

A woman with short, curly brown hair is driving a red golf cart on a green golf course. She is wearing a white long-sleeved shirt under a dark blue vest with red accents. She has a wide, joyful smile, showing her teeth. The background shows a lush green golf course under a blue sky with some clouds. The text of the report is overlaid on the right side of the image.

The Bethanie Group Inc
2021 Consolidated Annual Report
For the Year Ended 30 June 2021

ABN 60 992 323 648



Bethanie
You're among friends

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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.



CEO and Chairman's Review

On behalf of the directors, we are pleased to present the 2021 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:

- 12 aged care homes with 978 occupied beds
- Home care to 1,576 customers including 372 home care packages
- 776 independent living units across 11 retirement villages
- 502 social housing units

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

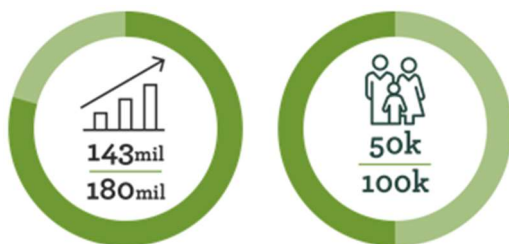
Our Strategy is balanced under the following pillars:

- 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 2023 horizon are:

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

At the end of Financial Year 2021, we are on track to meet these targets reaching 50,000 Australians and \$143 million in revenue.



Market outlook

Demand for aged care services in Western Australia is projected to grow by 65% over the next decade as our population ages. This will require new capital investment and funding for services to support the care needs of our ageing population.

Despite the COVID-19 pandemic and the Final Report released by the Royal Commission into Aged Care Quality and Safety, opportunities are numerous, and we find ourselves evaluating alliances, joint ventures, mergers and acquisitions. We continue to explore new revenue and profit streams to ensure our funding is diversified, and not predominantly reliant on government funding instruments.

Our broader vision together with our disciplined approach to corporate governance, risk management and management oversight has resulted in a Board that is 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.

Economic and social impact of the aged care sector in Western Australia

In December 2020, a collective of Western Australian aged care providers (of which Bethanie is a participant) engaged ACIL Allen to produce a detailed study quantifying the important economic and social impact of the aged care sector to Western Australia's economy and society more broadly.

ACIL Allen's report was released in March 2021. In their report, ACIL Allen notes that while many West Australian's acknowledge the positive contribution of the care economy, of which the aged care sector is a key part, an understanding of the social and economic magnitude of this impact is limited.

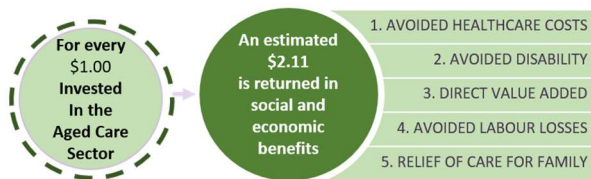
Critically, the economic contribution of the aged care sector extends beyond a direct contribution through employment opportunities. It is vital that the aged care sector is viable and sustainable into the future, underpinned by an understanding across government and the broader community of the economic and social contribution made by the aged care sector. Establishing this understanding will help to ensure that aged care providers receive the appropriate level of support to continue to deliver high-quality services for their clients and residents.

CEO and Chairman's Review

Economic and social impact of the aged care sector in Western Australia (continued)

One key measure of ACIL Allen's report is the social return on investment which demonstrates that the economic and social benefits for all Western Australians far exceed the cost of funding provided to care for our elderly Western Australians.

For every dollar of funding provided to the Sector by the Commonwealth and State Governments, over \$2.11 of economic and social value is created.



Royal Commission into Aged care Quality and Safety and the reform into Aged care

The Royal Commission into Aged Care Quality and Safety was established in October 2018, with an interim report delivered in October 2019.

The Final Report was released in February 2021, in which the Royal Commission makes 148 recommendations for the fundamental reform of the aged care system of which 126 were accepted or accepted in principle.

The Government responded to the Royal Commission with a five year – five pillar aged care reform plan addressing:

- Home care – at home support and care based on assessed needs.
- Residential aged care services and sustainability – improving service suitability that ensures individual care needs and preferences are met.
- Residential aged care quality and safety – improving access to and quality of residential care.
- Workforce – growing a bigger, more highly skilled, caring and values-based workforce; and,
- Governance – new legislation and stronger governance.

