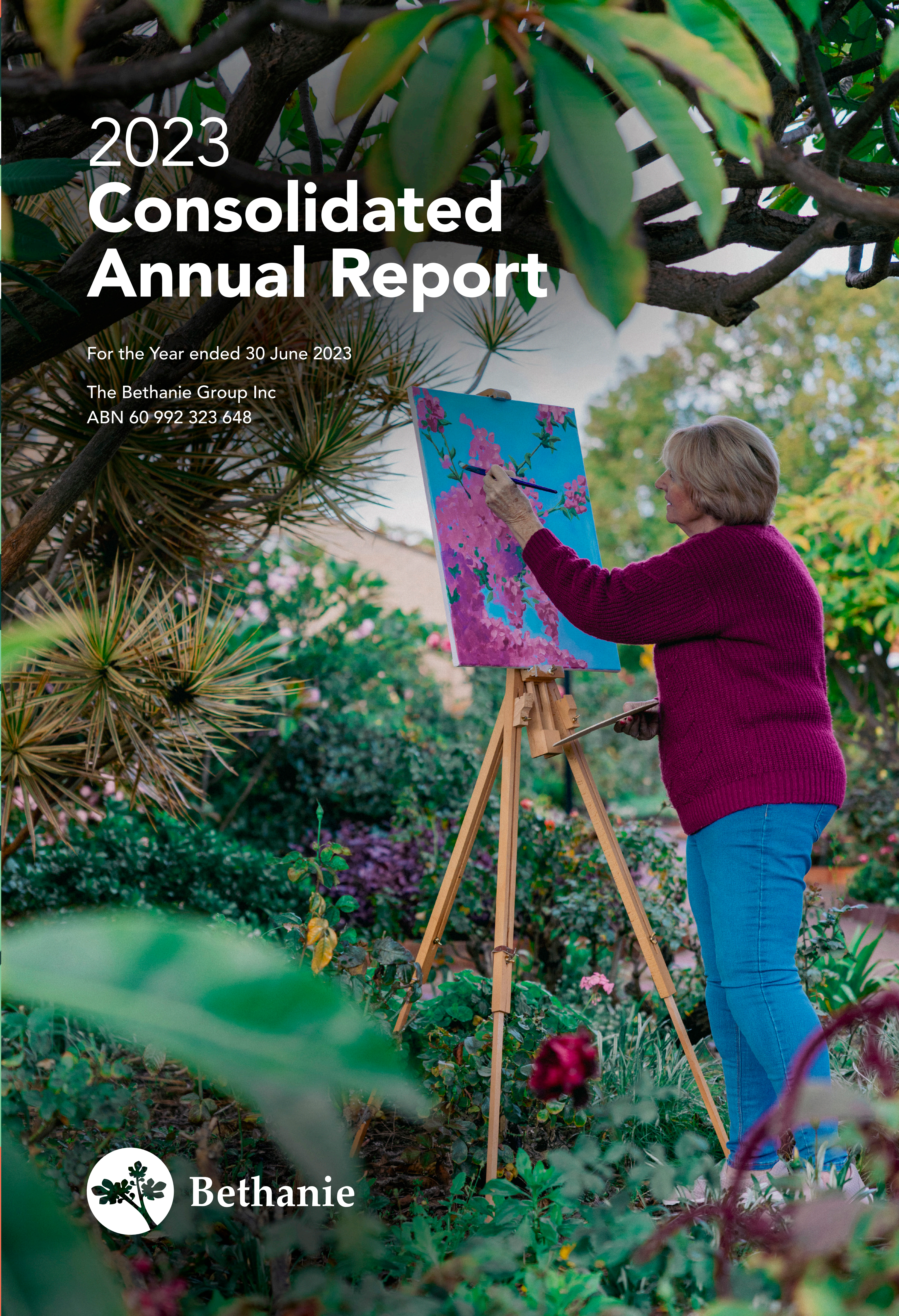
2023 Consolidated Annual Report

For the Year ended 30 June 2023

The Bethanie Group Inc
ABN 60 992 323 648



Bethanie

Annual Report Contents

Bethanie is unique by design. Unlike those driven by commercial imperatives, we are a not-for-profit provider. We only re-invest into resources and facilities that serve our Mission.

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

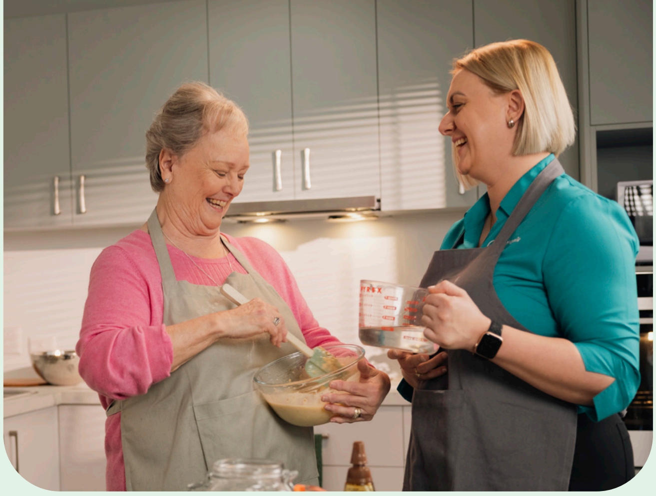
Bethanie's 'Six Signature Behaviours'

1. We deliver all 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 2023 Annual Report for The Bethanie Group Inc ('Bethanie').



Embracing Changes and Challenges in Aged Care

Financial Year 2023 saw multiple significant changes in the aged care sector with a new funding model, additional regulatory requirements, and preparations for further reforms.

The new funding model, known as Australian National Aged Care Classification (i.e. AN-ACC) was launched on 1 October 2022 as one of the key reforms resulting from the March 2021 Final Report issued by the Royal Commission into Aged Care Quality and Safety. With AN-ACC and the introduction of mandated care minutes from October 2023, the government aims to align levels of funding to residents' care needs. However, it creates one of the most significant challenges encountered by aged care providers, as the management of funding relative to staffing and rostering capacity is further inflated by a difficult recruiting environment for registered nurses.

