financial risk management.

Retirement village resident liabilities net of accrued deferred management fees

	2022 $'000	2021 $'000
Retirement village resident liabilities	264,140	252,351
Less: Accrued deferred management fees	(38,235)	(36,699)
Total	**225,905**	**215,652**

The Group owns and operates several retirement villages. The Group recognises a liability for the entry contribution paid by the resident under a lease for life arrangement.

Upon exit the resident is refunded the entry contribution paid by the new incoming resident less any outstanding fees owed (i.e. the outgoing termination payment).

C8. Resident liabilities (continued)

Retirement village resident liabilities net of accrued deferred management fees (continued)

The entry contributions are non-interest bearing and are recognised at fair value through profit or loss with resulting fair value adjustments recognised in profit or loss.

Under a lease for life arrangement a deferred management fee is payable by the resident upon exit (via a deduction from the outgoing termination payment). The deferred management fee receivable is calculated based on the current tenure of the resident and the relevant contract terms.

The Group holds a contractual right to set-off the deferred management fee receivable on termination against the resident liabilities to be repaid.

Guaranteed buy back

A guaranteed buy back clause may be agreed with the resident upon entry into a retirement village under a lease for life arrangement. The entry contribution (less any fees owed including the deferred management fees) under a guaranteed buy back arrangement is refundable upon exit.

Entry contributions under a guaranteed buy back agreement are initially recorded at the amount received and subsequently at amortised cost.

Interest free loans

The Group has a number of interest free loans whereby the entry contribution upon entry into a retirement village was contractually agreed to be an interest free loan from the resident to the Group and repayable upon exit.

Interest free loans are initially recorded at the amounts received and subsequently at amortised cost.

These interest free loan arrangements are no longer entered into by the Group.

Current versus non-current classification

Refundable accommodation deposits and retirement village resident liabilities are classified as current under the Accounting Standards as the Group does not have an unconditional right to defer payment for 12 months however, they are not expected to all be repaid in the next 12 months.

It is expected that the RAD refunded will be replaced by another RAD as another resident moves in. In addition, under the lease for life contractual terms, resident liabilities are repaid directly from incoming residents which results in a nil cash impact to the Group.

The amounts expected to be settled in less than 12 months are based on:

Refundable accommodation deposits	average RADs repaid in the last two years
Retirement village resident liabilities	budgeted resales for the coming 12 months

D. Capital and Financing

This section addresses the debt, leases and financial risks of the Group including the accounting policies applied and key estimates and judgements made.

D1 Borrowings
D2 Leases
D3 Financial risk management
D4 Capital commitments

D1. Borrowings

	2022 $'000	2021 $'000
Current		
Bank loans secured	891	-
Total current borrowings	**891**	**-**
Non-current		
Bank loans secured	51,648	41,431
Total non-current borrowings	**51,648**	**41,431**
Total borrowings	**52,539**	**41,431**

The Group has an existing Facility Agreement with Commonwealth Bank of Australia (CBA) dated 23 March 2016 amended in 2018 and most recently on 17 May 2021.

Classification, recognition, measurement and derecognition

Borrowings are initially recognised at the amount drawn, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost using the effective interest rate ('EIR') method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the Statement of Profit and Loss and Other Comprehensive Income.

Borrowings are derecognised where the related obligations are either discharged, cancelled or expired.

The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of the consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

CBA Facility Agreement

The Group has the following facilities in place under the Facility Agreement with CBA.

	Facility Limit $'000	Amount Drawn $'000
Tranche A	35,000	26,652
Tranche B	30,000	16,239
Project (BHL)	13,400	4,648
Asset Finance	5,000	5,000
Technology Finance*	2,000	199
Total	**85,400**	**52,738**

***** *The $199,000 of the Technology Finance facility drawn at reporting date is reported as part of the lease liabilities. (Note D2. Leases)*

D1. Borrowings (continued)

CBA Facility Agreement (continued)

The loan balances are repayable at the latest on the termination date of the Facility Agreement being 5 years from the latest amendment dated 17 May 2021 except for the Asset and Technology Finance facilities for which the terms (interests, repayments, termination) are subject to separate agreement with the Lender.

