2015/16
ANNUAL REPORT

KEYINVEST

ESTABLISHED 1878

OUR COMMITMENT TO YOU

We are Genuine, Responsive and Successful in everything we do.

We are committed to looking after the interests of our members to help them achieve their long term financial goals and enjoy a comfortable and successful future.

We believe that our corporate and social responsibilities are essential to our long term success and that they should complement our corporate aims.

We invest in our people to ensure they have the skills and training to deliver the best possible advice and services to our members.

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CHAIRMAN'S REPORT

I am pleased to report to KeyInvest members on developments during the 2015/16 financial year.

This year was another challenging year for KeyInvest, but one in which we were able to achieve a number of positive outcomes and make further progress in achieving our strategic goals.

The overall economic backdrop both domestically and globally continues to create challenges for KeyInvest and businesses generally. With inflation falling to below the Reserve Bank of Australia's target range, two further reductions in cash rates to 1.5% has put further pressure on savers, while supporting real estate markets, particularly in Sydney and Melbourne.

The annual GDP growth rate of 2.9% for the 2015/16 financial year marked a record 25 years without experiencing a technical recession. Despite this, the Federal Government has recorded eight consecutive years of budget deficits, an outcome which is historically associated with economic contractions. Although Australia's public finances are still in better shape than most developed countries, our trajectory is unsustainable and the challenge to repair the Federal budget, highlighted by ratings agency Standard & Poor's cutting the outlook on Australia's coveted AAA credit rating just days after the Federal election.

With a slender majority in the Lower House, a fractured Senate and short term politics overriding the long term structural spending and revenue reforms needed, there appears little immediate scope politically for genuine economic progress.

At the global level, financial markets underwent three distinct periods of volatility during 2015/16, with the most recent in June being as a result of the "Brexit" vote, again demonstrating that geographic distance does not insulate Australia from global events. The People's Bank of China has adopted further easing in monetary policy through reduction of Banks' required reserves to support Bank lending and maintain Chinese economic growth above 6%, however high levels of debt and the prospect of higher non-performing loans or defaults is an ongoing concern.

Faced with a low interest rate environment where available market yields for appropriate high quality investments within our capital guaranteed investment bonds are at historic lows, KeyInvest has worked closely with our professional investment managers, Henderson Global Investors, to ensure returns are maximised without resorting to taking risks that threaten our capital guarantee. Lower market returns has placed continued downward pressure on our bonus rates.

I am pleased to report another successful year in sales for the KeyInvest Funeral Bond which in recent years has grown to be our largest fund and its popularity as a product is set to grow with the announced changes to the Age Pension asset test thresholds and Age Pension taper rates which come into effect on 1 January 2017.

As uncertainty continues over the future of many key superannuation benefits, we have upgraded our Life Events Bond, through the addition of a broader choice of investments which will resonate strongly with financial planners looking for less complexity and greater flexibility for their investor clients' long term savings goals.

Our Lending Services business continues to perform well, with very competitive interest rates supporting activity in residential real estate markets and financial institutions providing greater support for the broker channel. Our successful attraction and support strategies for new brokers entering the industry continued.

We have accelerated our building program at KeyInvest's three retirement village development sites in response to greater demand for our award winning product.

KeyInvest's notable achievements during 2015/16 included:

- Our Chiton development won its sixth award, by winning the 'National Lifestyle Housing for Seniors' at the Master Builders' National Excellence in Building and Construction Awards.
- Finalisation of designs for the $1.5m Chiton Clubhouse for construction in 2016/17 at this outstanding sustainable living village environment.
- Construction of further new homes and Stage 3 civil works for 22 more homes at our Woodside Lodge development.
- The Adviser magazine recognised KeyInvest Lending Services at this year's Better Business Awards as the Best Customer Service Office in South Australia.
- Distribution capabilities for our KeyInvest Funeral Bond have been further enhanced as our newly developed on-line application technology has been released to the market.

CHAIRMAN'S REPORT

KeyInvest's financial performance reflects the steady and consistent progress in building of our asset base and maintenance of our regulatory capital position in challenging market conditions. We are pleased that we have been able to provide competitive rates of return on our member investments in a climate of low inflation and low interest rates.

We continue to improve the long term sustainability of KeyInvest to provide greater value for our members.

I take this opportunity to thank our Directors, Executive Management team and staff for their ongoing dedication and commitment during another rewarding year for the Company[1] and the Group[2].

Yours sincerely

Dr Roger N Sexton AM
Chairman

[1] Company means KeyInvest Ltd ABN 74 087 649 474.
[2] Group means KeyInvest Ltd and its controlled entities.

MANAGING DIRECTOR'S REPORT

Our Vision for 2020

KeyInvest is a trusted leader in the provision of financial and retirement living services.

I am pleased to have the opportunity to report to our members on developments in the 2015/16 financial year.

OUR STRATEGY

KeyInvest is proud to be one of the few remaining Friendly Societies in Australia that is successfully pursuing a strategy of innovation and prudent growth.

The KeyInvest Strategic Business Plan considers strategic, financial, economic, regulatory, risk and member scenarios with a focus on financial services, lending services and retirement living. The Plan continues the objective of developing complementary cash flow streams through organic growth, acquisitions and joint ventures while always seeking to optimise the use of our member capital.

The Plan builds on the existing capability of KeyInvest and provides the framework for our 2020 vision through outlining key objectives, goals and business strategies in each of our three core businesses:

Financial Services - Refresh, re-launch and grow our existing investment bond products. Improve delivery channels to third party distributors and create on-line distribution capability. Investigate alternate investment products with higher yields and investor returns to broaden our market reach and investor demographic.

Lending Services - Grow loan sales volumes and loans under management through continued expansion of the broker network. Expand income streams through the introduction of additional product offerings.

Retirement Services - Grow retirement living stock through the accelerated completion of the three existing development sites. Increase our sales volumes of newly developed units to increase returns and cash flows. Maintain occupancy at established sites at or greater than 95%.

The achievement of these key objectives include corporate initiatives within the areas of business restructuring, finance, marketing, people and culture and the enhancement of our supporting information technology platform.

OUR FINANCIAL PERFORMANCE

Our capital position as measured under APRA's Prudential Standards remains strong with all capital guaranteed funds and our Management Fund exceeding APRA's Capital Adequacy requirements.

Our consolidated results for 2015/16 were particularly pleasing, with a profit after tax of $825,001 (2014/15: $1,519,944).

The historically low interest rate environment negatively impacted our investment income within our Benefit Funds earnings reducing to $4,244,433 (2014/15: $5,758,718). These investment income earnings are less than half the earnings of two years ago. Reductions in available market yields on high credit quality assets suitable for capital guaranteed funds put downward pressure on bonus rates paid for capital guaranteed products.

Investment returns however, in each of our capital guaranteed funds, exceeded performance benchmarks for the 2015/16 year, which is testament to the skill of our professional investment managers, Henderson Global Investors. Additionally, KeyInvest supported our members by reducing KeyInvest annual management fees in certain products to enhance member returns.

In the Lending Services business we achieved modest growth in commissions to $7,544,016 (2014/15: $7,326,267) despite increased run-off in older higher margin loans. With continuing growth in broker numbers and favourable market conditions, our Lending Services business has a sound foundation for ongoing growth.

With more buoyant real estate market conditions and a larger portfolio of retirement units we achieved 28% growth in revenues from Deferred Management Fees and Development Profits to $1,925,093 compared to the prior year (2014/15: $1,503,761).

Our focus remains on expanding our retirement unit numbers across our three development sites at Chiton, Woodside Lodge and Wimmera Lodge. Our existing development pipeline will generate a 38% increase in completed units as we completely build out these development sites over the next four years - and as the villages mature over the medium term there is expected to be substantial cash flows into the Management Fund.

MANAGING DIRECTOR'S REPORT

FINANCIAL SERVICES - INVESTMENT BONDS

KeyInvest assists its members with long term savings and providing for life's major events by offering a range of investment bond products that are distributed nationally by financial planner networks. With over $170m in funds under management, our members receive excellent tax, social security and estate planning benefits.

Our largest and most popular capital guaranteed bond, the KeyInvest Funeral Bond, continues to enjoy widespread support by financial planner groups. Our Supersaver Bond is another capital guaranteed product in which many long term members continue to see benefits as an integral part of their diversified investment portfolios.

We are pleased to have completed a major restructure, enhancement and recent re-launch of our Life Events Bond Funds. This unitised product now delivers an expanded 27 option investment menu, with access to some of Australia's and the world's finest underlying managers.

The Life Events Bond Funds offer our members a tax effective alternative to superannuation that can be accessed before retirement or utilised as a long term savings vehicle for specific savings goals such as funding children's education or other major life events. With the release of the newly enhanced Life Events Bond Funds, we expect to capture a larger share of a steadily growing national niche market for investment bonds.

FINANCIAL SERVICES - LENDING SERVICES

KeyInvest Lending Services has been steadily growing its impressive list of accolades as a finalist and winner of multiple industry awards.

The Lending Services business through securing solid growth in broker numbers in recent years has been positioned well for future growth. Our mentoring and training programs are designed to give self-motivated new broker entrants a solid start in the industry and equip them to create successful long term careers and genuinely add value to their clients' finances.

Our portfolio of brokered loans is now in excess of $2.4bn which together with increasing our broker numbers places KeyInvest Lending Services in the top dozen mortgage broking businesses.

RETIREMENT SERVICES

Our retirement village portfolio comprises 10 sites and 359 completed homes with a development pipeline across three sites that will provide growth to 500 homes in the period to 2020.

The KeyInvest village portfolio is a blend of smaller established and strategically located metropolitan sites, together with larger development sites located in regional areas within an hour of Adelaide with favorable underlying demographics and attraction factors for retirees.

Our strategy of prudent timing of development of infrastructure and new units at our development sites is tailored to the capacity of each site and its local market to absorb growth. We have augmented our internal development and sales capability during 2015/16 to ensure we maintain momentum at all three development sites. We continue to review and refine our new product offering to meet the emerging needs of incoming retirees. Increasingly, this includes the acquisition, refurbishment and resale of older homes across the portfolio to ensure the ongoing attractiveness of our offering to prospective residents.

Our retirement villages all have their own unique characteristics in keeping with the local area and serving the requirements of the discerning retiree.

Woodside Lodge (Woodside, South Australia)

Located in the picturesque Adelaide Hills town of Woodside (approximately 30 minutes from Adelaide), Woodside Lodge is a well established development project, consisting of outstanding community facilities and 39 completed homes, with five homes soon to be completed.

The beautifully appointed Community Centre offers indoor and outdoor entertaining areas, bar, kitchen, billiards and fitness room and there is caravan parking, a workshop area and a community vegetable garden that takes maximum advantage of the stunning Adelaide Hills natural bushland setting.

At completion, this development will have 80 homes of the highest quality. Civil works for Stage 3, which will create a further 22 allotments for construction is nearing completion. This stage is attracting high levels of interest off the plan as prospective residents become increasingly aware that opportunities for entry into this picturesque tree change setting become competitively restricted.

MANAGING DIRECTOR'S REPORT

Chiton Retirement Living (Victor Harbor, South Australia)

Only a few minutes from Victor Harbor and the neighbouring beachside town of Port Elliot, Chiton is a retirement development offering a unique, environmentally sustainable lifestyle, with modern homes architecturally designed to maximise energy self-sufficiency in a setting offering wetlands, walking trails, thousands of native trees and plants, with direct pedestrian access to the popular southern beaches. Construction of the adjacent regional aquatic centre will be completed in March 2017 and a planned and approved health and wellbeing precinct accessible from the village via walking trails, will provide retirees with a unique appealing lifestyle opportunity.

Chiton has accumulated many accolades, the most recent being a national award from the Master Builders for Best Seniors Living in Australia, which complements five environmental and design awards, including the Urban Design Institute Award for Environmental Excellence and three Housing Institute of Australia Awards.

Offering two and three bedroom designs with choices of single or double garages, solar energy, 10,000 litre rainwater tanks, floor plans designed to maximise natural light, solar orientation and cross flow ventilation to assist with heating and cooling, these homes are at the forefront of retirement planning in Australia.

Stage two homes are nearing completion and the Community Centre will be commenced in early 2016/17 to coincide with the third stage of units in a development that will ultimately have 86 homes.

Wimmera Lodge (Horsham, Victoria)

Located in the city of Horsham in country Victoria, Wimmera Lodge enjoys high quality housing with a country feel in a regional area that is lacking this standard of retirement living development.

The recently completed Community Garden adds a new dimension of amenity and has become a focal point for residents. Construction of a further five homes is underway, adding to the 16 already completed homes at the village. Planning is underway for a men's shed and caravan parking facility to complement what will ultimately be 43 homes.

McLaren Vale Lodge (McLaren Vale, South Australia)

Based in McLaren Vale, South Australia, McLaren Vale Lodge has evolved to become one of the largest retirement villages on the Fleurieu Peninsula with 142 homes in total, comprising 135 Independent Living Units, seven Apartments and a Community Centre complete with indoor pool.