An additional regulatory requirement - the Star Rating – is now being assigned to all residential aged care homes in Australia. Rated between 1 and 5 stars and made up of four sets of performance information (quality indicators, consumer experience reports, service compliance ratings, and staffing / care minutes) the ratings are displayed on the My Aged Care website. Bethanie is proud that our aged care homes have a star rating of 3 or 4 which is a testament to the hard work and dedication of our staff.

Aged care reforms are rightly putting older Australians first, improving quality, safety, and choice to create a sector that is better trusted by Australians to provide high quality care.

A reform roadmap has been released by the Department of Health and provides an indicative timeline of key reform elements coming in the near future. With significant reforms, notably expected in relation to Home Care, Bethanie is preparing to ensure long-term viability and sustainability in this rapidly changing landscape. In addition to the changes brought about by aged care reforms, Bethanie faces the challenges of an economic environment with inflation at a 30-year high and as steep as 7.8% in December 2022, leading to rising interest rates by the Reserve Bank of Australia. Along with ongoing skills shortages, COVID outbreaks, and increasing competition for talent, these factors negatively impacted our results for the 2023 Financial Year.

While Bethanie faces many challenges, opportunities continue to abound; ever increasing demand for aged care, social housing, and solutions to better connect hospitals and aged care providers are areas of focus for Bethanie as a group.

Living longer means we work with an increased and increasing age and acuity profile of resident. With the number of people living with dementia projected to double by 2058, there is essential federal and state government collaboration on a National Dementia Action Plan that will be designed around people living with dementia, their families, and carers. The safety and support of those who deliver care remains an equal priority to providing person centred, holistic care, recognising the inextricable link between the passion and engagement of those who choose to work with us and the quality of the care received by those who choose to be cared by us.

Opportunities Abound

Our strategy, underpinned by our Mission to demonstrate the Love of God by positively changing the way Australians experience ageing, is focused on long-term financial sustainability, care capability and customer centricity.

This involves a focus on cost discipline, optimisation of care and operations, and diversification of product offerings.

A first nations reconciliation process has commenced, with engagement with several elders at our Maali Centre in the South West and the creation of a draft reconciliation statement. Sustainability initiatives continue to be embedded across the business, as part of footprint reduction and cost containment initiatives.

We are proud to have officially opened Bethanie Dalyellup in the South West to residents on 27 March 2023.

This 120-bed state-of-the-art aged care home located near parks, shops, and the beach provides 24-hour care for people with diverse care needs including dementia, palliative care, and high care requirements. Comprising six separate houses with their own sense of character and community, the site features an inter-generational exercise and play area, café, bar, hairdresser, therapy, wellness and pain management rooms and a large multi-purpose room.

Bethanie engaged with the community throughout the development and hope to attract visitors from around the region to come for a coffee, play in the outdoors and engage with residents.

Having managed the Bert England Lodge in Rockingham since July 2021, Bethanie completed its acquisition on 4 August 2023.

Revenue for the 2023 Financial Year of $161.0 million (2022: $144.6 million), saw an increase of $16.4 million as a direct result of increased occupancy, increased funding through AN-ACC, and the addition of Bethanie Dalyellup and Bethanie Bert England Lodge. Our earnings before interest, tax, depreciation, amortisation, impairment and fair value adjustments of $2.6 million (2022: loss of $6.9 million) was impacted by a number of factors including increased employee benefit expenses and costs of the various reforms including the recruitment of registered nurses to meet the mandated minimum care minutes. Also, $1.3 million of direct costs was incurred in relation to COVID-19 outbreaks at our aged care homes.

Under the COVID-19 Aged Care Support Program, the Group received $0.7 million during the Financial Year 2023 for COVID-19 direct costs incurred in the Financial Years 2023 and 2022. Post 30 June 2023, the Group received an additional $3.2 million, and is awaiting receipt of $1.7 million for which claims have been submitted.

We are confident that as Western Australia's leading not-for-profit aged care, mission based, customer-centred provider, we will continue to succeed throughout this challenging environment for the sector.

Farewell CEO Chris How

Bethanie farewelled CEO Chris How in September after eleven years at the helm.

Chris has led Bethanie with calm, integrity, and courage, always looking to the future of the organisation and for the aged care sector. His leadership through the pandemic ensured the safety and well-being of all staff and residents, and throughout his tenure he facilitated significant growth, improved staff retention, enhanced organisational culture, and grew our most important ministry in social housing. These achievements are a testament to his passion for Bethanie.

The Board is incredibly grateful to Chris for the energy, vision and heart that he has dedicated to Bethanie for the past 15 years. He leaves a legacy of significant contribution to the transformation and leadership of the Bethanie Mission and they wish him every blessing as he takes time to reflect on his next challenge.

Bethanie CFO Roulé Jones has stepped in as Interim CEO for a period of up to a year, whilst a substantive CEO is sought via a market process.

To the wonderful people who choose to work with us, we would like to acknowledge and thank you for supporting older Western Australians to continue to live rich and meaningful lives.

To those who choose us for their care or the care of a loved one, we extend our profound thanks for placing your trust in Bethanie.

Diana Forsyth
Chair

Roulé Jones
Interim 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".

Bethanie works tirelessly to support our customers and staff to engage meaningfully with the community – whether it through service, fundraising or experiences.