Following the Final Report from the Royal Commission into Aged Care Quality and Safety, the Government responded by allocating \$17.7 billion to deliver the reform over the next 4 years. Key aspects of the reform are as follows:

- Short-term financial relief by way of a \$10 per day increase in the daily fee supplements from 1 July 2021. This translates to c.\$4 million in revenue when applied to the Group's occupied bed days.
- 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 which will be introduced over the next 18-24 months.
- Replacement of Aged Care Funding Instrument (ACFI) with a case-mix model (referred to as AN-ACC) by October 2022.
- Confirmation that an independent pricing authority will provide pricing recommendations 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.

We will continue to support the ongoing reforms to ensure senior 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 our customers.



CEO and Chairman's Review

COVID-19

Relative to our Victorian and NSW peers, COVID-19 has had a minimal impact on operations across our business lines.

To mitigate the risk to our customers of COVID-19, we have implemented stringent policies and protocols including immediate lock-down of our aged care homes where a COVID-19 case arises in Western Australia, robust protocols including a first 24 hours response plan, digital identity and site check-ins, COVID-19 vaccination of our workforce and increasing PPE stock levels.

The financial impact of these mitigating actions and lock-down time in the 2021 Financial Year costs c.\$1.5 million to the Group.



Workforce

Workforce provides one of the most difficult challenges for the aged care industry. These supply and demand challenges are driven by:

- Growing demand driven by an ageing Australian population - approximately 17,000 net new direct care workers required each year to 2030, as forecasted by the Committee for Economic Development of Australia (CEDA).
- Introduction of minimum standards of hours as recommended by the Royal Commission into Aged Care Quality and Safety. To meet these minimum standard hours, CEDA projects a shortfall of over 400,000 workers by 2050.
- COVID-19 restrictions on migrant workers entering Australia, thereby reducing the pool of skilled aged care workers.

- Low current unemployment rate across Australia at 4.9% (ABS, July 2021), with Western Australia maintaining one of the lowest unemployment rates across all states.
- Industry turnover levels exceeding 20%.

In response to these challenges, Bethanie has defined a Workforce Planning Roadmap with key recommendations across the following 5 pillars:

- Resourcing strategic growth initiatives
- Optimising roster contracts and business practices
- Developing internal capability
- Developing the workforce pipeline
- Workforce measurement and optimisation

Importantly Bethanie will also be working on the culture of our teams this year with a focus on the Signature Behaviours needed to support the changing care landscape. This will increase staff engagement and ultimately staff retention.

Accreditation & compliance

The level of care and service provided in aged care homes across Australia has been a key focus of the Royal Commission into Aged Care Quality and Safety.

As part of our strategy, and in response to initial Royal Commission findings, Bethanie recognised the need to continue to lift the level of care and service it provides. As a result, Bethanie launched a targeted Care & Service program to review and strengthen current levels of care and service, plus define a future Model of Care that goes beyond the National Safety and Quality Health Service (NSQHS) Standards.

The Australian Commission on Safety and Quality in Health Care (ACSQHC) undertakes regular assessment inspections at all homes in the sector. During the 2021 Financial Year, 2 Bethanie Aged care homes were under sanction as a result of these assessments.

As at 30 June 2021, only 1 aged care home remained under sanction, with targeted action plans put in place in response to the inspections.

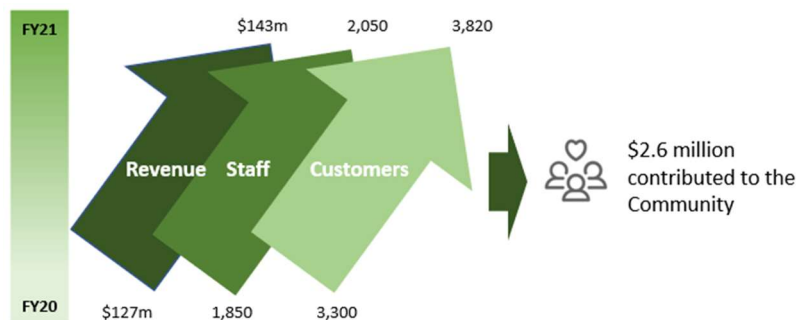
CEO and Chairman's Review

Accreditation & compliance (continued)

The Bethanie Care & Service program used the findings from these sanctions to remediate non-compliance at the impacted aged care homes, plus also to standardise and revise clinical policies and procedures across all other Bethanie aged care homes. This also included targeted staff training and clinical outcome and procedure reporting to ensure ongoing oversight, continuous improvement and the embedding of a consistent suite of clinical care and service procedures. In addition, the Care & Service Program has defined the Bethanie future model of care to continue to lift and differentiate our levels of care and service.