McLaren Vale Lodge is located adjacent to the McLaren Vale Hospital and Care facilities and offers spacious grounds, large and comfortable homes and is only two minutes from the regional shopping precinct of McLaren Vale. The surrounding McLaren Vale wineries and beautiful Port Willunga, Maslins and Aldinga beaches ensure that the village offers an enviable lifestyle just 45 minutes from Adelaide.

Gables of St Morris (St Morris, South Australia)

Situated on the site of the old St Morris Primary School, providing exquisite gardens and close to the Adelaide CBD and shopping precincts at Burnside and Norwood, the Gables village consists of 40 homes with a recently refurbished Community Centre.

The village offers the privacy afforded by residential housing and is situated amongst a well established neighbourhood and next to a substantial park with nearby sporting and bowling Club facilities.

Garden Cottages of Beaumont and St Georges (Beaumont and St Georges, South Australia)

Located in the prestigious eastern suburbs of Adelaide and close to excellent shopping precincts in Burnside and Norwood, the three "satellite" villages known collectively as the Garden Cottages consist of 16 homes at Beaumont and eight homes at St Georges (with access to the Community Centre at St Morris).

These smaller groups of units appeal to those wanting a carefree, independent lifestyle within a secure environment that provides a strong community spirit with home maintenance support.

Winzor Retirement Estate (Salisbury, South Australia)

Purchased in 2011 as an established five year old village in the northern suburb of Salisbury in South Australia, this gated village offers 47 modern two and three bedroom homes, supported by a large Community Centre.

Located just minutes from large shopping centres, transport and medical facilities, Winzor was KeyInvest's first village located to the north of Adelaide's CBD.

MANAGING DIRECTOR'S REPORT

The Vistas Retirement Village (Para Vista, South Australia)

This 33 unit village is located in the north eastern suburbs of Adelaide and complements the nearby Winzor site, just five kilometres further north. Vistas has a spacious Community Centre known as "The Clubhouse" and the units built by South Australian award winning builder, Scott Salisbury, provide a high standard of accommodation.

This village has become particularly popular with residents who have lived locally all their lives, who never wish to move outside the area.

INSURANCE SERVICES

KeyInvest's general insurance offering provides members with the opportunity to gain access to leading insurance solutions at discounted rates.

KeyInvest can facilitate insurance for home and contents, retirement village units, car, caravan and travel for both members and the general public.

KEYINVEST ODD FELLOWS FOUNDATION - IN THE COMMUNITY

KeyInvest was founded in 1878 as IOOF(SA) and retains its ethos of supporting the less advantaged in the community. For hundreds of years under the "Odd Fellow" tradition, members cared for widows and orphans of members, long before Government welfare existed.

KeyInvest created the **KeyInvest Odd Fellows Foundation** with a mission to perpetuate the Odd Fellows ethos through the following charities with grants and fundraising activities**:**

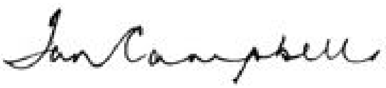
Morialta Charitable Trust - As a founding partner of this charity in the 1930's, KeyInvest continues to strongly support Morialta through the KeyInvest Odd Fellows Foundation, as they provide grants to positively support children and young people in South Australia.

In 2015/16 the Morialta Trust approved grants in excess of $450,000 which directly benefited children and young adults in our local community.

Julian Burton Burns Trust - Julian Burton was injured in the Bali bombings in 2002 and subsequently established the Burns Trust with a vision to support the prevention, care and research associated with burn injury. KeyInvest and the KeyInvest Odd Fellows Foundation has continued to support the work of the Julian Burton Burns Trust during 2015/16 by providing $10,000 towards their Early Learning Program for Burns Awareness.

Fishing for the Disabled Australia Incorporated - The Foundation was pleased to grant $5,000 to continue to support the work of this charity during the year.

Yours sincerely



Ian Campbell
Managing Director

CORPORATE GOVERNANCE STATEMENT

KeyInvest places great importance on its corporate governance framework. The Board regularly reviews and refines its corporate governance policies to ensure systems are in place to encourage and deliver sustainable and profitable financial performance with long term growth of members' funds.

The Board - Roles and Responsibilities

The Board is responsible for the Group's overall strategy, governance and performance. Under the Corporate Governance Policy, the Board has adopted a schedule of its roles and responsibilities. Broadly, the Board's role includes:

- reviewing and approving the objectives and strategic direction of the Group;
- reviewing and approving the Group's statutory and regulatory accounts;
- adopting the annual budgets of the Company and each of its wholly owned subsidiaries;
- approving significant business decisions of the Group;
- understanding the Group's business and the industries and environments within which it operates to effectively oversee the risk management and strategic direction of the Group;
- monitoring the achievement of all objectives and the performance of the Group;
- reviewing marketing and communication strategies for the Group;
- maintaining an adequate level and quality of capital commensurate with the scale, nature and complexity of the Group's business and risk profile;
- monitoring the adequacy and effectiveness of internal controls implemented by the Company; and
- appointing and reviewing the performance of the Company's Managing Director.

The Corporate Governance Policy also details the roles and responsibilities of the Board's Committees.

The Group's key operating controlled entities each have separate Boards which are responsible for overseeing the strategy, governance and performance of those entities.

The Board has put in place a formal delegation structure that details specific authorities delegated to its Board Committees, the Managing Director, Management and those authorities specifically retained by the Board.

Role of the Managing Director

The Board has specifically delegated responsibility for the day to day management of the Company, its performance and the achievement of all agreed objectives of the Company to the Managing Director. The Managing Director is responsible for operational risk management and ensuring compliance with all policies and procedures of the Company.

Role of the Chairman

The Chairman is responsible for leading the Board and facilitating effective discussions at Board meetings. The Chairman also has delegated responsibility and authority from the Board to conduct annual individual performance assessments of all Non Executive Directors.

Board Size and Composition

In accordance with the Australian Prudential Regulation Authority's (APRA) *Prudential Standard CPS 510 Governance* and the Company's Constitution, the Board:

- comprises a majority of independent Non Executive Directors;
- is chaired by an independent Non Executive Director;
- has a minimum of five Directors; and
- has an appropriate mix of skills, experience and personal attributes which allow the Directors individually, and the Board collectively, to discharge their role and responsibilities.

CORPORATE GOVERNANCE STATEMENT

In accordance with APRA's *Prudential Standard CPS 520 Fit and Proper* the Board membership must comprise Directors with the appropriate skills, experience and knowledge and who act with honesty and integrity. That is, they are considered to be fit and proper.

The current membership of the Board is set out in the Directors' Report and comprises six independent Non Executive Directors and one Executive Director.

Board Renewal and Succession Planning

The Company's Constitution requires the regular rotation of Non Executive Directors such that no Non Executive Director serves for a period of more than three years without re-election.

A particular focus of the Board is to preserve continuity and have an appropriate pool of skills and experience, whilst achieving an orderly succession of the Board's long serving members. The Board has established a Board Renewal Plan that sets out how the Board intends to progressively and systematically renew its membership.

In accordance with the Company's Constitution, Mr Daryl Stillwell and Mr Geoffrey Vogt will retire by rotation at the upcoming 2016 Annual General Meeting and offer themselves for re-election at that meeting. Further information on Messrs Stillwell and Vogt is available in the Explanatory Memorandum contained within the Notice of Annual General Meeting.

Board Performance Evaluation

The Board must ensure that the Directors and Senior Management of the Group, collectively, have the full range of skills needed for the effective and prudent operation of the Group. This includes the requirement for Directors, collectively, to have the necessary skills, knowledge and experience to understand the risks of the Company, including its legal and prudential obligations and to ensure that the Group is managed in an appropriate way.

The Board Performance Evaluation Procedures assess the performance of Non Executive Directors and the Managing Director relative to their respective objectives and their contribution to Board deliberations and processes.

The Remuneration and Nomination Committee, together with the Chairman, is responsible for evaluating the Board's performance and each Director's individual performance including that of the Chairman and Managing Director. The Chairman reviewed the performance of the individual Directors of the Board with respect to the 2015/16 financial year.

Training and Development

A Director Induction Program is carried out for all new Non Executive Directors to ensure they are suitably equipped with information for their role and are aware of the governance environment within which the Group operates.

Directors are required to meet minimum standards of involvement in training and development programs in order to enhance their knowledge of the industries within which the Group operates.

Board Practices

The Board holds regular meetings to receive reports on the Group's progress and to review both the Group's operating performance and monitor the effectiveness of established strategies. The Board may meet on other occasions, as required, and the independent Non Executive Directors meet frequently in the absence of the Managing Director and Executive Management. In addition, corporate strategy meetings are held to assess and determine the strategic direction of the Group.

Details of the number of meetings held by the Board and its Committees during the 2015/16 financial year and attendance by Directors are set out in the Directors' Report.

The Board is entitled to seek independent professional advice at the Company's expense in respect of specific issues that arise from time to time.

Risk Management

KeyInvest considers risk management to be a fundamental part of the achievement of its strategic and operational objectives. The Group maintains a strong risk culture that ensures the key risks inherent in the business are well understood, formally documented and managed.

The Company is required under APRA *Prudential Standard CPS 220 Risk Management* to maintain a risk management framework and strategy that is appropriate to the nature and scale of its operations. An annual risk management declaration is provided to APRA which is signed by the Chairman of the Board and the Chairman of the Board Risk Committee. The Company's Appointed Actuary is also required to submit an assessment on the suitability of the risk management practices of the business as part of an annual Financial Condition Report which is provided to APRA.

In accordance with APRA *Prudential Standard LPS 110 Capital Adequacy*, the Company has documented its Internal Capital Adequacy Assessment Process (ICAAP) and implements the requirements of the Standard within its risk management framework.

Overall, the Board is responsible for the Group's risk management framework and oversees the implementation of systems, processes, structures and policies designed to identify, assess, mitigate and monitor risks of the Group. The active identification of risks and implementation of mitigation measures are responsibilities of Senior Management. The Board has adopted a Risk Management Strategy that defines the responsibilities of the Board, Board Audit Committee, Board Risk Committee, other Board Committees, the Managing Director, Group Chief Risk Officer (Group CRO), Senior Managers and Staff.

The Group's risk registers, risk management practices and risk and compliance policies are progressively reviewed and updated during the year.

The internal audit function has full and free access to the Board Audit Committee and the Chairman of the Board.

Board Committees

To assist the Board in discharging its role and responsibilities it maintains five Board Committees.

Each Committee operates in accordance with a written charter and it is the policy of the Board that a majority of the members of each Committee should be independent. Information on the Directors and their Committee memberships can be found in the Directors' Report. The role and function of each Committee is reviewed annually by the Board.

The Committees of the Board are:

<u>Corporate Governance Committee</u>

The Corporate Governance Committee has been established to advise on the Group's corporate governance policies and procedures and to oversee the maintenance of the Company's Benefit Fund Rules.

In particular, the Committee is responsible for ensuring the Company's compliance with APRA's *Prudential Standard CPS 510 Governance.*

<u>Remuneration and Nomination Committee</u>

In accordance with APRA's *Prudential Standard CPS 510 Governance* this Committee comprises a minimum of three Non Executive Directors, with a majority of the members of the Committee being independent.

The Remuneration and Nomination Committee has been established to review and make recommendations to the Board on remuneration and incentives applicable to the Directors and Senior Management of the Group in accordance with APRA's *Prudential Standard CPS 510 Governance* and the Group's Remuneration Policy.

This Committee is also responsible for making recommendations regarding nominations and appointments of Directors, the fitness and propriety of Directors, Senior Management, the External Auditor, the Internal Auditor and the Actuary, in accordance with APRA's *Prudential Standard CPS 520 Fit and Proper*.

<u>Board Audit Committee</u>

In accordance with APRA's *Prudential Standard CPS 510 Governance* this Committee comprises a minimum of three Non Executive Directors, with a majority of the members of the Committee being independent.

The primary function of the Board Audit Committee is to assist the Board in fulfilling its responsibilities by providing an objective non-executive review of the effectiveness of the Group's financial reporting and financial risk management framework, including:

- Financial Statements and financial reporting;
- any changes in financial reporting requirements and professional accounting requirements and standards, and advising or making recommendations to the Board;
- the scope of internal and external audit plans;
- the performance and independence of internal and external auditors; and
- the appointment and removal of the External Auditor and Internal Auditor.

Board Risk Committee

In accordance with APRA's *Prudential Standard CPS 510 Governance* this Committee comprises a minimum of three Non Executive Directors, with a majority of the members of the Committee being independent.