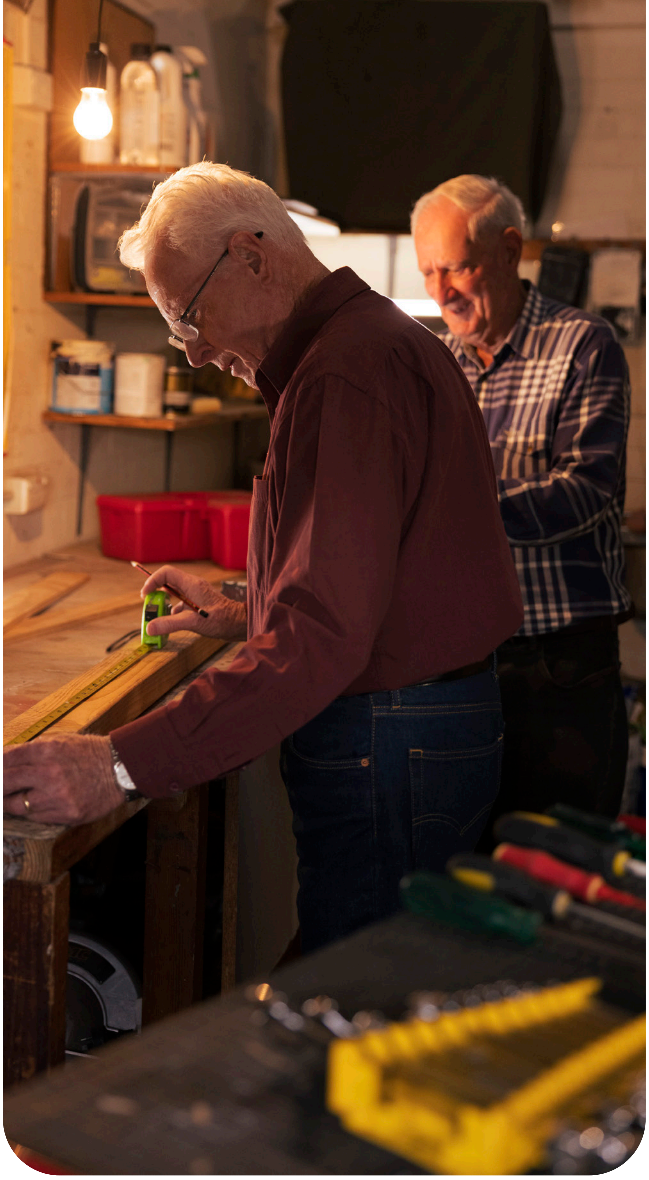
In the 2023 Financial Year, Bethanie contributed over $3.7 million to the Western Australian community.

Mission in Action – Residents' stories

Harley dream brought to life

A bucket list dream came to life for Bethanie Peel resident Murray Croxton when his brother Eddie approached the allied health team to coordinate a Harley Davidson ride for a special birthday present. For his 72nd birthday Murray found himself riding along the coast on a trike bike, beaming with joy and happiness with his wife Janice of 26 years clutching his hand beside him.

"Like most of us, Murray has dreams and aspirations, as well as bucket list items already ticked off and those he is still working towards," said Facility Manager Donna Anderson.



Making our people live out their dreams – Mission in Action

Chaplaincy

Donations

Fee reduction & waiver

6 Children
sponsored through various charities

60 Handbags
packed and donated to Share The Dignity

600 Shoeboxes
packed and donated to Operation Christmas Child

Fundraiser Events
for various charities including Wheelchairs for Kids, Biggest Morning Tea, Hair for Wigs.

When community and charity collide

The seasonal project known as Operation Christmas Child (or as it is more commonly known as the Shoebox Appeal) provided the excellent framework for the collection, packing and sending of care packages to children in need around the world.

Over the past ten years countless Bethanie residents, volunteers and staff have collected thousands of different items throughout the year, and then join in the fun of packing these into shoeboxes and delivering them to the warehouse, where they are loaded and shipped to overseas destinations.

For those involved in the collecting, packing and postage of the shoeboxes there is no way of knowing whether they will be delivered to children in India, Thailand, Cambodia, the Pacific Islands, Mongolia, or the over 100 different countries around the world where Operation Christmas Child delivers them. But it is the process of giving and caring that means someone somewhere will benefit.

Bethanie's social contribution through the annual Shoebox Appeal is bringing comfort and love to children who need it the most.

Thanks to all those Bethanie residents, volunteers and staff who give of their time, talent and resources to bring such joy. And acknowledgement to our Chaplaincy team who are involved in many projects across the globe for the good of our community overall.

Supporting those in need – Mission in Action

Guide Dogs WA firmly in our seniors' sights!

The Bethanie Social Centres in Kwinana and Port Kennedy joined forces to raise funds for the Guide Dogs WA by collecting 10c bottles as part of the Containers for Change program.

To thank the group, they had a visit from one of the guide dog ambassadors Eva, and learnt about the program, the training requirements and most importantly, about the difference these incredible dogs make to a visually impaired person.

"Our Social Centres recently raised $420 for K9 Dog Rescue and our clients, staff and volunteers gained so much from supporting the community, so they opted to choose another charity and aim even higher," said Social Centre Coordinator Karen Fewster.

Connecting over a common goal – Mission in Action

Crafting guitars a welcome skill

With a career behind him as a carpenter joiner, Bethanie Waters resident Tony Cottle was inevitably going to be working with wood in retirement, but the fine craft of instrument making was a brand new skill, and one he has wholeheartedly embraced.

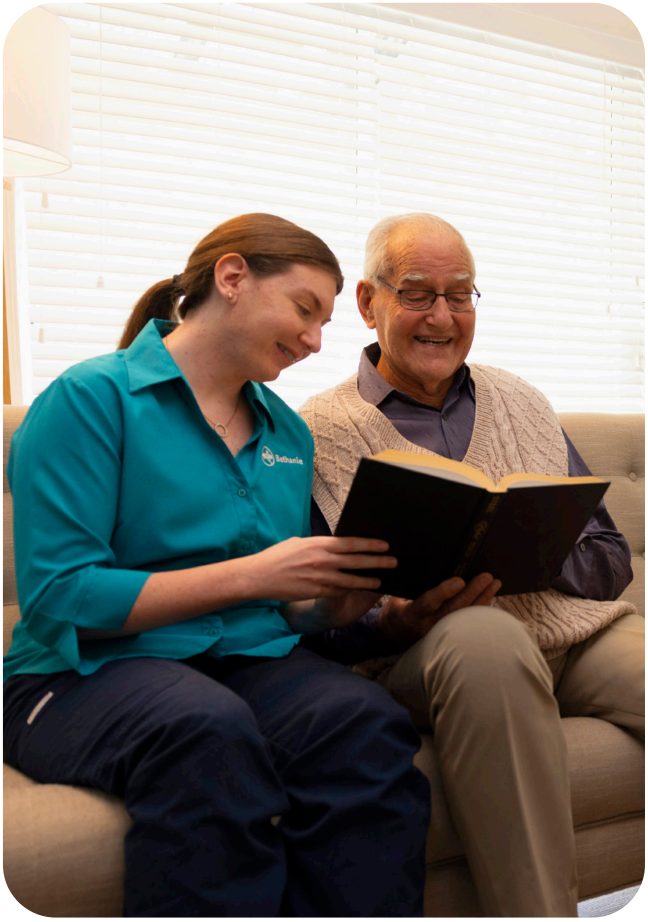
"When my wife went into care with dementia, I found the nights especially difficult with no communication with anyone," said Tony.