Financial & operating performance

Given industry-wide challenges due to COVID-19 and the impact of the Royal Commission into Aged Care Quality and Safety, Bethanie had a stable result for the 2021 Financial Year. Total revenue increased by 12.4% to \$143.1 million (2020: \$127.2 million) arising primarily from the Berrington acquisition that was completed in March 2020. Our operating contribution (EBITDA) for the 2021 Financial Year was \$5.3 million, including a Social Contribution of over \$2.6 million towards the delivery of Bethanie's mission.



The 2021 Financial Year also saw the completion of construction of the final phase of Stage 2c Independent Living Cottages (ILCs) at Bethanie Esprit Lifestyle Village, located in Eaton as well as the completion of the refurbishment for Bethanie Warwick Retirement Village which has extended the longevity of the site and encourages positive social interaction through emphasis placed on communal spaces.

We also commenced construction of a 120 bed residential aged care home located in Dalyellup with expected completion at the end of Financial Year 2022 – this will increase the scale and reach of Bethanie's aged care portfolio.

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. Willingness to recommend Bethanie's services to others also achieved Net Promoter Score (NPS) of +61, an uplift of +6 on our prior NPS.

Our annual staff survey was undertaken in April 2021 producing a pleasing result, including an engagement score of 78 percent, 3 percent above the industry benchmark. Our staff retention rate was 80.2% for the 2021 Financial Year, well above the industry average.

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 2,050 extraordinary nurses, carers and other home and support office staff and over 350 active 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 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

Mission in Action



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.

Our partnership with RAW Impact also continued, with donations to the RAW Impact Sidekick Project. Unfortunately, due to COVID-19, no overseas volunteering trip was undertaken by the Bethanie Team this financial year.

In the 2021 Financial Year, Bethanie contributed over \$2.6 million to the Western Australian community.



83 Handbags

Packed and donated to Share the Dignity



6 Children

Sponsored by Bethanie through various charities (Baptist World Aid, Access Hope, Compassion, World Vision, The Smith Family)



fundraising sausage sizzle at Have a Go Day



600 Shoe Boxes

Packed and Donated to operation Christmas Child



31 Boxes

of food and personal items collected and donated to Salvos, RSPCA, The Smith Family



100 Towels Donated

to RSPCA, Cat Heaven and Native Animal Rescue

350 Volunteers

In our Volunteer Program



Mission in Action

Meaning and Purpose with disability

Sarah was one of the first residents to move into one of the Bethanie sites. Sarah had an illness that meant her ability to care for herself would slowly decline, and by the time Sarah moved into Bethanie, she was already unable to care for herself in many of her daily living tasks.

Even with a declining ability Sarah wanted to remain active and as independent as she could. A very learned lady with a great knack for communicating through writing, Sarah established the first site newsletter, compiling and editing it for many, many years.

Added to the newsletter, Sarah attended many activities, always encouraging others to attend and look beyond their own circumstances.

Over time, Sarah's health continued to decline and, slowly but surely, Sarah became wheelchair bound. Knowing Sarah wanted to remain active, staff supported her to still get involved with the activities she could do. Social groups and activities became the norm and for a while she continued to edit the site newsletter.

Sarah attended the Chapel Service, served on the Chapel committee and was very active in connecting different groups with the Chapel Service – from the local school chaplain to a mission in Cambodia, from the local Salvation Army Christmas appeal to a group distributing school supplies to children who had none. Sarah remained interested in others and wanted to support the world around her no matter the age or gender.

Sarah's health continued to decline and muscles diminished, making it hard to write and even keep her upright. With the help of OT's, Chaplain, Care Staff – Sarah continued to live a fulfilled life. When someone mentioned to Sarah – perhaps you should write a book – Sarah caught a vision and the staff helped her to have the right tools to work on it, publishing it about a year after she started.

With further declining health Sarah became somewhat down, Bethanie staff quickly stepped in to change. Staff would encourage Sarah to keep on being who she was, continue to prompt people to support others and look out for others.

After being with Bethanie for many years loving being as independent as she could, Sarah had a turn and became End of Life Palliative Care. Chaplains spent time with Sarah to check if she wanted her local church priest and extend family to come, but Sarah simply replied 'Why would I waste my time? You are my church leader and everyone here is my extended family.'