The primary function of the Board Risk Committee is to assist the Board in fulfilling its responsibilities by providing an objective non-executive oversight of the implementation and operation of the Group's risk management and compliance framework, including:

- reviewing and monitoring the risk culture, identifying any desired changes to it, setting the tone, and providing an environment where sound risk culture is established and maintained;
- advising the Board in relation to the Group's current and future risk appetite and Risk Management Strategy;
- establishing an enterprise-wide view of the Group's current and future risk position relative to its risk appetite and capital strength;
- overseeing Senior Management's implementation of the Risk Management Strategy;
- overseeing the effectiveness of the risk management framework including compliance and internal controls;
- constructively challenging Senior Management's proposals and decisions on all aspects of risk management arising from the Group's activities;
- reviewing the performance and setting the objectives of the Group CRO, and ensuring the Group CRO has unfettered access to the Board and the Board Risk Committee; and
- oversight of the appointment and removal of the Designated Group CRO.

Finance and Investment Committee

The Finance and Investment Committee has been established to advise the Board on the financial activities, investment policies and activities of the Group.

In particular, this Committee is responsible for reviewing and recommending for approval to the Board:

- the annual budget of the Company and each of its wholly owned subsidiaries;
- the bonus rates to be declared on capital guaranteed investment bonds;
- the financial viability of major projects; and
- the long term positioning and strategies of the Group.

FINANCIAL REPORT

These Financial Statements are the consolidated Financial Statements of the Group consisting of KeyInvest Ltd and its subsidiaries.

The Financial Statements are presented in the Australian currency.

KeyInvest Ltd is a company limited by shares and guarantee, however no shares have been issued.

The Company is incorporated and domiciled in Australia and its registered office and principal place of business is 49 Gawler Place, Adelaide, South Australia 5000.

A description of the nature of the consolidated entity's operations and its principal activities is included in the Directors' Report on pages 13 to 17 which is not part of these Financial Statements.

The Financial Statements were authorised for issue by the Directors on 28 September 2016.

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DIRECTORS' REPORT

The Directors of KeyInvest Ltd (Company) present their report, together with the Financial Statements of the Group, being the Company and its controlled entities, for the year ended 30 June 2016.

Principal Activities

The Group's principal activities during the financial year were the provision of financial products and services (specifically Life Investment Contracts to members), the development and management of retirement villages and the provision of lending services to the general public.

There were no significant changes to the Group's principal activities during the year.

Review of the Group's Operations and Results

An overview of the Group's operations is also set out in the Managing Director's section of the Annual Report.

The members' entitlement to the Group's net profit (loss) from ordinary activities after income tax for the financial year was $604,771 (2015: $1,084,900).

Operating revenue of the Group for the financial year was $21,186,054 (2015: $23,443,722).

The total comprehensive income for the year was $825,001 (2015: $1,519,944).

The net assets of the Group as at 30 June 2016 declined to $32,165,533 (2015: $32,315,365).

Life Investment Funds

The most significant item affecting the performance of the Company's Life Investment Contracts with members are market yields on investment securities which reached historic lows during the financial year. Notwithstanding this, all the Company's capital guaranteed Life Investment Funds exceeded their investment performance benchmarks before fees and tax.

Earnings of $4,244,433 (2015: $5,758,718) on Statutory Funds were a significant part of the overall operating revenue of the Group.

Members' Life Investment Contract funds at the end of the financial year declined to $170,964,719 (2015: $175,093,627).

Retirement Living

The Group's Retirement Services division achieved higher unit sales transactions compared to previous years reflecting our strong sales team, active management and an improved market.

Deferred management fees and development profits of $1,925,093 (2015: $1,503,761) from sales of new and existing retirement village units was achieved this year and ongoing construction at the three development villages will provide stock to support higher unit sales in future years.

Lending Services

KeyInvest Lending Services continued to build its market position and equip its business for future growth from its nationwide network of brokers which has grown this year through successful broker attraction strategies.

Commission revenue from Lending Services grew to $7,544,016 (2015: $7,326,267).

Significant Changes in State of Affairs

During the financial year the Group:

- Acquired the remaining 19% ownership interest in the Chiton retirement village, which has resulted in Chiton RV Pty Ltd, the Chiton RV Unit Trust and Chiton RV Developments Pty Ltd becoming wholly owned Group entities effective from 31 August 2015. Other than the above, there were no other significant changes in the state of affairs of the Group during the financial year.

After Balance Date Events

There have been no matters or circumstances that have arisen, which significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

DIRECTORS' REPORT

Future Developments, Prospects and Business Strategies

Disclosure of information relating to future developments of the Group in future financial years is likely to result in unreasonable prejudice to the interests of the Group. Accordingly, this information has not been disclosed in this Report.

Directors

The names and particulars of the Directors of the Company during the financial year:

	**Dr Roger Sexton AM** Chairman (Independent Non Executive)	BEc (Hons), MEc, PhD (Econ), FAICD, FAIM, SF Fin, CPMgr, CUniv Appointed Director on 1 October 2003 and is the Chairman of the Remuneration and Nomination Committee. Dr Sexton is an Investment Banker with over 30 years experience and is a specialist in corporate reconstruction, financial planning and funds management. He is a Director of a number of private and public company Boards and organisations.
	**Daryl Stillwell** Deputy Chairman (Independent Non Executive)	BA, Dip App Psych, Reg Psych MAPS(MCOP), FAICD, CMC, MAHRI Appointed Director on 1 July 2005 and is a member of the Corporate Governance Committee, the Finance and Investment Committee and Remuneration and Nomination Committee. Mr Stillwell is Managing Director of a human resources consulting company and has over 40 years experience within that industry.
	**Donny Walford** Director (Independent Non Executive)	FAICD Appointed Director on 1 July 2005 and is the Chairman of the Finance and Investment Committee and a member of the Remuneration and Nomination Committee. Ms Walford is CEO of a strategy consulting company and has extensive experience in financial management, human resources, strategic planning and project management.
	**Tim Sarah** Director (Independent Non Executive)	BEc, MBA (Exec), ACA, FAICD Appointed Director on 1 July 2007 and is the Chairman of the Board Audit Committee and a member of the Board Risk Committee and the Corporate Governance Committee. Mr Sarah is Joint Managing Director of a private commercial construction group with 20 years experience. Previously he worked in a professional accounting firm.
	**Geoff Vogt** Director (Independent Non Executive)	BEc, FAICD, FGIA, FCIS, SF Fin, FCPA, ANZIF (Assoc), CTP, RFD Appointed Director on 27 May 2010 and is the Chairman of the Board Risk Committee and a member of the Board Audit Committee and the Finance and Investment Committee. Mr Vogt is CEO of the Industry Leaders Fund Inc and a director on a number of boards. Previously he worked as a CEO and in other senior executive roles primarily in the finance and insurance industries.

DIRECTORS' REPORT

	**Marcus La Vincente** Director (Independent Non Executive)	LLB, MBA, FAICD, FAIM, FANZCN, Notary Public Appointed Director on 15 November 2011 and is the Chairman of the Corporate Governance Committee and a member of the Board Audit Committee and the Board Risk Committee. Mr La Vincente was a Partner with the law firm Minter Ellison for 10 years ending in June 2013 and is now a Senior Legal Adviser to that law firm. Mr La Vincente has extensive commercial and corporate law experience as well as acting for a number of prominent not for profit organisations.
	**Ian Campbell** Managing Director (Executive)	BBus (Acctg), GMQ, MBA, FAICD, FCPA, JP Appointed Director on 30 November 2004 and Managing Director in January 2007. Mr Campbell has a 20 year corporate and business banking background. Upon leaving the banking industry he successfully developed and operated two home loan companies nationally. At KeyInvest, he has combined his strong financial services and business building background to the creation of KeyInvest Lending Services and overseeing the development and growth of the Company's Retirement Services business.

During the year the following persons resigned as Directors of the following controlled entities.

• KeyInvest Retirement Living Pty Ltd • KeyInvest Gables Pty Ltd • KeyInvest Horsham Pty Ltd • KeyInvest Winzor Pty Ltd • Life Events Bond Pty Ltd	Roger Sexton, Daryl Stillwell, Donny Walford, Tim Sarah, Geoff Vogt and Marcus La Vincente.

During the year the following persons were appointed as Directors of the following controlled entities.

• KeyInvest Retirement Living Pty Ltd • KeyInvest Gables Pty Ltd • KeyInvest Horsham Pty Ltd • KeyInvest Winzor Pty Ltd • Life Events Bond Pty Ltd	Stephen Favretto.

The following persons were Directors of the following controlled entities as at the date of this report.

• KeyInvest Property Loans Pty Ltd • Australian Associated Advisers Pty Ltd • KeyInvest Lending Pty Ltd • Money Advisers Pty Ltd	Roger Sexton (Chairman), Donny Walford and Ian Campbell.
• Chiton RV Pty Ltd • Chiton RV Developments Pty Ltd • KeyInvest Retirement Living Pty Ltd • KeyInvest Gables Pty Ltd • KeyInvest Horsham Pty Ltd • KeyInvest Vistas Pty Ltd • KeyInvest Winzor Pty Ltd • Life Events Bond Pty Ltd	Ian Campbell and Stephen Favretto.

Company Secretary

Dion Silvy, Chartered Secretary, AGIA, ACIS, BFin, GradDipAppFin (Wealth Management)

Mr Silvy has been the appointed Company Secretary since 27 March 2014. Mr Silvy's professional experience includes corporate advisory and corporate secretarial work for numerous Australian and international companies and four years with the Australian Securities Exchange (ASX) advising listed companies on ASX compliance matters. In addition to his professional qualification as a Chartered Secretary he holds a Bachelor of Finance and a Diploma of Applied Finance and Investment.

Directors' Meetings

The table below shows the number of Directors' meetings of the Company held (including meetings of Board Committees) and the number of meetings attended by each of the Directors of the Company during the year:

	Board of Directors		Corporate Governance		Finance and Investment		Remuneration and Nomination		Board Audit		Board Risk	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
R N Sexton	11	11	-	-	-	-	4	4	-	-	-	-
D L Stillwell	11	11	4	4	5	5	4	4	-	-	-	-
D Walford	11	11	-	-	5	5	4	4	-	-	-	-
T H Sarah	11	11	4	4	-	-	-	-	6	6	7	7
G T Vogt	11	10	-	-	5	5	-	-	6	6	7	7
M D La Vincente	11	10	4	4	-	-	-	-	6	6	7	7
I J Campbell[1]	11	11	4	4[1]	5	5[1]	4	4[1]	6	6[1]	7	7[1]

1 Ian Campbell attended Committee meetings by invitation

In addition, a number of Directors' meetings were held during the year for entities in the KeyInvest Property Loans Group.

Indemnification of Officers or Auditors

During the financial year the Group paid a premium in respect of a contract insuring the Directors, the Company Secretary and all officers of the Group, against liabilities incurred in their capacity as a director, secretary or officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liabilities covered and the amount of premium.

During or since the end of the financial year the Group has not indemnified or made a relevant agreement to indemnify the Group's Auditor against a liability arising out of their conduct while acting as the Group's Auditor. In addition, the Group has not paid, or agreed to pay, a premium in respect of a contract insuring against a liability incurred by the Group's Auditor.

DIRECTORS' REPORT

Proceedings

No person has applied for leave of Court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings. The Group was not a party to any such proceedings during the year.

Environmental Issues

The Group's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory. The Group promotes environmentally sustainable business practices across all its operations.

Company Structure and Dividend Policy

The Company is a public company, limited by shares and guarantee:

- No shares have been issued with respect to the Company and the Directors have no present intention to issue shares or declare any dividends in the next financial year.

- The guarantee provided by members acts as both the means of membership of the Company and the means of limiting the members' liability (the amount of each member's guarantee is up to a maximum of $1).

Options

No options over interests in the Group were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

Auditor's Independence Declaration

The Auditor's Independence Declaration as required under section 307C of the Corporations Act 2001 follows the Directors' Report.

Signed in accordance with a resolution of the Board of Directors.

On behalf of the Board of Directors.