Interest is payable at the end of each interest period except for any loans drawn from Tranche B used to fund the development of a project for which interest is capitalised until 2 years after practical completion of the project is achieved.

In addition to the above committed facilities the Facility Agreement makes provision for an accordion facility of $15 million which, subject to certain conditions being met, allows the Group to add additional facilities or increase the existing facilities (Tranche A, Tranche B or the Project facility) on the same economic terms as the committed facilities.

The accordion facility is uncommitted and is subject to review and approval by both parties, Bethanie and CBA.

Covenants

The Facility Agreement contains financial and non-financial covenants. The Group is in compliance with all the debt covenants.

Assets pledged as security

The bank loans are secured by a first mortgage over the Group'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 carrying amount of the assets pledged as security is disclosed in Note C4. Property, plant and equipment and Note C5. Investment properties.

The bank also has a deed of fixed and floating charge over the Group's assets.

D2. Leases

	Right-of-use assets			Lease liabilities
	Land and buildings $'000	**Equipment $'000**	**Total $'000**	**Total $'000**
Year ended 30 June 2022				
Opening balance as at 1 July	13,402	48	13,450	10,322
Additions	259	710	969	969
Depreciation expense	(1,654)	(104)	(1,758)	-
Interest expense	-	-	-	179
Payments	-	-	-	(1,680)
Closing balance as at 30 June 2022	**12,007**	**654**	**12,661**	**9,790**
Year ended 30 June 2021				
Opening balance as at 1 July	15,057	171	15,228	11,873
Depreciation expense	(1,655)	(123)	(1,778)	-
Interest expense	-	-	-	207
Payments	-	-	-	(1,758)
Closing balance as at 30 June 2021	**13,402**	**48**	**13,450**	**10,322**

D2. Leases (continued)

Leases are recognised on the balance sheet as a right-of-use asset with a corresponding lease liability.

The Group uses 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. These leases are not recognised on the Statement of Financial Position and the rental payments are expensed in profit or loss.

The Group applies the practical expedient to account for a portfolio of leases with similar characteristics as an individual lease, when the effects are not expected to differ materially from accounting for the leases separately.

The Group uses the Incremental Borrowing Rate where the rate implicit in the lease is not available.

Depreciation and finance costs are recognised in profit or loss.

Future lease payments

The total of future lease payments (including those lease payments that are not included in the measurement of the lease liability, e.g. short-term leases and leases of low-value items) are disclosed for each of the following periods:

	2022 $'000	2021 $'000
Less than one year	1,879	1,905
One to five years	4,859	6,119
More than five years	3,958	4,508
	10,696	**12,532**

D3. 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.

Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates and prices.

Market risk is managed and monitored by using sensitivity analysis and minimised through ensuring that all operational activities are undertaken in accordance with the financing and investment strategies of the Group.

(i) Interest rate

The main interest rate risk arises from long-term borrowings with variable rates, which expose the Group to cash flow interest rate risk.

At the reporting date, the Group had 91% (2021: 100%) of its borrowings exposed to variable interest rates amounting to $47.7 million (2021: $41.4 million).

The Group invests prudential funding in 90-day Cash Deposit Accounts classified as Cash and Cash Equivalents. They are therefore not subject to interest rate risk as defined in the Accounting Standards, since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates.

Sensitivity

	Impact on loss for the year	
	2022 $'000	2021 $'000
BBSY 90 days – increase by 100 basis points *	525	400
BBSY 90 days – decrease by 100 basis points *	(525)	(400)

**all other variables held constant*

The exposure to interest rates is constantly monitored and where appropriate, steps are taken to mitigate the cost to the Group.

(ii) Price

The Group's exposure to price risk primarily relates to the risk that the Federal Government through the Department of Health, alters the rate of funding provided to Approved Providers of aged care services. A fluctuation in the rate of Government funding may have a direct material impact on the revenue of the Group. In addition, the Department of Health also administers the pricing of resident and care recipient contributions.