Sarah's brother did come to visit, and after Sarah passed away, arranged the site Chaplain to conduct the funeral. In conversation with the Chaplain as they prepared for the funeral the Chaplain raised the question they had put to Sarah and the response she had made – Why would I waste my time? You are my church leader and everyone here is my extend family. - To which the Brother responded, 'That's Sarah and it is true'.

All Sarah's life she felt people had given up on her – Bethanie didn't, and Sarah found a new family and home.

Mission in Action

Palliative Community – zoo, beach, blue steak

A community client had been given a palliative diagnosis. The Chaplain visited not long after the diagnosis and asked

‘Is there anything on your bucket list you want to achieve before you pass away?’ ‘Go to the Zoo’ was the response.

They talked about why the zoo and that there would need to be help to get around the zoo etc.

The Chaplain contacted the client’s case manager who was able to put a plan in place to have two carers assist in transporting the client to and from the zoo, as well as transport the client around the Zoo. The day arrived and the Client was picked up and taken to the zoo. The weather was fantastic for a zoo visit – the sun was shining and the gentle breeze was blowing; it wasn’t too hot or too cold.

Late in the afternoon, after seeing all that they needed and could see, the client and the staff left the zoo with smiles and great memories.

Some time after, after discovering the client wanted to go to the beach and feel the spray of beach water on their face, the Physiotherapist put a plan in place so a visit to the Beach could occur. Partnerships with the local Surf life saving club were established as they had a special sand wheelchair. The client was once again picked up with the sun shining and that gentle breeze blowing; they went to the beach.

After getting into the special beach wheel chair, the client was wheeled across the beach where the cold spray of the crashing waves along the shore line could be felt. The exhilaration the client felt was amazing.

There was one last thing on the client’s bucket list - A Blue Steak. After searching where they could get a blue steak, the Chaplain arranged to get the client to the restaurant and would share in the time of friendship and food with the client. Only half the steak was eaten, but the client enjoyed it (it also took a few hours to eat as well.)

Three final things on the client’s bucket list crossed off, allowing the opportunity to pass away in peace and contentment.



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 2021.

1. The Directors

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

Directors	Role
Peter Gibbons	Chairman
Kylee Schoonens	Non-executive Director
David Kilpatrick	Non-executive Director
Todd Mairs	Non-executive Director
Murray Cook	Non-executive Director
Jeffrey Williams	Non-executive Director
Diana Forsyth	Non-executive Director

2. Principal activities

The principal activity of the Group during the course of 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 located 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 Centers 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 2021, the Group has increased revenue by 12 % to \$143 million arising primarily from the Berrington acquisition that was completed in March 2020. The Group incurred a net loss of \$5.5 million (2020: \$4.8 million) driven by an increase in employee benefit expenses from the Berrington acquisition, and increased care, regulatory and governance requirements in line with the findings from the Royal Commission into Aged Care and industry requirements.

Directors' Report

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

The Group's net cash inflow from operating activities for the year ended 30 June 2021 was \$3.6 million (2020: \$41.8 million).

The Group completed the construction of the final phase of Stage 2c Independent Living Cottages (ILCs) at Bethanie Esprit Lifestyle Village, located in Eaton as well as the completion of the refurbishment of Bethanie Warwick Retirement Village which has extended the longevity of the site. There was also the commencement of a 120 bed aged care home located in Dalyellup expected to be completed at the end of the financial year 2022, which will increase the scale and reach of Bethanie's aged care portfolio.

A significant event during the financial year was the release of The Royal Commission into Aged Care Quality and Safety's Final Report in February 2021. In its report, the Royal Commission makes 148 recommendations for the fundamental reform of the aged care system.

The Government responded to the report in May 2021 with a five year – five pillar aged care reform plan addressing:

- Home care – at home support and care based on assessed needs
- Residential aged care services and sustainability – improving service suitability that ensures individual care needs and preferences are met
- Residential aged care quality and safety – improving access to and quality of residential care
- Workforce – growing a bigger, more highly skilled, caring and values based workforce; and
- Governance – new legislation and stronger governance

The Government allocated \$17.7 billion to deliver the reform over the next 4 years. Key aspects of the reform are as follows:

- Short-term financial relief by way of an of \$10 per day increase in the daily fee supplements from 1 July 2021. This translates to c.\$4m in revenue when applied to the Group's occupied bed days.
- 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 which will be introduced over the next 18-24 months.
- Replacement of Aged Care Funding Instrument (ACFI) with a case-mix model (referred to as AN-ACC) by October 2022.
- Confirmation that an independent pricing authority will provide pricing recommendations 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, many of which

We will continue to support the ongoing reforms to ensure senior 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.