"I went to a wood show in 2016 and met Steve who teaches the art of guitar-making through his school, and I went along to a class. I've been going consistently since then and Steve now asks me to help him teach during sessions."

Apart from making the instruments, Tony is most grateful for the people he has met and the camaraderie he has found along the way.

"I've come a long way from that first guitar which took about six months to make.""

Helping the community – Mission in Action



Maturing our Sustainability Reporting

As we mature our Sustainability Reporting incrementally, Bethanie seeks to introduce greater transparency to how we are addressing the environmental, social and governance (ESG) issues that matter most to our stakeholders and our mission delivery.

We aim to act with integrity and inform our reporting with the emerging factors that underpin the long-term viability of the aged care sector in Australia.

As a first step in the development of our Sustainability Reporting, we will be conducting an ESG materiality assessment – engaging with our key stakeholders to validate our approach to sustainability – before determining focus areas for change.

Mission in Action: *Our Approach to Sustainability*

Nurturing the wellbeing of our customers and communities

High-quality care
Exceptional customer experience
Access and affordability of services
Innovating care and services
Connected communities

Responsible custodians of our environment and resources

Healthy living environments
Responsible sourcing and partnering
Energy efficiency
Waste reduction
Climate resilience

Empowering our people

Attraction, retention and development of a high-quality team
Health, safety and wellbeing
Culture, values and behaviours

Directors' Report

The directors present their report together with the consolidated financial statements of the Group comprising The Bethanie Group Inc ('Bethanie') and its subsidiaries for the financial year ended 30 June 2023.

1. The Directors

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

Directors

Diana Forsyth	Chair
Todd Mairs	Deputy chair
David Kilpatrick	
Maria Foundas	
Paige Walker	Appointed 29 November 2022
Celia Hammond	Appointed 9 May 2023
Ross Hughes	Appointed 3 August 2023
Dana Dermody	Appointed 3 August 2023
Peter Gibbons	Resigned 28 November 2022
Jeffrey Williams	Resigned 31 July 2023
Darren Cutri	Resigned 10 March 2023
Kylee Schoonens	Resigned 9 May 2023

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 14 residential aged care homes for people who require 24-hour care. Bethanie's aged care homes are in metropolitan Perth and regional Western Australia (WA) with many homes offering specialised dementia care.
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 7 Social Centres for seniors providing 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.

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

For the year ended 30 June 2023, the Group generated revenue of $161.0 million (2022: $144.6 million) and incurred a net loss of $13.1 million (2022: loss of $19.2 million).

Earnings before interest, tax, depreciation, amortisation, impairment, and fair value adjustments (Adjusted EBITDA) increased from a loss of $6.9 million to earnings of $2.6 million.

The table below reconciles the Adjusted EBITDA to the financial statements:

	2023 $'000	2022 $'000
Loss for the year	(13,118)	(19,169)
Add: Depreciation	11,440	10,163
Add: Impairment	7,533	1,700
Add: Interest expense	2,682	1,411
Less: Interest income	(1,084)	(214)
Less: net gain on revaluation	(4,816)	(784)
Adjusted EBITDA earnings/(loss)	2,637	(6,893)

Effective 1 October 2022, the Aged Care Funding Instrument (ACFI), the funding model for approved aged care homes, was replaced with the Australian National Aged Care Classification (AN-ACC).

Increased revenue is driven by the new AN-ACC funding model, increased occupancy rates across residential aged care homes and the addition of two residential aged care homes, Bethanie Dalyellup and Bert England Lodge. Bethanie Dalyellup officially opened to residents on 27 March 2023 and the site is in ramp-up.

The indirect costs of the various aged care reforms, including the recruitment of registered nurses and care workers to meet the mandated minimum care minutes, contribute towards the net loss position.

During the year ended 30 June 2023, the Group incurred $1.3 million (2022: $6.4 million) of direct costs in relation to COVID-19 outbreaks at residential aged care homes.

Under the COVID-19 Aged Care Support Program, the Group received $0.7 million during the year ended 30 June 2023 for COVID-19 direct costs incurred in the years ended 30 June 2023 and 30 June 2022. Post 30 June 2023, the Group received an additional $3.2 million, and is awaiting receipt of $1.7 million for which claims have been submitted.

The Group's net cash inflow from operating activities for the year ended 30 June 2023 was $19.5 million (2022: $23.9 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 Environmental, Social and Governance initiatives as set out on page 7.

6. Events subsequent to reporting date

Subsequent to year end, a total of $3.2 million was received in relation to COVID-19 funding claims for costs incurred in the years ended 30 June 2023 and 30 June 2022.

The Fair Work Commission increased minimum wages by 15% for some employees working in aged care, effective on or after 30 June 2023. Whilst the Group already paid eligible employees above the Award rate, a decision has been made to pass on 100% of funding pledged by the Federal government to increase wages for eligible staff, effective July 2023.

6. Events subsequent to reporting date (continued)

Bethanie has farewelled CEO Chris How in September 2023, after eleven years at the helm.

Bethanie CFO Roulé Jones has stepped in as Interim CEO for a period of up to a year, whilst a substantive CEO is sought via a market process.

Other than those mentioned, 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, 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 2023.