Dr Roger N Sexton AM
Chairman

Date: 28 September 2016

AUDITOR'S INDEPENDENCE DECLARATION

Nexia
Edwards Marshall

KEYINVEST LTD
AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF KEYINVEST LTD

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2016 there have been:

(i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

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

Nexia Edwards Marshall

Nexia Edwards Marshall
Chartered Accountants

BD Morkunas

Brett Morkunas
Partner

Adelaide
South Australia

28 September 2016

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STATEMENT OF FINANCIAL POSITION
As at 30 June 2016

		Consolidated Group		Parent Entity	
	Note	2016	2015	2016	2015
		$	$	$	$
ASSETS					
Cash and cash equivalents	2	629,155	1,253,065	95,347	200,706
Other financial assets	3	1,923,084	1,961,053	4,438,145	4,482,989
Receivables	4	1,498,356	1,776,320	12,455,992	11,986,995
Current tax assets	6	17,040	-	-	-
Investment Property	7	37,059,036	34,889,947	19,015,866	17,845,000
Property, Plant and Equipment	8	2,836,884	2,728,502	1,010,244	926,819
Life Investment Contracts policyholder assets	9	170,964,719	175,093,627	170,964,719	175,093,627
Deferred tax assets	6	4,079,838	3,238,016	3,513,400	2,622,711
Intangible assets	10	4,498,080	4,427,179	-	-
Total Assets		**223,506,192**	**225,367,709**	**211,493,713**	**213,158,847**
LIABILITIES					
Payables	11	2,228,305	2,096,872	1,740,525	1,908,037
Current tax liabilities	6	-	88,975	-	-
Financial liabilities	12	5,742,474	3,979,783	1,500,000	-
Provisions	13	3,495,271	3,833,409	3,354,601	3,711,817
Life Investment Contracts policyholder liabilities	9	170,964,719	175,093,627	170,964,719	175,093,627
Deferred tax liabilities	6	8,909,890	7,959,678	8,426,389	7,616,591
Total Liabilities		**191,340,659**	**193,052,344**	**185,986,234**	**188,330,072**
NET ASSETS		**32,165,533**	**32,315,365**	**25,507,479**	**24,828,775**
EQUITY					
Retained earnings		28,960,255	28,355,484	25,507,479	24,828,775
Parent interest		28,960,255	28,355,484	25,507,479	24,828,775
Minority equity interest		3,205,278	3,959,881	-	-
Total Equity		**32,165,533**	**32,315,365**	**25,507,479**	**24,828,775**

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2016

	Note	Consolidated Group 2016 $	Consolidated Group 2015 $	Parent Entity 2016 $	Parent Entity 2015 $
Revenue	14	21,186,054	23,443,722	11,534,590	12,964,228
Expenses	14	(20,776,193)	(22,310,211)	(11,260,361)	(13,324,953)
Profit (loss) before income tax expense		409,861	1,133,511	274,229	(360,725)
Income tax (expense) benefit	6d	3,150	(373,440)	130,680	99,407
Net profit (loss) after related income tax expense		413,011	760,071	404,909	(261,318)
Add back: Net result attributable to Life Investment Contracts recorded as unallocated policyholder benefits	9	273,795	759,873	273,795	759,873
Transfers from (to) Life Funds		-	-	-	-
Net profit (loss) after result attributable to Life Investment Contracts		**686,806**	**1,519,944**	**678,704**	**498,555**
Other comprehensive income after income tax					
Gain on acquisition of non-controlling interest		138,195	-	-	-
Total comprehensive income for the year		**825,001**	**1,519,944**	**678,704**	**498,555**
Profit (loss) attributable to:					
Members of the Parent Entity		604,771	1,084,900	678,704	498,555
Minority equity interests		220,230	435,044	-	-
Net profit (loss) after result attributable to Life Investment Contracts		**825,001**	**1,519,944**	**678,704**	**498,555**
Total comprehensive income attributable to:					
Members of the Parent Entity		604,771	1,084,900	678,704	498,555
Minority equity interests		220,230	435,044	-	-
Total comprehensive income for the period		**825,001**	**1,519,944**	**678,704**	**498,555**

The accompanying notes form part of these Financial Statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2016

	Retained Earnings $	Minority Equity Interests $	Total $
Consolidated Group			
BALANCE AT 30 JUNE 2014	**27,270,556**	**3,649,488**	**30,920,044**
Profit (loss) attributable to members of the Parent Entity	1,084,928	-	1,084,928
Profit (loss) attributable to minority interests	-	435,044	435,044
Transfer of reserve	-	-	-
Sub-total	1,084,928	435,044	1,519,972
Dividends paid or provided for	-	(124,651)	(124,651)
BALANCE AT 30 JUNE 2015	**28,355,484**	**3,959,881**	**32,315,365**
Profit (loss) attributable to members of the Parent Entity	604,771	-	604,771
Profit (loss) attributable to minority interests	-	220,230	220,230
Disposal of minority interest	-	(758,197)	(758,197)
Sub-total	604,771	(537,967)	66,804
Dividends paid or provided for	-	(216,636)	(216,636)
BALANCE AT 30 JUNE 2016	**28,960,255**	**3,205,278**	**32,165,533**
Parent Entity			
BALANCE AT 30 JUNE 2014	**24,330,220**	**-**	**24,330,220**
Transfer of reserve			
Profit (loss) attributable to members of the Parent Entity	498,555	-	498,555
BALANCE AT 30 JUNE 2015	**24,828,775**	**-**	**24,828,775**
Profit (loss) attributable to members of the Parent Entity	678,704	-	678,704
BALANCE AT 30 JUNE 2016	**25,507,479**	**-**	**25,507,479**

STATEMENT OF CASH FLOWS

For the year ended 30 June 2016

	Note	Consolidated Group 2016 $	Consolidated Group 2015 $	Parent Entity 2016 $	Parent Entity 2015 $
Cash flows from operating activities					
Operating receipts from customers		12,287,198	9,778,051	2,565,786	1,962,386
Interest and investment management fee receipts		2,627,987	3,065,129	2,750,815	3,048,710
Net receipts from issue of retirement village loans and licences		1,546,768	2,545,479	646,518	605,779
Net GST recovered (paid)		(124,259)	(73,940)	86,858	85,920
Payments to suppliers and employees		(12,053,529)	(14,533,422)	(4,462,135)	(6,985,857)
Finance costs		(268,403)	(373,619)	(48,990)	(19,616)
Income tax reimbursed (paid)		233,891	950,080	276,350	567,949
Net cash provided by operating activities	17	4,249,653	1,357,758	1,815,202	(734,729)
Cash flows from investing activities					
Purchase of Property, Plant and Equipment		(362,203)	(202,819)	(311,387)	(165,821)
Capital expenditure on retirement villages		(5,488,553)	(3,953,242)	(2,924,570)	(998,011)
Capital expenditure on buildings		(256,285)	(767,582)	(256,285)	(767,582)
Receipts from sale of retirement village buybacks and new units		378,325	1,503,761	246,040	623,339
Sales (purchase) of business		(690,861)	(1,008,446)	-	-
Net cash provided by (used in) investing activities		(6,419,577)	(4,428,328)	(3,246,202)	(1,308,075)
Cash flows from financing activities					
Proceeds from borrowing		3,385,463	551,321	1,900,000	-
Repayment of borrowing		(1,622,813)	(373,573)	(400,000)	-
Loans to subsidiaries		-	-	(174,359)	(1,534,547)
Dividends paid		(216,636)	(124,651)	-	-
Net cash provided by (used in) financing activities		1,546,014	53,097	1,325,641	(1,534,547)
Net increase (decrease) in cash held		(623,910)	(3,017,473)	(105,359)	(3,577,351)
Cash held at beginning of year		1,253,065	4,270,538	200,706	3,778,057
Cash held at end of year	2	**629,155**	**1,253,065**	**95,347**	**200,706**

NOTES TO THE FINANCIAL STATEMENTS
30 June 2016

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The Financial Statements are General Purpose Financial Statements that have been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB), the Corporations Act 2001 and the Life Insurance Act 1995. For the purposes of preparing the Financial Statements the Group is a for profit entity.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a Financial Report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the Financial Statements and Notes also comply with International Financial Reporting Standards (IFRS). Material accounting policies adopted in the preparation of the Financial Statements are presented below and have been consistently applied unless otherwise stated.

The Financial Statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

a **Presentation of Financial Statements:** Friendly Society Financial Statements for general purpose reporting have been aligned with the requirements of the Australian Accounting Standards as they apply to Life Companies.

The accounting policies have been consistently applied to all years presented.

Reporting Basis and Conventions: Except for cash flow information, the Financial Statements have been prepared on an accruals basis and are based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

b **Principles of Consolidation:** The consolidated Financial Statements incorporate the assets, liabilities and results of entities controlled by KeyInvest Ltd at the end of the reporting period. A controlled entity is any entity over which KeyInvest Ltd has the power to govern the financial and operating policies so as to obtain benefits from its activities. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are considered.

As at the reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated Financial Statements as well as their results for the year then ended. Where controlled entities have entered (left) the Consolidated Group during the year, their operating results have been included (excluded) from the date control was obtained (ceased).

A list of controlled entities is contained in Note 5 to the Financial Statements.

In preparing the Financial Statements all inter-group balances and transactions between entities in the Consolidated Group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the Parent Entity.

Minority interests, being that portion of the profit or loss and net assets of subsidiaries attributable to equity interests held by persons outside the Group, are shown separately within the Equity section of the consolidated Statement of Financial Position and in the consolidated Statement of Comprehensive Income.

Business Combinations: Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is obtained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exceptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination, other than those associated with the issue of a financial instrument, are recognised as expenses in profit or loss when incurred.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

c **Income Tax:** The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

The current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is the tax payable on taxable income and is calculated using tax rates that have been enacted or are substantively enacted by the Statement of Financial Position date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit and loss when tax relates to items that are credited or charged directly to equity.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont)

c Income Tax (cont):

Deferred tax is accounted for using the Statement of Financial Position liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Statements. Deferred tax assets and liabilities are recognised at the tax rates expected to apply when the asset is realised or the liability settled. Their measurement also reflects the manner in which Management expects to recover or settle the carrying amount of the related asset or liability. Deferred income tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future tax profits will be available against which the benefits of the deferred tax asset can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation, and the anticipation that the Company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

d Tax Consolidation: KeyInvest Ltd and its wholly owned Australian subsidiaries have formed an income tax Consolidated Group under tax consolidation legislation. Each entity in the Group recognises its own current and deferred tax assets and liabilities. Such taxes are measured using the "stand alone taxpayer" approach to allocation. Current tax liabilities (assets) and deferred tax assets arising from unused tax losses and tax credits in the subsidiaries are immediately transferred to the head entity. The Group notified the Australian Taxation Office that it had formed an income tax Consolidated Group to apply from 1 July 2008. The tax Consolidated Group has entered a tax funding arrangement whereby each company in the Group contributes to the income tax payable by the Group in proportion to their contribution to the Group's taxable income. Differences between the amounts of net tax assets and liabilities derecognised and the net amounts recognised pursuant to the funding arrangement are recognised as either a contribution by, or distribution to, the head entity.

e Fair Value of Assets and Liabilities: The Group measures certain assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly (ie unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (ie the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (ie the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instrument, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective Note to the Financial Statements.

f Retirement Villages: The Group is involved in the construction and management of retirement villages. During acquisition and construction, retirement villages will be recognised at cost and when "units of account" are complete, or substantially complete, they are stated at fair value. The fair value represents the present value of future cash flows based upon statistical modelling of incoming and outgoing residents and includes assumptions in respect of a number of factors, such as average length of residence and expected changes in property prices. A "unit of account" for present value of future cash flow purposes is a stage of the retirement village development which comprises apportionment of land and infrastructure and complete or substantially complete dwellings. Land and work in progress available for future retirement village development are held at cost and tested for impairment.

The retirement villages are re-valued annually as at 30 June on the basis of a discounted cash flow evaluation of the Group's ongoing interest in the retirement villages. These valuations are carried out by Certified Practising Valuers and by the Group's Directors in a cycle which results in each retirement village being independently valued by a Certified Practising Valuer every third year. The increment or decrement resulting from the valuation is added to or deducted from the retirement village asset account (Note 7b). The Group's interest, net of residents' interests, is shown in Note 7b and the movement in the total increment or decrement resulting from the revaluation is reflected in the Statement of Comprehensive Income.

The classification of land and work in progress within Investment Property reflects the nature and purpose of these assets in accordance with AASB 140, paragraph 8(e) which indicates such items should be classified within Investment Property as it is "property being constructed or developed for future use as Investment Property".

Long Term Maintenance Funds have been established from resident contributions for the purpose of maintenance, repair, replacement or renovation of large cost items generally with an effective life of more than one year. Capital Replacement Funds have been established from the retention of a percentage of the resident loan amount generally for the purpose of capital improvement, upgrade and maintenance of specific infrastructure.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont)

g Property, Plant and Equipment: Each class of Property, Plant and Equipment is carried at cost or fair value, less where applicable, any accumulated depreciation and impairment losses.

Property: Land and buildings, are shown at their fair value, being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction based on annual valuations by external independent valuers. Changes to fair value are recorded in the Statement of Comprehensive Income.

Plant and Equipment: Assets are measured on a cost basis less accumulated depreciation and accumulated impairment losses, if any. Assets are reviewed for impairment annually by Directors to ensure that the carrying amount is not in excess of the recoverable amount from these assets. Recoverable amounts are determined as the net amounts expected to be recovered through the net cash inflows arising from the assets' continued use and subsequent disposal. In determining the recoverable amounts expected net cash inflows have been discounted to their present value.

Depreciation of Property, Plant and Equipment: (Refer Note 8) All fixed assets, excluding freehold land, are depreciated at rates deemed to be appropriate to their useful lives to the Group commencing from the time the asset is held ready for use. These rates are:

Class of Asset	**Straight Line % pa**
Buildings	2.5
Office equipment	3.0 to 40.0
Furniture and fittings	1.0 to 18.0

Buildings held for investment purposes are not subject to depreciation for accounting purposes.

h Investment Property: Investment Property comprises a freehold office building and retirement villages. The office building is held to generate long term rental yields and the retirement villages are held to provide long term yields from deferred management fees and development profits. All tenant leases and loan contracts are on an arm's length basis. Investment Property is carried at fair value, determined annually by independent valuers. Changes to fair value are recorded in the Statement of Comprehensive Income.

i Leases: Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that is transferred to entities in the Consolidated Group, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

j Financial Instruments - Recognition: Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provision of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by market place convention.