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.

Directors' Report

6. Events subsequent to reporting date

Effective 31 July 2021, the Group has taken over the management of the Bert England Lodge, a 44 bed aged care home located in Rockingham.

Other than the matters 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 13 and forms part of the directors' report for the financial year ended 30 June 2021.

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



Peter Gibbons
Non-executive Chairman

Dated at Perth, Western Australia this 18th day of October 2021



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 2021 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

18 October 2021

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Consolidated Statement of Profit and Loss and Other Comprehensive Income

For the year ended 30 June 2021

	Note	2021 \$'000	2020 \$'000 (restated)*
Revenue	B1	143,100	127,156
Other income	B1	800	1,263
Gain on revaluation of investment properties		5,311	-
Total revenue and other income		149,211	128,419
Operating expenses	B2	(143,929)	(123,830)
Depreciation		(9,548)	(7,834)
Finance Costs	B2	(1,247)	(1,348)
Loss on revaluation of investment properties		-	(196)
Total expenses		(154,724)	(133,208)
Loss for the year		(5,513)	(4,789)
Other comprehensive income		-	-
Total comprehensive loss		(5,513)	(4,789)

*Refer to A6. Change in significant accounting policy

The accompanying notes form part of the consolidated financial statements.

Consolidated Statement of Financial Position

As at 30 June 2021

	Note	2021 \$'000	2020 \$'000 (restated)*
ASSETS			
Cash and cash equivalents	C1	35,730	35,925
Trade and other receivables	C2	3,720	3,808
Prepayments		2,190	1,566
Right-of-use assets	D2	13,450	15,228
Investment properties	C5	289,811	270,479
Property, plant and equipment	C4	207,902	213,998
Intangible assets	C3	44,344	44,437
Total assets		597,147	585,441
LIABILITIES			
Trade and other payables	C6	18,363	23,454
Borrowings	D1	41,431	29,288
Employee provisions	C7	16,658	15,677
Lease liabilities	D2	10,322	11,873
Resident liabilities	C8	414,162	402,340
Other liabilities		2,299	3,384
Total liabilities		503,235	486,016
NET ASSETS		93,912	99,425
EQUITY			
Retained earnings		93,912	99,425
TOTAL EQUITY		93,912	99,425

*Refer to A6. Change in significant accounting policy

The accompanying notes form part of the consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 30 June 2021

	Note	2021 \$'000	2020 \$'000
Cash flows from operating activities			
Receipts from government funding		98,079	89,018
Receipts from residents and care recipients		44,265	37,292
Payments to suppliers and employees		(153,333)	(116,442)
Proceeds from accommodation bonds		55,865	57,528
Repayments of accommodation bonds		(58,400)	(34,913)
Proceeds from retirement villages' entry contribution		35,570	16,753
Repayments of retirement villages' outgoing contribution less deferred management fees		(18,045)	(6,693)
Interest received		588	875
Interest paid		(1,024)	(1,614)
Net cash from operating activities		3,565	41,804
Cash flows used in investing activities			
Payments for property, plant and equipment		(12,408)	(15,122)
Proceeds from the sale of property, plant and equipment		169	-
Business combination		(1,907)	(21,994)
Net cash used in investing activities		(14,146)	(37,116)
Cash flows from financing activities			
Proceeds from borrowings		16,668	34,500
Repayments of borrowings		(4,525)	(28,100)
Repayment of lease liabilities		(1,757)	(1,397)
Net cash from financing activities		10,386	5,003
Net (decrease)/increase in cash and cash equivalents		(195)	9,691
Cash and cash equivalents at the beginning of the year		35,925	26,234
Cash and cash equivalents at the end of the year	C1	35,730	35,925

The accompanying notes form part of the consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2021

	Retained earnings \$'000	Total \$'000
Balance as at 1 July 2020	99,425	99,425
Loss for the year	(5,513)	(5,513)
Balance as at 30 June 2021	93,912	93,912
Balance as at 1 July 2019 (restated)*	104,660	104,660
Loss for the year	(4,789)	(4,789)
AASB 16 adjustment	(446)	(446)
Balance at 30 June 2020 (restated)*	99,425	99,425

**Refer to A6. Change in significant accounting policy*

The accompanying notes form part of the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

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 Change in significant accounting policy
- A7 Presentation of comparative information

A1. Reporting entity

The Bethanie Group Inc ('Bethanie') is domiciled 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 2021 (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 are Tier 2 general purpose financial statements and have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements adopted by the Australian Accounting Standards Board, the Association Incorporation Act 2015 and the ACNC Act 2012.