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

D Forsyth

Diana Forsyth

Non-executive Chair

Dated at Perth, Western Australia this 13th day of October 2023

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 2023 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

KPMG

Jane Bailey

Jane Bailey
Partner
Perth
13 October 2023

Financial Statements Contents

Financial Statements

Notes to the Consolidated Financial Statements

A. About these statements

B. Current performance

C. Assets and liabilities

D. Capital and financing

E. Others

Consolidated Statement of Profit and Loss and Other Comprehensive Income

For the year ended 30 June 2023

	Note	2023 $'000	2022 $'000
Revenue	B1	161,017	144,567
Other income	B1	6,222	753
Net gain on revaluation	C6	4,816	784
Total revenue and other income		**172,055**	**146,104**
Operating expenses	B2	(163,518)	(151,999)
Depreciation		(11,440)	(10,163)
Finance costs	B2	(2,682)	(1,411)
Impairment expense	C4, C5	(7,533)	(1,700)
Total expenses		**(185,173)**	**(165,273)**
Loss for the year		(13,118)	(19,169)
Other comprehensive income		-	-
Total comprehensive loss		**(13,118)**	**(19,169)**

The accompanying notes form part of the consolidated financial statements.

Consolidated Statement of Financial Position

As at 30 June 2023

	Note	2023 $'000	2022 $'000
ASSETS			
Cash and cash equivalents	C1	3,298	42,159
Financial assets	C2	34,523	-
Trade and other receivables	C3	4,899	6,124
Prepayments		1,031	2,582
Right-of-use assets	D2	11,888	12,661
Investment properties	C6	304,532	294,023
Property, plant and equipment	C5	242,018	224,073
Intangible assets	C4	38,974	44,017
Total assets		**641,163**	**625,639**
LIABILITIES			
Trade and other payables	C7	19,681	19,112
Borrowings	D1	57,118	52,539
Employee provisions	C8	18,299	16,373
Lease liabilities	D2	9,461	9,790
Resident liabilities	C9	472,772	451,063
Other liabilities		2,207	2,019
Total liabilities		**579,538**	**550,896**
NET ASSETS		**61,625**	**74,743**
EQUITY			
Retained earnings		61,625	74,743
TOTAL EQUITY		**61,625**	**74,743**

The accompanying notes form part of the consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 30 June 2023

	Note	2023 $'000	2022 $'000
Cash flows from operating activities			
Receipts from government funding		112,972	93,309
Receipts from residents and care recipients		48,112	43,500
Payments to suppliers and employees		(161,115)	(153,681)
Net cash generated from/(used) in operating activities before interest, refundable accommodation deposits and retirement villages' entry contributions		**(31)**	**(16,872)**
Proceeds from refundable accommodation deposits		87,468	72,406
Repayments of refundable accommodation deposits		(76,805)	(46,847)
Proceeds from retirement villages' entry contribution		25,190	32,474
Repayments of retirement villages' outgoing contribution less deferred management fees		(15,919)	(16,360)
Interest received		815	247
Interest paid		(1,244)	(1,175)
Net cash generated from operating activities		**19,474**	**23,873**
Cash flows used in investing activities			
Payments for property, plant and equipment		(23,607)	(26,873)
Proceeds from the sale of property, plant and equipment		1,003	256
Investment in financial assets - term deposits		(1,560)	-
Business combination	E1	(2,598)	-
Net cash used in investing activities		**(26,762)**	**(26,617)**
Cash flows from financing activities			
Proceeds from borrowings		23,250	26,419
Repayments of borrowings		(19,955)	(15,566)
Repayment of lease liabilities		(1,905)	(1,680)
Net cash generated from financing activities		**1,390**	**9,173**
Net (decrease)/increase in cash and cash equivalents		**(5,898)**	**6,429**
Cash and cash equivalents at the beginning of the year		42,159	35,730
Reclassification of cash and cash equivalents to financial assets		(32,963)	-
Cash and cash equivalents at the end of the year	C1	**3,298**	**42,159**

The accompanying notes form part of the consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2023

	Retained earnings $'000	Contributed equity $'000	Total $'000
Balance as at 1 July 2022	74,743	-	74,743
Loss for the year	(13,118)	-	(13,118)
Balance as at 30 June 2023	**61,625**	**-**	**61,625**
Balance as at 1 July 2021	93,912	-	93,912
Loss for the year	(19,169)	-	(19,169)
Balance at 30 June 2022	**74,743**	**-**	**74,743**

The accompanying notes form part of the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

A. About these statements

This section addresses the basis for compiling the financial statements.

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 entities, Bethanie Housing Ltd ('Bethanie Housing') and Bethanie Primary Care Limited for the year ended 30 June 2023 (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, 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.

The Group does not have 'public accountability' as defined in AASB 1053 Application of Tiers of Australian Accounting Standards and is therefore eligible to apply the 'Tier 2' reporting framework under Australian Accounting Standards.

The financial statements comply with the recognition and measurement requirements of Australian Accounting Standards, the presentation requirements in those Standards as modified by AASB 1060 General Purpose Financial Statements - Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities (AASB 1060) and the disclosure requirements in AASB 1060. Accordingly, the financial statements comply with Australian Accounting Standards – Simplified Disclosures.

The financial statements were authorised for issue by the directors on 13 October 2023.

Management is 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 $13.1 million. The loss was impacted by a number of factors, including the indirect costs of the various reforms including the recruitment of registered nurses to meet the mandated minimum care minutes, and $1.3 million of direct costs incurred in relation to COVID-19 outbreaks at the aged care homes.

A3. Going concern basis (continued)

Under the COVID-19 Aged Care Support Program, the Group received $0.7 million during the year ended 30 June 2023 for COVID-19 direct costs incurred in the years ended 30 June 2023 and 30 June 2022. Post 30 June 2023, the Group received an additional $3.2 million, and is awaiting receipt of $1.7 million for which claims have been submitted.

The Group has a Facility Agreement of $85.4 million of which $28.2 million is undrawn as at 30 June 2023. 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.

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:

- C4 Intangibles assets: assessment of goodwill valuation
- C5 Property, plant and equipment: assessment of indication of impairment
- C6 Investment properties: estimation of fair value
- E1 Business combination

A6. New and amended standards adopted by the Group

The Group has adopted all new and revised Standards, amendments thereof and interpretations effective for the current year that are relevant to the Group.