The Group does not designate any interests in subsidiaries or entities as being subject to the requirements of Accounting Standards specifically applicable to financial instruments.

Classification and Subsequent Measurement

Financial instruments are subsequently measured at either fair value, amortised cost using the effective interest rate method or cost. Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as: (i) the amount at which the financial asset or financial liability is measured at initial recognition; (ii) less principal repayments; (iii) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method; and (iv) less any reduction for impairment.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of Accounting Standards specifically applicable to financial instruments.

NOTES TO THE FINANCIAL STATEMENTS
30 June 2016

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont)

j Financial Instruments - Recognition (cont):

Financial Assets at Fair Value through Profit and Loss: A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by Management and within the requirements of AASB 139: Financial Instruments: Recognition and Measurement. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the Statement of Comprehensive Income in the period in which they arise.

Loans and Receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Held-to-maturity investments: Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group's intention to hold these investments to maturity. They are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

Available-for-sale investment: Available-for-sale investments are non-derivative financial assets that are either not capable of being classified into other categories of financial assets due to their nature or they are designated as such by Management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with any remeasurements other than impairment losses and foreign exchange gains and losses recognised in other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Available-for-sale financial assets are classified as non-current assets when they are not expected to be sold within 12 months after the end of the reporting period. All other available-for-sale financial assets are classified as current assets.

Financial Liabilities: Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Derivative Instruments: Derivative instruments are measured at fair value. Gains and losses arising from changes in fair value are taken to the Statement of Comprehensive Income in the period they arise.

Fair Value: Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value of all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment: At the end of each reporting period, the Group assesses whether there is objective evidence that a financial asset has been impaired. A financial asset (or a group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of available-for-sale financial assets, a significant or prolonged decline in the market value of the instrument is considered to constitute a loss event. Impairment losses are recognised in profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified into profit or loss at this point.

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if the Directors establish that the carrying amount cannot be recovered by any means, at that point the anticipated loss is charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the Group recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss event that has occurred is duly considered.

k Impairment of Assets: At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over the recoverable amount is immediately expensed to the Statement of Comprehensive Income.

l Interests in Joint Arrangements: The Consolidated Group's share of the assets, liabilities, revenue and expenses of joint venture operations are included in the appropriate items of the consolidated Financial Statements.

The Consolidated Group's interests in joint venture entities are brought to account using the equity method of accounting in the consolidated Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS
30 June 2016

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont)

m Goodwill: Goodwill is initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses.

n Cash and Cash Equivalents: Cash and cash equivalents include cash on hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within short term borrowing in current liabilities on the Statement of Financial Position.

o Life Business - Disclosure: The Financial Statements recognise the assets, liabilities, income and expenses of the life insurance business conducted by the Group in accordance with AASB 139: Financial Instruments: Recognition and Measurement and AASB 1038: Life Insurance Contracts which apply to investment contracts and assets backing insurance liabilities respectively. These amounts represent the total life business of the Group.

Investment Assets: Investment assets are carried at fair value through profit and loss. Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value of all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models. Changes in fair values are recognised in the Statement of Comprehensive Income in the financial period in which the changes occur.

Restriction on Assets: Assets held in the Life Funds can only be used within the restrictions imposed under the Life Insurance Act 1995. The main restrictions are that the assets in a fund can only be used to meet the liabilities and expenses of the fund, acquire investments to further the business of the fund or pay distributions when capital adequacy requirements allow. Policyholders can only receive a distribution when the capital adequacy requirements of the Life Insurance Act 1995 are met.

Policy Liabilities: Life insurance liabilities are measured as the accumulated benefits to policyholders in accordance with AASB 139 and AASB 1038, which apply to investment contracts and assets backing insurance liabilities respectively.

p Employee Benefits: Provision is made for the Group's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may not satisfy vesting requirements. Those cash flows are discounted using market yields on national Government bonds with terms to maturity that match the expected timing of cash flows.

Contributions are made by the Group to employee superannuation funds and are charged as expenses when incurred. Contributions are the percentage of employees' salaries required under the Superannuation Guarantee Levy Legislation. For 2016 these were 9.5% (2015: 9.5%).

q Provisions: Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

r Revenue Recognition: All revenue stated is net of the amount of Goods and Services Tax (GST). All revenue received arises from the operating activities of the Group.

Interest: Interest income is recognised on an accruals basis. The discount on securities such as bills of exchange, being the difference between cost and face value of the security, is recognised progressively over the life of the investment.

Changes in Net Fair Values: Changes in net fair values of investment assets, being the movement from one balance date to the next, are reported in the Statement of Comprehensive Income.

Income Distribution from Trusts: Distributions from investment trusts are recognised within the financial year that the distribution is allocated.

Property Rental: Rental income from tenancy leases is recognised on an accruals basis. Any lease incentives are usually provided via rental holidays or rental discounts. Rental, or maintenance fees, from retirement village residents, is brought to account over the period of accommodation.

Management Fees: The Parent Entity receives various fees from the Life Investment Contracts. These fees are recognised and brought to account in accordance with the Rules of the respective Benefit Funds and the Constitution.

Commission Revenue: Origination commission arising from loan settlements is brought to account once the provision of service has occurred, generally in the month following settlement.

Income from Sale of Property, Plant and Equipment: The profit or loss on the sale of Property, Plant and Equipment used for operational purposes is recognised upon the sale of the asset.

Retirement Village Unit and Apartment Sales: Revenue on sales of retirement village units and apartments are recognised on the execution of a loan contract and receipt of the loan proceeds.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont)

s **Borrowing Costs:** Borrowing 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.

All other borrowing costs are recognised in the Statement of Comprehensive Income in the period in which they are incurred.

t **Goods and Services Tax:** Revenue, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Cash flows are presented in the Statement of Cash Flows on a gross basis, except for the GST component of investing and financing activities which are disclosed as operating cash flows.

u **Comparative Figures:** Where required by Australian Accounting Standards, comparative figures have been adjusted to conform with changes in presentation for the current financial year.

v **Critical Accounting Estimates and Judgements:** The Directors evaluate estimates and judgements incorporated into the Financial Statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Key Estimates - Impairment: The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value in use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate present value.

The carrying amount of goodwill at balance date was $4,498,080, details of which are provided in Note 10.

Key Judgements: Investment Property - Retirement Villages

In accounting for its retirement villages in accordance with AASB 140: Investment Property, the Group defines an investment property unit of account to represent a stage of development (refer Notes 1f and 7 for more details).

w **New and Amended Accounting Policies Adopted by the Group**

Consolidated Financial Statements

In the current year, no amendments to AASBs or new Interpretations issued by the AASB were applied by the Group.

x **New Accounting Standards for Application in Future Periods**

Accounting Standards issued by the AASB that are not yet mandatorily applicable to the Group, together with an assessment of the potential impact of such pronouncements on the Group when adopted in future periods, are discussed below:

AASB 9: Financial Instruments and associated Amending Standards (applicable to annual reporting periods beginning on or after 1 January 2018).

The Standard will be applicable retrospectively (subject to the provisions on hedge accounting outlined below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

The key changes that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for expected credit loss, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of the Standard, the application of such accounting would be largely prospective.

Although the Directors anticipate that the adoption of AASB 9 may have an impact on the Group's financial instruments, including hedging activity, it is impracticable at this stage to provide a reasonable estimate of such impact.

AASB 15: Revenue from Contracts with Customers (applicable to annual reporting periods beginning on or after 1 January 2018, as deferred by AASB 2015-8: Amendments to Australian Accounting Standards - Effective Date of AASB 15).

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont)

x New Accounting Standards for Application in Future Periods (cont):

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five step process:

- identify the contract(s) with a customer;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

This Standard will require retrospective restatement, as well as enhanced disclosures regarding revenue.

Although the Directors anticipate that the adoption of AASB 15 may have an impact on the Group's Financial Statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

AASB 16: Leases (applicable to annual reporting periods beginning on or after 1 January 2019).

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: Leases and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard include:

- recognition of a right to use asset and liability for all leases (excluding short term leases with less than 12 months of tenure and leases relating to low value assets);
- depreciation of right to use assets in line with AASB 116: Property, Plant and Equipment in profit or loss and unwinding of the liability in principal and interest components;
- variable lease payments that depend on an index or a rate are included in the initial measurement of the lease liability using the index or rate at the commencement date;
- by applying a practical expedient, a lessee is permitted to elect not to separate non-lease components and instead account for all components as a lease; and
- additional disclosure requirements.

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108: Accounting Policies, Changes in Accounting Estimates and Errors or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

Although the Directors anticipate that the adoption of AASB 16 will impact the Group's Financial Statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

NOTES TO THE FINANCIAL STATEMENTS
30 June 2016

	Consolidated Group		Parent Entity	
	2016	**2015**	**2016**	**2015**
	$	**$**	**$**	**$**
NOTE 2: CASH AND CASH EQUIVALENTS				
Cash at bank and in hand	157,981	259,209	95,347	91,657
Short term money market	471,174	993,856	-	109,049
	629,155	**1,253,065**	**95,347**	**200,706**
Maturity Analysis				
0-3 months	**629,155**	**1,253,065**	**95,347**	**200,706**

	Consolidated Group 2016 $	Consolidated Group 2015 $	Parent Entity 2016 $	Parent Entity 2015 $
NOTE 3: OTHER FINANCIAL ASSETS				
Available for sale financial assets	1,343,192	1,388,036	1,343,192	1,388,036
Held to maturity financial assets	579,892	573,017	573,017	573,017
Other investments	-	-	2,521,936	2,521,936
	1,923,084	**1,961,053**	**4,438,145**	**4,482,989**
a Available for Sale Financial Assets Comprise				
Unlisted investments at fair value				
- units in unit trusts	1,343,192	1,388,036	1,343,192	1,388,036
Total available for sale financial assets	**1,343,192**	**1,388,036**	**1,343,192**	**1,388,036**

Available for sale financial assets comprise investments in the ordinary issued capital of various entities and units in unit trusts. There are no fixed returns or fixed maturity dates attached to these investments. No intention to dispose of any unlisted available for sale financial assets existed at 30 June 2016.

	Consolidated Group 2016 $	Consolidated Group 2015 $	Parent Entity 2016 $	Parent Entity 2015 $
b Held to Maturity Investments Comprise				
- term deposits	**579,892**	**573,017**	**573,017**	**573,017**
c Other Investments				
Unlisted investments at cost - shares in controlled entities				
- shares in controlled entities	**-**	**-**	**2,521,936**	**2,521,936**
Maturity Analysis				
0-3 months	1,343,192	1,388,036	3,865,128	3,909,972
3-12 months	573,017	573,017	573,017	573,017
1-5 years	6,875	-	-	-
	1,923,084	**1,961,053**	**4,438,145**	**4,482,989**

NOTE 4: RECEIVABLES

	Consolidated Group 2016 $	Consolidated Group 2015 $	Parent Entity 2016 $	Parent Entity 2015 $
Loans to controlled entities - unsecured	-	-	11,443,248	10,723,077
Receivable from Life Funds	849,412	1,053,725	636,762	970,561
Interest and distributions receivable	145,205	15,099	145,037	14,894
Prepayments	108,609	190,313	88,628	163,683
Other	395,130	517,183	142,317	114,780
Total receivables	**1,498,356**	**1,776,320**	**12,455,992**	**11,986,995**

NOTE 5: CONTROLLED ENTITIES

	Country of Incorporation	Percentage Owned (%)* 2016	Percentage Owned (%)* 2015
Controlled Entities Consolidated			
Subsidiaries of KeyInvest Ltd:			
Life Events Bond Pty Ltd	Australia	100	100
KeyInvest Retirement Living Pty Ltd	Australia	100	100
KeyInvest Gables Pty Ltd	Australia	100	100
KeyInvest Horsham Pty Ltd	Australia	100	100
KeyInvest Winzor Pty Ltd	Australia	100	100
KeyInvest Vistas Pty Ltd	Australia	100	100
KeyInvest Property Loans Pty Ltd	Australia	51.1	51.1
Australian Associated Advisers Pty Ltd	Australia	51.1	51.1
KeyInvest Lending Pty Ltd	Australia	51.1	51.1
Money Advisers Pty Ltd	Australia	51.1	51.1
Aussie Unit Trust	Australia	51.1	51.1
Chiton RV Pty Ltd ATF Chiton RV Unit Trust	Australia	100	80
Chiton RV Unit Trust	Australia	100	81
Chiton RV Developments Pty Ltd	Australia	100	80