Bethanie has moved from Tier 1 to Tier 2 reporting effective 1 July 2020.

The financial statements were authorised for issue by the directors on 18 October 2021.

Management are of the view that the requirement under the Accounting Standards to treat accommodation bonds and entry contribution 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. In reaching this position management have considered the impact of COVID-19.

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.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

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. Change in significant accounting policy

The Group has changed its accounting policy for land and buildings from the revaluation model to the cost model.

The change in the accounting policy results in a fair presentation of the carrying value of land and buildings.

The Group considers that the cost model will provide reliable and more relevant information than the depreciated replacement cost method previously used by the Group to fair value the properties.

The change in accounting policy has been applied retrospectively resulting in the restatement of the comparative information.

The impact of the change in accounting policy is summarised in the table below:

	2020 \$'000 (restated)	2020 \$'000
Property, plant and equipment	213,998	327,367
Revaluation reserve	-	119,406
Retained earnings	99,427	93,390
Depreciation	(7,833)	(10,952)

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

B1. Revenue and other income

	2021 \$'000	2020 \$'000
Aged care homes		
Care		
Government funding	71,357	64,159
Resident fees	22,525	18,782
Accommodation		
Government funding	6,242	5,881
Resident fees	5,455	4,546
Total aged care homes	105,579	93,368
At home		
Government funding	19,459	18,258
Client contributions	1,120	938
Total at home	20,579	19,196
Retirement living		
Deferred management fees	5,508	4,349
Resident fees	3,599	3,327
Rental income	1,395	1,236
Sale commission and other fees	1,351	544
Total retirement living	11,853	9,456
Community housing		
Rental income	4,499	4,565
Total community housing	4,499	4,565
Other revenue	590	571
Total revenue	143,100	127,156
Other income		
Interest income	502	965
Donations	8	2
Profit on disposal of plant and equipment	39	-
Sundry income	251	296
Total other income	800	1,263

Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

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 on a monthly basis.

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 February 2021, HCP subsidies are received monthly in arrears. From 1 September 2021, subsidies will continue to be received monthly in arrears but for the amount of actual services delivered only. The Government will hold 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 on a monthly basis.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

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

	2021 \$'000	2020 \$'000
Operating expenses		
Employee benefits expense	109,360	95,325
Food, utilities, rates and service costs	15,404	11,709
Administration costs	12,126	9,400
Repairs and maintenance	7,039	7,377
Loss on disposal of plant and equipment	-	19
Total operating expenses	143,929	123,830
Finance costs		
Interest and finance charges	1,408	1,831
Amount capitalised	(161)	(483)
Total finance costs expensed	1,247	1,348

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.



Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

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

	2021 \$'000	2020 \$'000
Cash	6,546	7,143
Term deposits	29,184	28,782
Total cash and cash equivalents	35,730	35,925

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

	2021 \$'000	2020 \$'000
Current		
Trade receivables	1,174	1,105
Provision for expected credit loss	(55)	(44)
Resident loans	150	150
Other receivables	1,416	1,381
Total current trade and other receivables	2,685	2,592
Non-current		
Resident loans	1,035	1,216
Total non-current trade and other receivables	1,035	1,216
Total trade and other receivables	3,720	3,808

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.



Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

C2. Trade and other receivables (continued)

The ageing of the trade receivables is as follows:

	2021 \$'000	2020 \$'000
Current	648	653
1 to 3 months	386	318
3 to 6 months	35	37
Over 6 months	105	97
Total	1,174	1,105

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

	2021 \$'000	2020 \$'000
Bed licences	1,200	1,200
Goodwill on acquisition of Berrington	43,144	43,237
Total intangible assets	44,344	44,437

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. Bed licences are stated at cost at acquisition less any accumulated impairment losses. The bed licences are not amortised as the directors, based on current Government regulations, believe that they have a long indeterminate life and are not expected to diminish in value over time. Bed licences are reviewed annually for impairment to ensure that their carrying values are not in excess of their recoverable amounts.