There is no material impact on the Group's consolidated 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

	2023 $'000	2022 $'000
Aged care homes		
Care		
Government funding	80,603	67,609
Resident fees	27,860	26,353
Accommodation		
Government funding	8,682	6,854
Resident fees	6,283	5,403
Management fees	45	440
Total aged care homes	**123,473**	**106,659**
Home care		
Government funding	18,228	18,607
Client contributions	755	1,003
Total home care	**18,983**	**19,610**
Retirement living		
Deferred management fees	5,626	5,458
Resident fees	4,183	3,938
Rental income	1,184	1,226
Sale commission and other fees	1,981	2,145
Total retirement living	**12,974**	**12,767**
Community housing		
Rental income	4,660	4,499
Total community housing	**4,660**	**4,499**
Other revenue	927	1,032
Total revenue	**161,017**	**144,567**
Other income		
Grant income	4,380	-
Interest income	1,084	214
Donations	-	145
Profit on disposal of plant and equipment	478	133
Sundry income	280	261
Total other income	**6,222**	**753**

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, 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.

Up until 30 September 2022, the amount of funding for care was assessed under the Aged Care Funding Instrument ('ACFI'). It has since been replaced with the Australian National Aged Care Classification (AN-ACC). Independent assessors perform the assessments to distribute funding based on the resident's needs and cost of care. The transition to the new funding model did not impact the revenue recognition policy in relation to Government-funded subsidies and supplements.

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, means tested care fees, daily accommodation fees, additional service fees) as contributions towards their care and accommodation and everyday living costs. The fees are determined in accordance with the Government authorised rates. Residents are invoiced fortnightly in advance.

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

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 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 monthly 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.

HCP subsidies are received monthly in arrears, for the number 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.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

B1. Revenue and other income (continued)

Retirement villages (continued)

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 fortnightly in advance.

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

Grant income

Government grants are recognised where there is reasonable assurance that the grant will be received, and all attached conditions have been complied with. Government grants are classified as other income.

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

	2023 $'000	2022 $'000
Operating expenses		
Employee benefits expense	127,430	116,539
Food, utilities, rates and service costs	17,912	17,353
Administration costs	10,279	10,414
Repairs and maintenance	7,897	7,693
Total operating expenses	**163,518**	**151,999**
Finance costs		
Interest and finance charges	3,402	1,666
Amount capitalised	(720)	(255)
Total finance costs expensed	**2,682**	**1,411**

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

	2023 $'000	2022 $'000
Cash	3,298	9,196
Term deposits	-	32,963
Total cash and cash equivalents	**3,298**	**42,159**

Cash and cash equivalents include cash on hand and short-term deposits with original maturities of three months or less from acquisition date.

During the year, the Group re-invested its short-term deposits into longer maturity terms (i.e. longer than three months from acquisition). As a result, the term deposits were re-classified to financial assets as at 30 June 2023.

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

C2. Financial assets

	2023 $'000	2022 $'000
Term deposits	34,523	-
Total term deposits	**34,523**	**-**

Financial assets consist of term deposits with original maturities of more than three months.

Term deposits are measured at amortised cost.

C3. Trade and other receivables

	2023 $'000	2022 $'000
Current		
Trade receivables	2,115	2,859
Provision for expected credit loss	(66)	(46)
Resident loans	-	195
Other receivables	2,284	2,257
Total current trade and other receivables	**4,333**	**5,265**
Non-current		
Resident loans	566	859
Total non-current trade and other receivables	**566**	**859**
Total trade and other receivables	**4,899**	**6,124**

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.

The ageing of the trade receivables is as follows:

	2023 $'000	2022 $'000
Current	1,800	1,990
1 to 3 months	63	486
Over 3 months	252	383
Total	**2,115**	**2,859**

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 not 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.

C4. Intangible assets

	2023 $'000	2022 $'000
Bed licenses	436	873
Goodwill on acquisition of Berrington	38,538	43,144
Total intangible assets	**38,974**	**44,017**

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 amortisation and impairment losses.

The bed licences will be fully amortised by 30 June 2024 following the Department of Health's decision to discontinue them from 1 July 2024.

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 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.

	2023 $'000	2022 $'000
Opening balance at 1 July	43,144	43,144
Impairment expense	(4,606)	-
Total	**38,538**	**43,144**

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 lower than the carrying amount of the CGU. An impairment loss of $4.6 million has therefore been recognised in the current year.

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

C4. Intangible assets (continued)

Goodwill (continued)

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 95%-97% within 12 to 24 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 $695,000 which is consistent with RAD prices at the aged care homes
RAD appreciation	management have assumed an increase in the RAD value of 2.5% per annum
RAD/DAP Ratio	management have assumed a ratio of 75:25, which is in line with past and current ratio for these two aged care homes
Useful life	to the time remaining on each land lease; Bethanie Subiaco, 38 years; Bethanie Como 54 years

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

Changes in key assumptions	$'000
Decrease RAD appreciation by 0.5%	5,500
Decrease discount rate by 1%	900
Decrease RAD/DAP ratio by 10%	6,300
Increase operating costs by 1%	2,800

A sensitivity analysis has been performed for the key assumptions as disclosed in the table below:

A change in the key assumptions would result in an increase of the impairment expense being recognised in the year. These assumptions do not represent management's estimate at 30 June 2023.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

C5. 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 2023						
Opening net book amount	39,484	149,440	22,407	11,606	1,136	224,073
Additions	-	52	23,491	149	174	23,866
Business combination	-	6,800	-	151	-	6,951
Disposals	-	-	-	(154)	(372)	(526)
Transfer to Investment Properties	-	-	(510)	-	-	(510)
Transfers	50	29,478	(36,890)	7,362	-	-
Depreciation expense	-	(5,411)	-	(3,198)	(300)	(8,909)
Impairment expense*	-	-	(2,927)	-	-	(2,927)
Closing net book value	**39,534**	**180,359**	**5,571**	**15,916**	**638**	**242,018**
Cost	39,534	201,962	10,198	44,376	3,434	299,504
Accumulated depreciation and impairment	-	(21,603)	(4,627)	(28,460)	(2,796)	(57,486)
Closing net book value	**39,534**	**180,359**	**5,571**	**15,916**	**638**	**242,018**
Year ended 30 June 2022						
Opening net book amount	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 and impairment	-	(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**

* The impairment expense of $2.7 million (FY22: $1.7 million) is attributable to the discontinuation of specific projects.