* Percentage of voting power is in proportion to ownership

	Consolidated Group 2016 $	Consolidated Group 2015 $	Parent Entity 2016 $	Parent Entity 2015 $
NOTE 6: INCOME TAX				
a Current Tax Assets	**17,040**	**-**	**-**	**-**
b Current Tax Liabilities	**-**	**88,975**	**-**	**-**
c Income Tax Expense				
The components of tax expense comprise:				
Current tax	(826,654)	(496,392)	(764,900)	(643,886)
Deferred tax	823,504	1,575,243	634,220	833,620
Under (over) provided prior year	-	(705,411)	-	(289,141)
Income tax expense (credit)	**(3,150)**	**373,440**	**(130,680)**	**(99,407)**
d The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:				
Profit from operations before income tax expense	409,861	1,133,511	274,229	(360,725)
Non-assessable income	331,420	(266,766)	50,789	(191,150)
Other assessable amounts	72,631	76,575	72,625	76,575
Impairment adjustments	-	-	-	(296,331)
Net adjustments arising from retirement villages	(683,143)	1,416,739	(633,688)	232,060
Net adjustments arising from Life Investment Contracts	695,502	1,745,673	695,502	1,745,674
Non-deductible expenditure	(250,378)	(47,596)	(308,684)	(111,689)
	575,893	4,058,136	150,773	1,094,414
Tax expense (credit) at 30%	172,768	1,217,441	45,238	328,324
Imputation credits	(175,918)	(138,590)	(175,918)	(138,590)
Under (over) provided prior year	-	(705,411)	-	(289,141)
Income tax expense (credit)	**(3,150)**	**373,440**	**(130,680)**	**(99,407)**

NOTES TO THE FINANCIAL STATEMENTS

30 June 2016

NOTE 6: INCOME TAX (cont)

e Deferred Tax Assets and Deferred Tax Liabilities

	Opening Balance $	Charged to Income $	Closing Balance $
Consolidated Group			
Deferred Tax Asset			
2015			
Valuation adjustments	1,032,642	-	1,032,642
Carry forward tax losses	-	1,451,734	1,451,734
Employee benefit and payables movement	1,283,273	(529,633)	753,640
	2,315,915	**922,101**	**3,238,016**
2016			
Valuation adjustments	1,032,642	-	1,032,642
Carry forward tax losses	1,451,734	977,682	2,429,416
Employee benefit and payables movement	753,640	(135,860)	617,780
	3,238,016	**841,822**	**4,079,838**
Parent Entity			
Deferred Tax Asset			
2015			
Valuation adjustments	105,967	-	105,967
Carry forward tax losses	-	1,451,734	1,451,734
Employee benefit and payables movement	1,196,105	(131,095)	1,065,010
	1,302,072	**1,320,639**	**2,622,711**
2016			
Valuation adjustments	105,967	-	105,967
Carry forward tax losses	1,451,734	977,682	2,429,416
Employee benefit and payables movement	1,065,010	(86,993)	978,017
	2,622,711	**890,689**	**3,513,400**
Consolidated Group			
Deferred Tax Liability			
2015			
Valuation adjustments	6,820,282	1,139,396	7,959,678
	6,820,282	**1,139,396**	**7,959,678**
2016			
Valuation adjustments	7,959,678	950,212	8,909,890
	7,959,678	**950,212**	**8,909,890**
Parent Entity			
Deferred Tax Liability			
2015			
Valuation adjustments	6,820,282	796,309	7,616,591
	6,820,282	**796,309**	**7,616,591**
2016			
Valuation adjustments	7,616,591	809,798	8,426,389
	7,616,591	**809,798**	**8,426,389**

Tax losses do not expire under current tax legislation. Deferred tax assets which have not been recognised in respect of tax losses which will only be realised if the conditions for deductibility set out in Note 1c occur, 2016: nil (2015: $648,757).

NOTES TO THE FINANCIAL STATEMENTS
30 June 2016

	Consolidated Group		Parent Entity	
	2016	2015	2016	2015
	$	$	$	$
NOTE 7: INVESTMENT PROPERTY				
a Land and Buildings				
Opening balance	5,700,000	5,200,000	5,700,000	5,200,000
Additions	256,285	767,582	256,285	767,582
Fair value adjustments	(106,285)	(267,582)	(106,285)	(267,582)
Closing balance	5,850,000	5,700,000	5,850,000	5,700,000
Retirement Villages - Fair Value				
Opening balance	20,474,001	16,313,994	9,655,000	8,499,994
Acquisitions	-	1,008,446	-	-
Additions	3,980,619	4,015,568	1,704,010	1,342,875
Revaluation - Group's interests	(752,746)	(1,007,700)	(657,346)	(916,075)
Revaluation - Residents' interests	(3,523,754)	(1,948,300)	(1,594,654)	62,075
Transfer from undeveloped land	363,210	573,339	41,984	167,937
Transfer from work in progress	349,843	713,237	56,237	164,147
Fair value adjustments	606,827	805,417	292,769	334,047
Closing balance	21,498,000	20,474,001	9,498,000	9,655,000
Retirement Villages - Undeveloped Land				
Opening balance	6,300,000	6,590,000	1,845,000	1,940,000
Additions	-	-	-	-
Transfer to retirement villages fair value	(363,210)	(573,339)	(41,984)	(167,937)
Fair value adjustments	95,515	283,339	44,289	72,937
Closing balance	6,032,305	6,300,000	1,847,305	1,845,000
Retirement Villages - Work in Progress				
Opening balance	2,415,946	2,136,584	645,000	786,735
Additions	1,507,934	699,658	1,220,560	-
Transfer to retirement villages fair value	(349,843)	(713,237)	(56,237)	(164,147)
Fair value adjustments	104,694	292,941	11,238	22,412
Closing balance	3,678,731	2,415,946	1,820,561	645,000
Total Investment Property	**37,059,036**	**34,889,947**	**19,015,866**	**17,845,000**

	Consolidated Group		Parent Entity	
	2016	2015	2016	2015
	$	$	$	$
NOTE 7: INVESTMENT PROPERTY (cont)				
b Retirement Villages				
Investments in retirement villages as at 30 June were:				
Development and acquisition costs	109,869,404	104,652,252	50,511,669	48,782,352
Add: Revaluation				
- Group's interests	6,512,172	5,905,352	6,253,031	5,960,269
- Residents' interests	(6,492,705)	(5,216,236)	(3,248,904)	(2,664,229)
	109,888,871	105,341,368	53,515,796	52,078,392
Less: Residents' interests	(88,390,871)	(84,867,367)	(44,017,796)	(42,423,392)
Total Investment Property at fair value	21,498,000	20,474,001	9,498,000	9,655,000
Investment Property at cost (after testing for impairment):				
- Undeveloped land	6,032,305	6,300,000	1,847,305	1,845,000
- Work in progress	3,678,731	2,415,946	1,820,561	645,000
Total net investment	**31,209,036**	**29,189,947**	**13,165,866**	**12,145,000**

The 2016 valuations were conducted by external accredited independent valuer Knight Frank Valuations and by the Group's Directors. Investment properties are stated at fair value. Where the Directors determine a property's value a reasonable fair value estimate as applicable to each type of investment property is used. Fair value for completed retirement villages valued by the Group's Directors is determined using a financial model which calculates the net present value of future cash flows. The financial model incorporates information including:

(i) current prices in an active market for properties of a similar nature; and
(ii) resident turnover rates based on business experience including the expected average length of residence based on mortality assumptions and voluntary turnover, average incoming ages and distributions.

Development sites are initially recorded at cost. Subsequently the carrying value is measured against the present value of future cash flows when "units of account" are complete or substantially complete. A unit of account for present value of future cash flow purposes is a stage of the retirement village development which comprises apportionment of land and infrastructure and complete or substantially complete dwellings. In the event that the carrying value of the units of account are greater than the present value of future cash flows, an impairment charge is made (refer Note 1f for more details).

Land and work in progress available for future retirement village development are held at cost and tested for impairment.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2016

	Consolidated Group 2016 $	Consolidated Group 2015 $	Parent Entity 2016 $	Parent Entity 2015 $
NOTE 8: PROPERTY, PLANT AND EQUIPMENT				
a Land and Buildings				
Freehold land and buildings	2,364,895	2,364,895	483,831	483,831
Less: Accumulated depreciation	(78,000)	(78,000)	-	-
Additions	990	-	990	-
Add: Revaluation	-	-	-	-
Less: Accumulated impairment losses	(103,064)	(103,064)	-	-
	2,184,821	2,183,831	484,821	483,831
b Furniture, Equipment and Software				
At cost	1,890,134	1,684,162	1,677,529	1,489,745
Less: Accumulated depreciation	(1,289,143)	(1,166,433)	(1,172,986)	(1,073,699)
	600,991	517,729	504,543	416,046
c Motor Vehicles				
At cost	111,948	79,956	79,956	79,956
Less: Accumulated depreciation	(60,876)	(53,014)	(59,076)	(53,014)
	51,072	26,942	20,880	26,942
Total Property, Plant and Equipment	**2,836,884**	**2,728,502**	**1,010,244**	**926,819**

The Group engages independent accredited valuers at least every three years to determine the fair value of the land and buildings classified as Property, Plant and Equipment. The 2016 valuation was conducted by the Group's Directors using recent observable market data for similar properties.

NOTE 8: PROPERTY, PLANT AND EQUIPMENT (cont)

Movements in carrying amounts for each class of Property, Plant and Equipment during the financial year were:

Movement in Carrying Amounts	Land and Buildings $	Furniture, Equipment and Software $	Motor Vehicles $	Total $
Consolidated Group				
Balance at 30 June 2014	**2,183,831**	**507,471**	**55,708**	**2,747,010**
Acquisitions	-	-	-	-
Additions	-	202,828	-	202,828
Disposals	-	(3,203)	(16,624)	(19,827)
Valuation movement	-	-	-	-
Depreciation expense	-	(189,367)	(12,142)	(201,509)
Balance at 30 June 2015	**2,183,831**	**517,729**	**26,942**	**2,728,502**
Acquisitions	-	329,221	31,992	361,213
Additions	990	-	-	990
Disposals	-	(35,791)	-	(35,791)
Valuation movement	-	-	-	-
Depreciation expense	-	(210,168)	(7,862)	(218,030)
Balance at 30 June 2016	**2,184,821**	**600,991**	**51,072**	**2,836,884**
Parent Entity				
Balance at 30 June 2014	**483,831**	**416,393**	**34,764**	**934,988**
Acquisitions	-	-	-	-
Additions	-	171,491	-	171,491
Disposals	-	(3,203)	-	(3,203)
Valuation movement	-	-	-	-
Depreciation expense	-	(168,635)	(7,822)	(176,457)
Balance at 30 June 2015	**483,831**	**416,046**	**26,942**	**926,819**
Acquisitions	-	310,397	-	310,397
Additions	990	-	-	990
Disposals	-	(35,751)	-	(35,751)
Valuation movement	-	-	-	-
Depreciation expense	-	(186,149)	(6,062)	(192,211)
Balance at 30 June 2016	**484,821**	**504,543**	**20,880**	**1,010,244**

NOTES TO THE FINANCIAL STATEMENTS
30 June 2016

	Consolidated Group		Parent Entity	
	2016	2015	2016	2015
	$	$	$	$
NOTE 9: LIFE INVESTMENT CONTRACTS				
Supersaver Bond Fund	34,300,995	38,475,855	34,300,995	38,475,855
Life Events Bond Funds	10,178,797	10,341,378	10,178,797	10,341,378
Pre-Arranged Funeral Fund	35,110,381	38,896,784	35,110,381	38,896,784
KeyInvest Funeral Bond	86,900,828	81,916,853	86,900,828	81,916,853
Income Security Fund	3,354,367	3,950,851	3,354,367	3,950,851
Policyholder balances and unallocated benefits	169,845,368	173,581,721	169,845,368	173,581,721
Other policyholder liabilities	1,119,351	1,511,906	1,119,351	1,511,906
Total policyholder liabilities	**170,964,719**	**175,093,627**	**170,964,719**	**175,093,627**

Life Events Bond Funds

Effective 22 April 2016 the structure of the Life Events Bond Fund changed from a single fund with multiple investment options to 27 Approved Benefit Funds. The 27 Life Events Bond Funds are disclosed herein as a consolidated group.

Actuarial Report

The effective date of the actuarial report on the policy liabilities and solvency reserves is 30 June 2016. The actuarial report for KeyInvest Ltd was prepared by Mr Bruce Watson, FIAA, and was dated 26 September 2016. The Appointed Actuary is satisfied as to the accuracy of the data upon which the policy liabilities have been determined.