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. 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.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

C3. Intangible assets (continued)

Goodwill (continued)

	2021 \$'000	2020 \$'000
Opening balance at 1 July	43,237	-
Acquisition of Berrington	(93)	43,237
Total	43,144	43,237

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 (i.e. higher of value in use and fair value less cost of disposal (FVLCD)) of the combined Bethanie Subiaco and Bethanie Como CGUs and goodwill was determined using a discounted cash flow valuation model.

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 the recoverable amount 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 plus a risk premium
Average RAD value	management have assumed an average RAD value of \$800,000 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 budgeted ratio for the aged care homes

Management has applied significant judgement in determining and applying these assumptions within the model, taking into account 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.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

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 2021						
Opening net book amount	37,109	150,274	12,847	11,737	2,031	213,998
Additions	-	229	9,822	2,103	254	12,408
Disposals	-	-	-	(24)	(131)	(155)
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
Year ended 30 June 2020 (restated)						
Opening net book amount (restated)	37,109	108,583	6,375	11,706	2,493	166,266
Additions	-	176	15,612	536	20	16,344
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)
Depreciation expense	-	(3,598)	-	(2,344)	(482)	(6,424)
Closing net book value (restated)	37,109	150,276	12,846	11,736	2,031	213,998
Cost	37,109	157,555	12,846	31,025	4,031	242,566
Accumulated depreciation	-	(7,279)	-	(19,289)	(2,000)	(28,568)
Closing net book value (restated)	37,109	150,276	12,846	11,736	2,031	213,998

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

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 \$107.4 million (2020: \$109.9 million).

Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

C5. Investment properties

	2021 \$'000	2020 \$'000
Opening balance at 1 July	270,479	255,963
Additions	10,594	6,157
Fair value adjustment	8,738	8,359
Closing balance at 30 June	289,811	270,479

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 2021

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%

Assets pledged as security

The carrying amount of the investment properties pledged as security for the borrowing (Note D1. Borrowings) is \$289.8 million (2020: \$270.5 million).

C6. Trade and other payables

	2021 \$'000	2020 \$'000
Current		
Trade payables	6,387	9,387
Sundry creditors and accruals	3,969	5,296
Subsidies received in advance	3,773	4,777
Unspent client funds	4,234	3,994
Total trade and other payables	18,363	23,454

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.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

C6. Trade and other payables (continued)

Unspent home care funds

Under the Home Care Package program the full monthly subsidy a care recipient is entitled to is received by the care provider on a monthly basis.

Any amounts received above the services provided are held as unspent home care funds until utilised or transferred to another provider.

From 1 September 2021 the subsidy will only be received for the amount of the services delivered with the Government holding the portion of unspent funds for each care recipient.

C7. Employee provisions

	2021 \$'000	2020 \$'000
Current		
Annual leave	9,849	8,991
Long service leave	4,369	4,122
Total current employee provisions	14,218	13,113
Non-current		
Long service leave	2,440	2,564
Total non-current employee provisions	2,440	2,564
Total employee provisions	16,658	15,677

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.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

C8. Resident liabilities

	2021 \$'000	2020 \$'000
Current		
Accommodation bonds	48,541	67,843
Retirement village resident liabilities net of accrued deferred management fees	9,496	7,629
Guaranteed buy back	4,010	3,075
Interest free loans	4,413	5,094
Total current resident liabilities	66,460	83,641
Non-current		
Accommodation bonds	141,546	124,749
Retirement village resident liabilities net of accrued deferred management fees	206,156	193,950
Total non-current resident liabilities	347,702	318,699
Total resident liabilities	414,162	402,340

Accommodation bonds

Accommodation bonds (also called refundable accommodation deposit ('RAD')) 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.

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

Accommodation bonds are non-interest bearing and are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest rate method.

It is expected that the accommodation bond refunded will be replaced by another accommodation bond as another resident moves in.

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

Refer to Note D4. Financial risk management.

Retirement village resident liabilities net of accrued deferred management fees

	2021 \$'000	2020 \$'000
Retirement village resident liabilities	252,351	236,261
Less: Accrued deferred management fees	(36,699)	(34,682)
Total	215,652	201,579

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).



Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

C8. Resident liabilities (continued)

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

The entry contribution represents the market value of the unit or apartment at the time of entry/exit.

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). 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 amounts received and subsequently at amortised costs.

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 costs.