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

C5. 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	10 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 CGUs. 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 borrowings (Note D1. Borrowings) is $140.2 million (30 June 2022: $110.1 million).

C6. Investment properties

	2023 $'000	2022 $'000
Opening balance at 1 July	294,023	289,811
Additions	510	849
Fair value adjustment	9,999	3,363
Closing balance at 30 June	**304,532**	**294,023**

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 2023 internally using a discounted cash flow valuation model.

Key assumptions include:

Discount rate	12%
Residents' length of stay	11 years
Growth rates	1.0%-3.0%

The net gain on revaluation is as follows:

	2023 $'000	2022 $'000
Gain on revaluation of investment	9,999	3,363
Loss on revaluation of resident liabilities	(5,183)	(2,579)
Total	**4,816**	**784**

Assets pledged as security

The carrying amount of the investment properties pledged as security for the borrowing (Note D1. Borrowings) is $304.5 million (2022: $294.0 million).

C7. Trade and other payables

	2023 $'000	2022 $'000
Current		
Trade payables	4,396	5,378
Sundry creditors and accruals	6,937	5,464
Subsidies received in advance	8,016	6,785
Unspent client funds	332	1,485
Total trade and other payables	**19,681**	**19,112**

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 also includes $2.1m funding received in Bethanie Housing Limited under the Social Housing Economic Recovery Package Grants Program to be spent on the refurbishment of properties.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

C8. Employee provisions

	2023 $'000	2022 $'000
Current		
Annual leave	11,436	9,986
Long service leave	4,690	4,281
Total current employee provisions	**16,126**	**14,267**
Non-current		
Long service leave	2,173	2,106
Total non-current employee provisions	**2,173**	**2,106**
Total employee provisions	**18,299**	**16,373**

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.

The Fair Work Commission increased minimum wages by 15% for some employees working in aged care, effective on or after 30 June 2023.

Whilst the Group already paid eligible employees above the Award rate, a decision has been made to pass on 100% of funding pledged by the Federal government to increase wages for eligible staff, effective July 2023.

The Group has increased its annual leave and long service leave provisions by $1.1 million as at 30 June 2023 as a result of the Fair Work Commission decision. The Australian Government has provided advice on a future grant opportunity to reimburse a proportion of the increased leave entitlements accrued, however no details of the grant opportunity have been provided yet.

A reconciliation of employee provisions is provided below:

	Annual Leave $'000	Long Service Leave $'000
1 July 2022	9,986	6,387
Additions	11,053	1,675
Utilised	(9,603)	(1,199)
30 June 2023	**11,436**	**6,863**

C9. Resident liabilities

	2023 $'000	2022 $'000
Current - expected settlement within 12 months		
Refundable accommodation deposits	61,826	52,624
Retirement village resident liabilities net of accrued deferred management fees	11,902	10,540
Guaranteed buy back	4,500	5,910
Interest free loans	3,190	3,603
Total current resident liabilities - expected settlement within 12 months	**81,418**	**72,677**
Current - expected settlement after 12 months		
Refundable accommodation deposits	168,494	163,021
Retirement village resident liabilities net of accrued deferred management fees	222,860	215,365
Total current resident liabilities - expected settlement after 12 months	**391,354**	**378,386**
Total resident liabilities	**472,772**	**451,063**

Refundable accommodation deposits

Refundable accommodation deposits ('RADs') 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.

	2023 $'000	2022 $'000
Retirement village resident liabilities	275,940	264,140
Less: Accrued deferred management fees	(41,178)	(38,235)
Total	234,762	225,905

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).

C9. 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

	2023 $'000	2022 $'000
Current		
Bank loans secured	1,156	891
Total current borrowings	**1,156**	**891**
Non-current		
Bank loans secured	55,962	51,648
Total non-current borrowings	**55,962**	**51,648**
Total borrowings	**57,118**	**52,539**

The Group has an existing Facility Agreement with Commonwealth Bank of Australia (CBA) dated 23 March 2016 amended in 2018 and 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	20,152
Tranche B	30,000	28,904
Project (BHL)	13,400	3,948
Asset Finance	5,000	4,113
Technology Finance*	2,000	119
Total	**85,400**	**57,236**

***** *The $119,000 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.

In June 2023, the Group obtained from the Lender a letter to waive testing of the interest cover ratio as at 30 June 2023. All other covenants were tested and in compliance.

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 C5. Property, plant and equipment and Note C6. Investment properties.

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

D2. Leases

	Right-of-use assets			
	Land and buildings $'000	Equipment $'000	Total $'000	Lease liabilities $'000
Year ended 30 June 2023				
Opening balance as at 1 July	12,007	654	12,661	9,790
Additions	158	1,164	1,322	1,322
Depreciation expense	(1,663)	(432)	(2,095)	
Interest expense			-	254
Payments			-	(1,905)
Closing balance as at 30 June 2023	**10,502**	**1,386**	**11,888**	**9,461**
Year ended 30 June 2022				
Opening balance as at 1 July	13,402	48	13,450	10,322
Addition	259	710	969	969
Depreciation expense	(1,654)	(104)	(1,758)	-
Interest expense	-	-	-	179
Payments	-	-	-	(1,680)
Closing balance as at 30 June	**12,007**	**654**	**12,661**	**9,790**

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:

	2023 $'000	2022 $'000
Less than one year	2,492	1,879
One to five years	4,147	4,859
More than five years	3,682	3,958
	10,321	10,696

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.

Interest risk

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 93% (2022: 91%) of its borrowings exposed to variable interest rates amounting to $53.1 million (2022: $47.7 million).

The Group invests prudential funding in fixed term deposits classified as Cash and Cash Equivalents or Financial Assets depending on its length of maturity.