NOTES TO THE FINANCIAL STATEMENTS
30 June 2016

NOTE 9: LIFE INVESTMENT CONTRACTS (cont)

Policyholder assets and liabilities 2016

	Supersaver Bond Fund	Life Events Bond Funds	Pre-Arranged Funeral Fund	KeyInvest Funeral Fund	Income Security Fund	Total Life Investment Contracts
	$	$	$	$	$	$
Cash and cash equivalents	4,227,231	614,539	7,425,165	8,192,345	330,170	**20,789,450**
Financial assets	30,232,456	9,725,376	27,706,297	78,715,562	3,000,000	**149,379,691**
Loans and advances	6,720	-	-	-	-	**6,720**
Receivables	132,536	6,083	189,850	313,467	21,494	**663,430**
Current tax benefit	-	-	94,147	-	5,864	**100,011**
Deferred tax assets	-	7,008	-	18,409	-	**25,417**
Total assets	**34,598,943**	**10,353,006**	**35,415,459**	**87,239,783**	**3,357,528**	**170,964,719**
Payables	22,426	7,450	291,396	139,560	3,161	**463,993**
Current tax liability	249,534	93,512	-	199,395	-	**542,441**
Deferred tax liability	25,988	73,247	13,682	-	-	**112,917**
Policyholder liabilities	33,443,469	10,178,797	34,578,163	85,811,103	3,295,405	**167,306,937**
Unallocated policyholder benefits	857,526	-	532,218	1,089,725	58,962	**2,538,431**
Total liabilities	**34,598,943**	**10,353,006**	**35,415,459**	**87,239,783**	**3,357,528**	**170,964,719**
Net assets	**-**	**-**	**-**	**-**	**-**	**-**

Solvency requirements for the Life Investment Contracts were met at all times during the financial year. As at 30 June 2016 the Life Investment Contracts had investment assets in excess of policyholder liabilities of $2,538,431 (2015: $2,812,226).

Policyholder income and expenses 2016

	Supersaver Bond Fund	Life Events Bond Funds	Pre-Arranged Funeral Fund	KeyInvest Funeral Fund	Income Security Fund	Total Life Investment Contracts
	$	$	$	$	$	$
Investment income	940,199	50,303	982,643	2,193,601	77,687	**4,244,433**
Investment expenses	(68,295)	-	(79,511)	(150,989)	(2,135)	**(300,930)**
Management fees	(634,140)	(66,329)	(749,975)	(1,418,466)	(62,895)	**(2,931,805)**
Allocated to policyholders	(301,085)	44,604	(243,739)	(525,271)	(33,441)	**(1,058,932)**
Profit (loss) before tax	**(63,321)**	**28,578**	**(90,582)**	**98,875**	**(20,784)**	**(47,234)**
Income tax benefit (expense)	(185,390)	(28,578)	77,843	(95,911)	5,475	**(226,561)**
Profit (loss) after tax	**(248,711)**	**-**	**(12,739)**	**2,964**	**(15,309)**	**(273,795)**
Transfer from (to) other funds	-	-	-	-	-	**-**
Unallocated policyholder benefits at beginning of the year	1,106,237	-	544,957	1,086,761	74,271	**2,812,226**
Unallocated policyholder benefits at end of the year	**857,526**	**-**	**532,218**	**1,089,725**	**58,962**	**2,538,431**

Movement of policyholder liabilities 2016

	Supersaver Bond Fund	Life Events Bond Funds	Pre-Arranged Funeral Fund	KeyInvest Funeral Fund	Income Security Fund	Total Life Investment Contracts
Value of policyholder liabilities at beginning of the year	37,369,618	10,341,378	38,351,827	80,830,092	3,876,580	**170,769,495**
Deposits	473,200	1,475,909	7,264	9,506,883	25,960	**11,489,216**
Allocation to policyholders	301,085	(44,604)	243,739	525,271	33,441	**1,058,932**
Withdrawals	(4,700,434)	(1,593,886)	(4,024,667)	(5,051,143)	(640,576)	**(16,010,706)**
Transfer from (to) other funds	-	-	-	-	-	**-**
Value of policyholder liabilities at end of the year	**33,443,469**	**10,178,797**	**34,578,163**	**85,811,103**	**3,295,405**	**167,306,937**
Policyholder liabilities and unallocated benefits	**34,300,995**	**10,178,797**	**35,110,381**	**86,900,828**	**3,354,367**	**169,845,368**

NOTES TO THE FINANCIAL STATEMENTS
30 June 2016

NOTE 9: LIFE INVESTMENT CONTRACTS (cont)

Policyholder assets and liabilities 2015

	Supersaver Bond Fund	Life Events Bond Fund	Pre-Arranged Funeral Fund	KeyInvest Funeral Fund	Income Security Fund	Total Life Investment Contracts
	$	$	$	$	$	$
Cash and cash equivalents	2,235,350	1,189,859	3,083,242	5,099,657	393,533	**12,001,641**
Financial assets	36,598,898	9,350,482	35,941,431	76,947,688	3,537,929	**162,376,428**
Loans and advances	6,720	-	-	-	-	**6,720**
Receivables	122,599	9,940	187,280	316,040	21,662	**657,521**
Current tax benefit	-	-	46,573	-	4,355	**50,928**
Deferred tax assets	-	-	-	-	389	**389**
Total assets	**38,963,567**	**10,550,281**	**39,258,526**	**82,363,385**	**3,957,868**	**175,093,627**
Payables	35,996	11,260	317,791	148,086	7,017	**520,150**
Current tax liability	361,584	66,470	-	213,371	-	**641,425**
Deferred tax liability	90,132	131,173	43,951	85,075	-	**350,331**
Policyholder liabilities	37,369,618	10,341,378	38,351,827	80,830,092	3,876,580	**170,769,495**
Unallocated policyholder benefits	1,106,237	-	544,957	1,086,761	74,271	**2,812,226**
Total liabilities	**38,963,567**	**10,550,281**	**39,258,526**	**82,363,385**	**3,957,868**	**175,093,627**
Net assets	**-**	**-**	**-**	**-**	**-**	**-**

Solvency requirements for the Life Investment Contracts were met at all times during the financial year. As at 30 June 2015 the Life Investment Contracts had investment assets in excess of policyholder liabilities of $2,812,226 (2014: $3,572,099).

Policyholder income and expenses 2015

	Supersaver Bond Fund	Life Events Bond Fund	Pre-Arranged Funeral Fund	KeyInvest Funeral Fund	Income Security Fund	Total Life Investment Contracts
	$	$	$	$	$	$
Investment income	1,300,068	540,598	1,318,350	2,477,287	122,415	**5,758,718**
Investment expenses	(80,804)	-	(62,844)	(120,366)	(9,780)	**(273,794)**
Management fees	(682,823)	(73,320)	(1,164,212)	(1,326,799)	(75,133)	**(3,322,287)**
Allocated to policyholders	(484,662)	(336,782)	(345,980)	(1,208,927)	(53,980)	**(2,430,331)**
Profit (loss) before tax	**51,779**	**130,496**	**(254,686)**	**(178,805)**	**(16,478)**	**(267,694)**
Income tax benefit (expense)	(286,159)	(130,496)	75,145	(155,011)	4,342	**(492,179)**
Profit (loss) after tax	**(234,380)**	**-**	**(179,541)**	**(333,816)**	**(12,136)**	**(759,873)**
Transfer from (to) other funds	-	-	-	-	-	**-**
Unallocated policyholder benefits at beginning of the year	1,340,617	-	724,498	1,420,577	86,407	**3,572,099**
Unallocated policyholder benefits at end of the year	**1,106,237**	**-**	**544,957**	**1,086,761**	**74,271**	**2,812,226**

Movement of policyholder liabilities 2015

Value of policyholder liabilities at beginning of the year	39,266,506	8,792,220	42,625,286	72,929,225	4,992,789	**168,606,026**
Deposits	1,168,188	4,693,168	24,667	10,841,765	960	**16,728,748**
Allocation to policyholders	484,662	336,782	345,980	1,208,927	53,980	**2,430,331**
Withdrawals	(3,549,738)	(3,480,792)	(4,644,106)	(4,149,825)	(1,171,149)	**(16,995,610)**
Transfer from (to) other funds	-	-	-	-	-	**-**
Value of policyholder liabilities at end of the year	**37,369,618**	**10,341,378**	**38,351,827**	**80,830,092**	**3,876,580**	**170,769,495**
Policyholder liabilities and unallocated benefits	**38,475,855**	**10,341,378**	**38,896,784**	**81,916,853**	**3,950,851**	**173,581,721**

	Consolidated Group 2016 $	Consolidated Group 2015 $	Parent Entity 2016 $	Parent Entity 2015 $
NOTE 10: INTANGIBLE ASSETS				
Goodwill	5,429,589	5,358,688	-	-
Less: Accumulated impairment losses and disposals	(931,509)	(931,509)	-	-
Total intangibles	**4,498,080**	**4,427,179**	**-**	**-**
Reconciliation of Goodwill:				
Balance at the beginning of the year	4,427,179	4,427,179	-	-
Additions	70,901	-	-	-
Disposals	-	-	-	-
Less: Current year impairment losses	-	-	-	-
Closing carrying value at the end of the year	**4,498,080**	**4,427,179**	**-**	**-**
Goodwill is allocated to a cash generating unit which is based on the Company's lending services	**4,498,080**	**4,427,179**	**-**	**-**

Impairment Testing of Goodwill
Goodwill acquired through business combinations is allocated to cash generating units (CGU's), with 100% being allocated to the Lending Services division. The recoverable amount of the CGU's are determined based on value in use by reference to the discounted net cash flows expected to be derived from the continuing use of the asset. The future cash flows are based on financial budgets and projections approved by Management covering a five year period.

Discount Rate
The discount rate applied to future cash flows for 2016 is 10% (2015: 10.5%). The discount rate reflects the Lending Services division's weighted average cost of capital including the risks specific to the CGU.

	Consolidated Group 2016 $	Consolidated Group 2015 $	Parent Entity 2016 $	Parent Entity 2015 $
NOTE 11: PAYABLES				
Accrued expenses	316,776	494,247	308,367	487,561
Trade creditors	892,715	837,358	843,785	657,643
Creditors and accrued expenses	366,041	242,291	208,108	431,507
Retirement village maintenance fund liabilities	652,773	522,976	380,265	331,326
	2,228,305	**2,096,872**	**1,740,525**	**1,908,037**
Maturity Analysis				
Current	1,575,532	1,573,896	1,360,260	1,576,711
Non-current	652,773	522,976	380,265	331,326
	2,228,305	**2,096,872**	**1,740,525**	**1,908,037**

NOTES TO THE FINANCIAL STATEMENTS
30 June 2016

	Consolidated Group		Parent Entity	
	2016	**2015**	**2016**	**2015**
	$	**$**	**$**	**$**
NOTE 12: FINANCIAL LIABILITIES				
Bank loan - secured	5,742,474	3,979,783	1,500,000	-
	5,742,474	**3,979,783**	**1,500,000**	**-**
Maturity Analysis				
Current	4,218,038	-	-	-
Non-current	1,524,436	3,979,783	1,500,000	-
	5,742,474	**3,979,783**	**1,500,000**	**-**

Bank loans are secured by registered first mortgages over investment and freehold properties and a registered charge over the assets and undertakings of Group entities.

	Long Term Employee Benefits	Unearned Income	Dividends	Total
	$	**$**	**$**	**$**
NOTE 13: PROVISIONS				
Consolidated Group				
Balance at 30 June 2014	**641,778**	**3,580,339**	**4,671**	**4,226,788**
Additional provisions raised during the year	314,696	-	-	314,696
Amounts used	(324,046)	(379,358)	(4,671)	(708,075)
Balance at 30 June 2015	**632,428**	**3,200,981**	**-**	**3,833,409**
Additional provisions raised during the year	306,481	-	-	306,481
Amounts used	(241,515)	(403,104)	-	(644,619)
Balance at 30 June 2016	**697,394**	**2,797,877**	**-**	**3,495,271**
Parent Entity				
Balance at 30 June 2014	**513,054**	**3,580,339**	**-**	**4,093,393**
Additional provisions raised during the year	258,025	-	-	258,025
Amounts used	(260,243)	(379,358)	-	(639,601)
Balance at 30 June 2015	**510,836**	**3,200,981**	**-**	**3,711,817**
Additional provisions raised during the year	227,881	-	-	227,881
Amounts used	(181,993)	(403,104)	-	(585,097)
Balance at 30 June 2016	**556,724**	**2,797,877**	**-**	**3,354,601**

	Consolidated Group		Parent Entity	
	2016	2015	2016	2015
	$	$	$	$
NOTE 13: PROVISIONS (cont)				
Maturity analysis of total provisions				
Current	542,520	897,267	454,046	818,734
Non-current	2,952,751	2,936,142	2,900,555	2,893,083
	3,495,271	**3,833,409**	**3,354,601**	**3,711,817**
The number of employees at year end	**50**	**50**	**38**	**34**

Long Term Employee Benefits

The liability for long service leave is recognised in the long term employee benefits provision and measured as the present value of expected future payments to be made in respect of services provided by employees up to the balance date. Consideration is given to future wage and salary levels, experience of employee departures and periods of service.

Unearned Income

Unearned income represents administration fee revenue not yet recognised in the profit or loss.