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

Current versus non-current

Accommodation bonds 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.

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:

Accommodation bonds	average accommodation bonds repaid in the last two years
Retirement village resident liabilities, guaranteed buy back and interest free loans	budgeted resales for the coming 12 months



Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

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

	2021 \$'000	2020 \$'000
Current		
Bank loans secured	-	29,288
Total current borrowings	-	29,288
Non-current		
Bank loans secured	41,431	-
Total non-current borrowings	41,431	-
Total borrowings	41,431	29,288

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	33,852
Tranche B	30,000	3,131
Project (BHL)	13,400	4,448
Asset Finance	5,000	-
Technology Finance*	2,000	85
Total	85,400	41,516

*The \$85,000 of the Technology Finance facility drawn at reporting date is reported as part of the lease liabilities. (Note D2. Leases)



Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

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 \$30 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	
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
Year ended 30 June 2020				
Opening balance as at 1 July	16,329	309	16,638	13,105
Depreciation expense	(1,272)	(138)	(1,410)	-
Interest expense	-	-	-	165
Payments	-	-	-	(1,397)
Closing balance as at 30 June	15,057	171	15,228	11,873

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

D2. Leases (continued)

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 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.

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 100% of its borrowings exposed to variable interest rates amounting to \$41.4 million (2020: \$29.3 million).

The Group invests prudential funding in 90 day Cash Deposit Account classified as cash and cash equivalent. 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	
	2021 \$'000	2020 \$'000
BBSY 90 days – increase by 100 basis points *	400	300
BBSY 90 days – decrease by 100 basis points *	(400)	(300)

*all other variables held constant

The exposure to interest rates is constantly monitored and where appropriate steps taken to manage the exposure 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.

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)	2021 \$'000	2020 \$'000 (restated)
Commonwealth Bank of Australia	Aa3	35,525	35,874
St George's bank*	Aa3	205	51

* part of Westpac Bank Corp



Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

D3. Financial risk management (continued)

Credit risk (continued)

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 accommodation bonds, guaranteed buy back liabilities and interest free loans is maintained in liquid assets to ensure that these liabilities are able to 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.

	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	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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

D3. Financial risk management (continued)

Liquidity risk (continued)

	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 2020						
Trade and other payables	23,454	23,454	-	-	-	23,454
Borrowings	29,288	29,940	-	-	-	29,940
Employee provisions	15,677	13,872	609	1,038	158	15,677
Lease liabilities	11,873	2,201	1,682	5,158	4,516	13,557
Resident liabilities	393,786	393,786	-	-	-	393,786
Other liabilities	3,384	3,384	-	-	-	3,384
Total	477,462	466,637	2,291	6,196	4,674	479,798

D4. Capital commitments

The Group is committed to incur capital expenditure of \$28.5 million (2020: \$4.4 million).

Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

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.

	2021 \$'000	2020 \$'000
Audit fees	146	120
Advisory fees	57	126
Total	203	246

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 (2020: \$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.

	2021 \$'000	2020 \$'000 (restated)
Current assets	40,197	40,029
Non-current assets	481,724	468,678
Total assets	521,921	508,707
Current liabilities	100,351	147,430
Non-current liabilities	397,447	333,135
Total liabilities	497,798	480,565
Retained earnings	24,123	28,142
Total equity	24,123	28,142
Loss for the year	(4,019)	(3,485)

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.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

E5. Subsidiary (continued)

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 Group has the following subsidiary:

	2021	2020
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.

Other than the key management personnel, 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 2021 was \$2,591,000 (2020: \$2,765,000).

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 31 July 2021, the Group has taken over the management of the Bert England Lodge, a 44 bed aged care home located in Rockingham.

There are no other matters or circumstances that have arisen since balance date which have or may have a significant impact on the operations or results of the Group.

Directors' Declaration

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

- (a) the consolidated financial statements and notes set out on pages 15 to 39 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 2021 and of its performance for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards – Reduced 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:



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

Perth, Western Australia this 18th day of October 2021



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 2021, and of its financial performance and its cash flows for the year ended on that date; and
- Complying with Australian Accounting Standards – Reduced Disclosure Requirements and Division 60 of the Australian Charities and Not-for-profits Commission Regulation 2013.

The **Financial Report** comprises:

- Consolidated statement of financial position as at 30 June 2021;
- 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
- Directors' 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 the 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 CEO and Chairman'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 - Reduced Disclosures Requirements 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 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

18 October 2021