D3. Financial risk management (continued)

Credit risk

Credit risk arises from cash at bank, short term deposits with financial institutions as well as credit exposures to outstanding trade receivables.

Cash at bank and short-term deposits are held with 'A' rating financial institutions only as follows:

	Credit Rating (Moody's)	2022 $'000	2021 $'000
Commonwealth Bank of Australia	Aa3	41,500	35,525
St George's bank (part of Westpac Bank Corp)	Aa3	695	205

Credit risk

The Group has policies in place to ensure that wherever possible services are provided to residents and care recipients with an appropriate credit history. Residential aged care residents undergo an assessment of assets and income.

Liquidity risk

The Group manages liquidity risk by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Due to the dynamic nature of the businesses, the Group aims at maintaining flexibility in funding by keeping committed credit lines available and 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 short-term deposits and the availability of funding through adequate credit facilities.

Refer to Note D1. Borrowings for details relevant to available credit facilities.

The Group's policy is to hold a minimum 15% of refundable accommodation deposits, guaranteed buy back liabilities and interest free loans is maintained in liquid assets to ensure that these liabilities can be refunded as and when required.

(i) Maturity analysis

The tables below analyse the Group's financial liabilities into relevant maturity based on their contractual maturities.

The amounts disclosed in the table are the contractual undiscounted cash flows.

Balances due within 12 months approximately equal their carrying balances as the impact of discounting is not significant.

D3. Financial risk management (continued)

Liquidity risk (continued)

	Note	Carrying amount $'000	Less than 12 months $'000	1 – 2 years $'000	2 – 5 years $'000	Over 5 years $'000	Contractual cashflows $'000
30 June 2022							
Trade and other payables		19,211	19,211	-	-	-	19,211
Borrowings		52,539	891	-	51,648	-	52,539
Employee provisions		16,373	14,268	566	1,154	385	16,373
Lease liabilities		9,790	1,879	1,895	2,964	3,958	10,696
Resident liabilities	C8	451,063	451,063	-	-	-	451,063
Other liabilities		2,019	123	65	194	1,637	2,019
Total		**550,995**	**487,435**	**2,526**	**55,960**	**5,980**	**551,901**

	Note	Carrying amount $'000	Less than 12 months $'000	1 – 2 years $'000	2 – 5 years $'000	Over 5 years $'000	Contractual cashflows $'000
30 June 2021							
Trade and other payables		18,363	18,363	-	-	-	18,363
Borrowings		41,431	-	-	41,431	-	41,431
Employee provisions		16,658	14,218	1,196	1,049	195	16,658
Lease liabilities		10,322	1,905	1,868	4,251	4,508	12,532
Resident liabilities	C8	414,162	414,162	-	-	-	414,162
Other liabilities		2,299	338	65	194	1,702	2,299
Total		**503,235**	**448,986**	**3,129**	**46,925**	**6,405**	**505,445**

D4. Capital commitments

The Group is committed to incur capital expenditure of $12.8 million (2021: $28.5 million).

E. Other

This section addresses information on other items which require disclosure to comply with Australian Accounting Standards.

- E1 Remuneration of auditors
- E2 Contingent liabilities
- E3 Economic dependency
- E4 Parent entity
- E5 Subsidiary
- E6 Related party transactions
- E7 Subsequent events

E1. Remuneration of auditors

During the year, the following fees were paid or payable for services provided by KPMG as the auditor.

	2022 $'000	2021 $'000
Audit fees	158	146
Advisory fees	175	57
Total	**333**	**203**

E2. Contingent liabilities

There are no contingent liabilities as at the reporting date.

There is a bank guarantee in relation to rental premises of $0.9 million (2021: $0.9 million).

Certain land, buildings, furniture, plant and motor vehicles were funded with Commonwealth Government contributions (under CHSP program) and these contributions may be repayable should the Group dispose of the assets.