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	
	2023 $'000	2022 $'000
BBSY 90 days – increase by 100 basis points *	530	525
BBSY 90 days – decrease by 100 basis points *	(530)	(525)

**All other variables held constant*

The Group manages its interest payments on borrowings through investing in 12-month term deposits with a combination of maturity dates, to maximise interest income.

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

D3. Financial risk management (continued)

Price risk

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 and term deposits with financial institutions as well as credit exposures to outstanding trade receivables.

Cash at bank, and term deposits are held with financial institutions with credit ratings of at least 'A', as follows:

	Credit Rating (Moody's)	2023 $'000	2022 $'000
Commonwealth Bank of Australia	Aa3	36,793	41,500
St George's bank (part of Westpac Bank Corp)	Aa3	1,028	695

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 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)

	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 2023						
Trade and other payables	19,681	19,681	-	-	-	19,681
Borrowings	57,118	1,156	-	55,962	-	57,118
Employee provisions	18,299	16,126	534	1,186	453	18,299
Lease liabilities	9,461	2,492	2,294	1,853	3,682	10,321
Resident liabilities	472,772	472,772	-	-	-	472,772
Other liabilities	2,207	376	65	194	1,572	2,207
Total	**579,538**	**512,603**	**2,893**	**59,195**	**5,707**	**580,398**

	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	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**

D4. Capital commitments

The Group is committed to incur capital expenditure of $3.2 million (2022: $12.8 million).

E. Other

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

- E1 Business combination
- E2 Remuneration of auditors
- E3 Contingent liabilities
- E4 Economic dependency
- E5 Parent entity
- E6 Subsidiaries
- E7 Related party transactions
- E8 Subsequent events

E1. Business combination

On 4 August 2022, the Group entered into an agreement with the City of Rockingham to acquire Bert England Lodge, a 44-bed aged care home located in Rockingham for consideration of $6.8m, paid in cash.

The Group accounts for business combinations using the acquisition method where the acquired set of activities and assets meets the definition of a business and control is transferred to the Group.

The following table summarizes the recognised amounts of assets acquired and liabilities assumed at the date of acquisition:

	Note	2023 $'000
Buildings	C5	6,800
Plant and equipment	C5	151
Trade receivables		77
Cash and cash equivalents		4,202
Funding in advance		(10)
Payable to Bethanie		(578)
Accrued expenses		(85)
Refundable accommodation deposit		(3,382)
Employee benefits		(375)
Total identifiable net assets acquired		**6,800**

The fair value of assets and liabilities have been finalised.

E2. Remuneration of auditors

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

	2023 $'000	2022 $'000
Audit fees	189	158
Other assurance services	44	-
Other services	122	175
Total	355	333

E3. 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 (2022: $0.9 million).

E4. Economic dependency

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

E5. Parent entity

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

	2023 $'000	2022 $'000
Current assets	42,713	50,399
Non-current assets	519,961	498,388
Total assets	**562,674**	**548,787**
Current liabilities	508,648	484,154
Non-current liabilities	63,669	59,093
Total liabilities	**572,317**	**543,247**
Retained earnings	(9,643)	5,540
Total equity	**(9,643)**	**5,540**
Loss for the year	**(15,183)**	**(18,583)**

E5. Parent entity (continued)

Guarantees

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

Contingent liabilities

Contingent liabilities of Bethanie are disclosed within Note E3. Contingent liabilities.

Contractual commitments

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

E6. Subsidiaries

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 Group has the following subsidiaries:

	2023	2022
Bethanie Housing Ltd	100%	100%
Bethanie Primary Care Limited	100%	-

The management fee charged to Bethanie Housing Ltd for the year ended 30 June 2023 is $2.3m (2022: $2.8m).

E7. 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 Carey Community Resources Ltd during the year ended 30 June 2023 of $20,000. David Kilpatrick, a director of the Group, is a director of the Carey Group.

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

Key management personnel

Key management personnel (KMP) include members of the Board and Senior Executives.

The KMP remuneration comprises short-term employee benefits, post -employment benefits and termination benefits. These are included in employee benefit expenses (note B2).

	2023 $'000	2022 $'000
Remuneration paid/ payable to all members of the board and KMP	3,038	2,214

During the year there were no material transactions between the Group and any KMP.

E7. Related party transactions (continued)

Key management personnel (continued)

The names of and remuneration paid to the non-executive Directors in the financial year were as follows:

	2023 $'000	Nominations, Remuneration & Governance Committee	Business Development Committee	Audit Risk Management Committee	Services Remuneration Committee
Diana Forsyth (Chair)	93	x	x	A/C	x
Todd Mairs (Deputy Chair)	51		C	x	
David Kilpatrick	56	C			
Maria Foundas	50				C
Celia Hammond (Appointed 9 May 23)	7	x			x
Paige Walker (Appointed 29 November 22)	33		x		
Peter Gibbons (Resigned 28 November 22)	23	x	C		
Kylee Schoonens (Resigned 9 May 23)	51		x		
Jeffrey Williams (Resigned 31 July 2023)	52			x	C
Darren Cutri (Resigned 10 March 2023)	38	x		x	

C – Chair of the Board or Committee
A/C – Acting Chair of the Board or Committee

E8. Subsequent events

Subsequent to year end, a total of $3.2 million was received in relation to COVID-19 funding claims for costs incurred in the years ended 30 June 2023 and 30 June 2022.

The Fair Work Commission (Commission) increased minimum wages by 15% for some employees working in aged care, effective on or after 30 June 2023. Whilst the Group already paid eligible employees above the Award rate, a decision has been made to pass on 100% of funding pledged by the Federal government to increase wages for eligible staff, effective July 2023.

Bethanie has farewelled CEO Chris How in September 2023, after eleven years at the helm.

Bethanie CFO Roulé Jones has stepped in as Interim CEO for a period of up to a year, whilst a substantive CEO is sought via a market process.

Other than those mentioned, 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, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future years.

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 13 to 40 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 2023 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 13th day of October 2023

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 2023, 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 Regulations 2022 (ACNCR).*

The ***Financial Report*** comprises:

- Consolidated statement of financial position as at 30 June 2023;
- Consolidated statement of profit and 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 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 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 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
13 October 2023