E3. Economic dependency

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

E4. Parent entity

The ultimate parent entity, which exercises control over the Group, is The Bethanie Group Inc and is incorporated in Australia.

	2022 $'000	2021 $'000
Current assets	50,399	40,197
Non-current assets	498,388	481,724
Total assets	**548,787**	**521,921**
Current liabilities	484,154	100,351
Non-current liabilities	59,093	397,447
Total liabilities	**543,247**	**497,798**
Retained earnings	5,540	24,123
Total equity	**5,540**	**24,123**
Loss for the year	**(18,583)**	**(4,019)**

Guarantees

Bethanie guarantees the loan account of Bethanie Housing Limited to $13.4 million.

Contingent liabilities

Contingent liabilities of Bethanie are disclosed within Note E2. Contingent liabilities.

Contractual commitments

Contractual commitments for the acquisition of property, plant and equipment of Bethanie are included within Note D4. Capital commitments.

E5. Subsidiary

Subsidiaries are all 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 consolidated in these financial statements from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intra-group balances, transactions and unrealised gains on transactions are eliminated in these consolidated financial statements.

The management fee charged to Bethanie Housing Ltd for the year ended 30 June 2022 is $2.8m (2021: $3.3m).

The Group has the following subsidiary:

	2022	2021
Bethanie Housing Ltd	100%	100%

E6. Related party transactions

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

The Group had transactions with Churchill Consulting during the year of $11,732 (2021: $2,750). Todd Mairs, a director of the Group, is also a director of Churchill Consulting.

Other than the above, there were no other transactions with related parties during the year.

Key management personnel

The key management personnel compensation for the year ended 30 June 2022 was $2,214,000 (2021: $2,591,000).

During the year there were no material transactions between the Group and any key management personnel. Other relevant details of the directors are disclosed in the Directors' Report.

E7. Subsequent events

Effective 4 August 2022, the Group acquired Bert England Lodge, a 44-bed aged care home located in Rockingham for a total purchase price of $6,799,288. The Group had been managing the aged care home since July 2021 after it took over from another aged care provider.

Other than the matter discussed above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future years.

In the opinion of the directors of The Bethanie Group Inc ('The Company'):

(a) the consolidated financial statements and notes set out on pages 13 to 38 are in accordance with the Associations Incorporation Act 2015, including:

   (i) giving a true and fair view of the Group's financial position as at 30 June 2022 and of its performance for the financial year ended on that date; and

   (ii) complying with Australian Accounting Standards – Simplified Disclosure Requirements, the Associations Incorporation Act 2015, the ACNC Act 2012 and other mandatory professional reporting requirements.

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

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

Signed for and on behalf of the Board of the directors by:

Diana Forsyth
Non-Executive Chair
Board of Directors
The Bethanie Group Inc

Perth, Western Australia this 14th day of October 2022

Independent Auditor's Report

To the members of The Bethanie Group Inc

Report on the audit of the Financial Report

Opinion

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

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 2022, and of its financial performance and its cash flows for the year ended on that date; and
- Complying with *Australian Accounting Standards – Simplified Disclosures Framework* and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013 (ACNCR).*

The ***Financial Report*** comprises:

- Consolidated statement of financial position as at 30 June 2022;
- 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; and
- Director's declaration.

The ***Group*** consists of The 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 Group'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 Chair and CEO's Review and the 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 Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the 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 Financial Report that gives a true and fair view in accordance with Australian Accounting Standards - Simplified Disclosures Framework and the ACNC and ACNCR;
- Preparing the Group Financial Report in accordance with the Associations Incorporations Act 2015;
- Implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- 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 this Financial Report.

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

We also:

- Identify and assess the risks of material misstatement of the 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, intentional 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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditor's Report to the related disclosures in the 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 cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the Financial Report, including the disclosures, and whether the Financial Report represents the underlying transactions and events in a manner that achieves fair presentation; and
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Group Financial Report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for the audit opinion.

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

KPMG

Jane Bailey

KPMG

Jane Bailey
Partner
Perth
14 October 2022