	Consolidated Group		Parent Entity	
	2016	2015	2016	2015
	$	$	$	$
NOTE 14: REVENUE				
Revenue				
Interest revenue	4,554,135	5,727,680	4,547,514	5,711,432
Distribution from non-related entities	625,679	330,004	625,679	330,004
Dividends from related entities	-	-	226,363	130,810
Commission from lending activities	7,544,016	7,326,267	34,985	35,545
Deferred management fees and development profit on sale of retirement village loans and licences	1,925,093	1,503,761	892,558	623,339
Surplus from revaluation of investment properties	827,036	1,622,245	348,296	725,727
Reversal of Impairment from revaluations	-	-	545,812	-
Management fees	2,931,804	3,322,288	2,931,804	3,322,288
	18,407,763	19,832,245	10,153,011	10,879,145
Other Income				
Realised gains (losses) on investments	300,092	360,136	300,092	360,136
Unrealised gains (losses) on investments	(1,190,070)	(500,769)	(1,190,070)	(500,769)
Accommodation fees from retirement village residents	1,888,472	1,819,466	1,049,609	1,019,819
Rental income	640,980	619,385	612,180	581,031
Other	1,138,817	1,313,259	609,768	624,866
	2,778,291	3,611,477	1,381,579	2,085,083
	21,186,054	**23,443,722**	**11,534,590**	**12,964,228**
Expenses				
Auditor's remuneration:				
- Audit fees	74,242	75,870	62,705	65,330
Actuarial fees	59,374	40,174	49,000	40,174
Depreciation	218,030	201,500	192,211	170,787
Regulatory supervision fees	12,467	12,467	12,467	12,467
People and culture costs:				
- Salaries, wages and on costs	3,784,366	3,551,455	2,068,200	2,198,009
- Employee benefits	306,476	314,698	227,881	258,024
- Superannuation contributions	343,939	332,387	200,324	218,853
Commissions	5,668,532	5,381,638	110,963	194,091
Impairment from revaluations	126,285	508,130	106,285	267,582
Management fees	3,031,710	3,322,288	2,931,804	3,322,288
Investment management fees	300,930	273,795	300,930	273,795
Life Investment Contracts distributions to policyholders	1,058,932	2,430,331	1,058,932	2,430,331
Outsourced arrangements	754,733	862,198	754,733	862,198
Rates and taxes	1,029,961	1,020,623	636,893	598,020
Marketing	430,340	392,128	182,450	205,916
Other operating expenses	3,575,876	3,590,529	2,364,583	2,207,088
	20,776,193	**22,310,211**	**11,260,361**	**13,324,953**
Profit (loss) before tax and profit (loss) of minority interests	**409,861**	**1,133,511**	**274,229**	**(360,725)**

NOTES TO THE FINANCIAL STATEMENTS
30 June 2016

NOTE 15: RELATED PARTY DISCLOSURE

a Key Management Personnel Compensation

The key management personnel of the consolidated entity consisted of the following 11 (2015: 12) positions: Managing Director, Chief Financial Officer / Chief Investment Officer, Company Secretary, Chief Operating Officer, Chief Executive Officer (KeyInvest Property Loans Pty Ltd) and Non Executive Directors (6).

Total remuneration of the key management personnel is set out below:

	Consolidated Group		Parent Entity	
	2016	2015	2016	2015
	$	$	$	$
Salary and fees	1,405,634	1,523,190	1,152,253	1,307,655
Performance related remuneration	52,920	29,954	31,550	20,000
Non-monetary benefits	-	6,266	-	-
Short term employee benefits	1,458,554	1,559,410	1,183,803	1,327,655
Superannuation benefits	121,490	133,376	97,618	112,151
Total benefits	**1,580,044**	**1,692,786**	**1,281,421**	**1,439,806**

KeyInvest Ltd Directors' fees are set by members at the Annual General Meeting. Non Executive Directors receive annual fees of $56,529, Chairman $123,566 and the Deputy Chairman $86,445. In recognition of the additional workload resulting from participating on various Board Committees, Non Executive Directors are paid $5,000 annually for undertaking the role of Chairman of a Committee. Non Executive Directors of KeyInvest Property Loans Pty Ltd receive annual fees of $21,009 and the Chairman $26,253. Superannuation Guarantee Levy obligations for Non Executive Directors are additional to Directors' fees paid.

Total Non Executive Directors Fees increased from $487,606 in 2015 to $499,113 in 2016, a total increase of 2.36%. Changes to APRA Standards introduced on 1 January 2015 required the Company to form an additional Board Committee thus adding an additional $5,000 Chairman loading fee per annum to the Non Executive Director fee cost base from 1 January 2015. For comparative purposes when excluding this additional loading fee from the cost base from both 2015 and 2016, total Non Executive Directors Fees actually increased by 1.71% year on year.

b Transactions with Related Parties

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

	Consolidated Group 2016 $	Consolidated Group 2015 $	Parent Entity 2016 $	Parent Entity 2015 $
Key Management Personnel				
Dr R N Sexton is a Director of an investment management company that received fees for investment management services provided to the Group.	167,324	285,889	167,324	285,889
Mr D L Stillwell is a Director of a human resource management consultancy that received fees for human resources services provided to the Group.	37,384	6,694	37,384	6,694
Other Related Parties				
Management and business services fees paid by Australian Associated Advisers Pty Ltd, a related party of KeyInvest Ltd.	48,115	33,516	-	-
Project management and business services fees paid by Chiton RV, a related party of KeyInvest Ltd.	12,980	70,438	-	-

Identification of Related Parties' Ultimate Parent Entity

The ultimate Parent Entity is KeyInvest Ltd which is incorporated in Australia.

NOTE 16: ECONOMIC DEPENDENCE

The Group has economic dependency on Corporate Information Management Pty Ltd for the provision of information technology services in relation to the Group's Life Funds membership system and on Choice Aggregation Services for mortgage broking services.

Arrangements between these parties are on normal commercial terms and conditions.

	Consolidated Group		Parent Entity	
	2016	2015	2016	2015
	$	$	$	$
NOTE 17: CASH FLOW INFORMATION				
a Reconciliation of Cash Flow from Total Comprehensive Income for the Year				
Total comprehensive income for the year	825,001	1,519,944	678,704	498,555
Cash flows excluded from comprehensive income attributable to operating activities				
- Receipts from sale of retirement village buybacks and new units	(378,325)	-	(246,040)	-
Non-cash flows in profit (loss)				
- Depreciation	218,030	201,500	192,211	170,787
- Impairment (revaluation) of Investment Property	(700,751)	(1,114,115)	(242,011)	(161,814)
- Net (gain) loss on disposal of Property, Plant and Equipment	35,791	19,827	35,751	3,203
- Net (gain) loss on acquisition of Minority Equity Interest	(138,195)	-	-	-
- Revaluation of Group/resident interest in retirement villages	4,276,500	-	2,252,000	-
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries				
- Decrease (increase) in debtors	315,933	26,177	(249,794)	(285,572)
- Increase (decrease) in creditors	129,627	(423,792)	(167,512)	(440,472)
- Increase (decrease) in current tax liability	(87,170)	(95,278)	-	-
- Decrease (increase) in current tax asset	(17,040)	714,773	-	500,693
- Increase (decrease) in deferred tax liability	950,212	1,139,396	809,798	796,309
- Decrease (increase) in deferred tax asset	(841,822)	(927,578)	(890,689)	(1,320,639)
- Increase (decrease) in provisions	64,966	686,263	45,888	(106,420)
- Increase (decrease) in unearned income	(403,104)	(389,359)	(403,104)	(389,359)
Cash flow from operations	**4,249,653**	**1,357,758**	**1,815,202**	**(734,729)**
b Loan Facilities				
Loan facilities	12,037,823	9,505,000	5,000,000	2,500,000
Amount utilised	(5,742,474)	(3,979,783)	(1,500,000)	-
	6,295,349	**5,525,217**	**3,500,000**	**2,500,000**

The loan facilities include a $0.8m line of credit, a $5.255m fixed term facility maturing January 2017, a $5m loan facility maturing May 2018 and a $0.95m fixed term loan maturing February 2017. Interest rates on all facilities are variable.

NOTE 18: FINANCIAL RISK MANAGEMENT

Insurance contracts (Statutory Funds) as defined in AASB 4: Insurance Contracts are exempted from disclosure requirements under AASB 7: Financial Instruments Disclosures. Financial risk management disclosures in this Note relate to the Group's financial instruments only.

a Financial Risk Management Policies: The Group complies with the APRA Prudential Standard - Capital Adequacy LPS 110 which prescribes specific reserves to be established to meet a wide range of adverse but plausible conditions including the requirement that the Group be able to meet its obligations in respect of any business it carries on that is not life insurance business as those obligations fall due.

The Group's financial instruments consist mainly of deposits with banks and local money markets, short term investments, listed shares, unlisted unit trusts and accounts receivable and payable.

The main purpose of non-derivative financial instruments is to manage capital for Group operations. The Group does not have any derivative instruments at 30 June 2016.

Investment Risk Management: On a regular basis the Management Investment Committee assesses and evaluates financial risk exposure and investment management strategies in the context of the most recent economic conditions and forecasts.

Management's overall risk management strategy seeks to assist the Group in meeting its strategic goals and financial targets, whilst minimising potential adverse effect on financial performance.

The Management Investment Committee operates under the policies approved by the Board of Directors. Risk Management policies are approved and reviewed by the Board on a regular basis. These policies cover liquidity, market and credit risk.

Financial Risk Exposures and Management: The main risks the Group is exposed to through the financial instruments are liquidity risk, market risk and credit risk.

Liquidity Risk: Liquidity risk is the risk that the Group is unable to promptly meet its obligations as they fall due.

The Group manages liquidity risk by monitoring forecast cash flows modelled on a 12 month timeframe and applying limits to concentration of illiquid assets and counterparties. Non-committed capital is assessed regularly to determine the liquidity profile.

Market Risk: Market risk is the risk that the value of assets of the Group will decline as a result of changes in market conditions. The Group is exposed to the following risks:

<u>Price Risk - Equities:</u> The Group's exposure to changes in the price and volatility of individual equities and equity indices affect the value of investments in financial assets held by the Group. This risk is primarily managed by investment diversification. For further details on equity price risk refer to Note 18d.

<u>Interest Rate:</u> Interest rate risk is the risk that the value of financial assets will fluctuate due to movements in interest rate and credit markets. The Group mitigates its exposure to interest rate risk by maintaining predominantly liquid financial assets and limited exposure to fixed interest loans. Interest rate risk also refers to the risk to earnings and capital arising from movements in interest rates in respect of borrowings. At 30 June 2016 the Group had borrowings of $5,742,474 (2015: $3,979,783). For further details on interest rate risk refer to Note 18d.

NOTE 18: FINANCIAL RISK MANAGEMENT (cont)

a Financial Risk Management Policies (cont):

Credit Risk: Credit risk is the risk of counterparty default resulting in financial loss to the Group. The maximum exposure of the Group to credit risk, at balance date, to assets that have been recognised in the Statement of Financial Position, is the carrying amount, net of any allowance for impairment of those assets.

The Group's credit risk arises from exposure to deposits with financial institutions. The Management Investment Committee, which reports to the Board, reviews credit risk regularly taking into account rating quality and liquidity of counterparties.

The majority of the Group's short term deposits are held with APRA regulated financial institutions. Unlisted available for sale financial assets are not rated by external credit agencies. These are reviewed regularly to ensure that credit exposure is minimised.

The table reflects the credit risk of the Group's receivables.

	Consolidated Group		Parent Entity	
	2016	**2015**	**2016**	**2015**
	$	**$**	**$**	**$**
Receivables				
A1+ rated counterparties	145,205	15,099	145,037	14,894
Counterparties not rated	503,739	707,496	230,945	278,463
Internal receivable from Life Funds	849,412	1,053,725	636,762	970,561
Total	**1,498,356**	**1,776,320**	**1,012,744**	**1,263,918**

NOTE 18: FINANCIAL RISK MANAGEMENT (cont)

b Financial Instruments Composition and Maturity Analysis: The tables below reflect the undiscounted contractual settlement terms for financial instruments of a fixed period to maturity, as well as Management's expectations of the settlement period for all other financial instruments. For this reason, the amounts may not reconcile to the Statement of Financial Position.

Consolidated Group
2016
$

Financial Instruments	Fixed interest rate 1 year or less	Fixed interest rate 1-5 years	Fixed interest rate 5 years	Variable interest rate	Non-interest bearing	Total
Financial Assets						
Cash assets	-	-	-	629,155	-	629,155
Term deposits	573,017	6,875	-	-	-	579,892
Unlisted share trusts	-	-	-	-	1,343,192	1,343,192
Receivables	-	-	-	-	1,498,356	1,498,356
Total Financial Assets	**573,017**	**6,875**	**-**	**629,155**	**2,841,548**	**4,050,595**
Financial Liabilities						
Payables	-	-	-	-	2,228,305	2,228,305
Bank loans secured	-	32,823	-	5,709,651	-	5,742,474
Total Financial Liabilities	**-**	**32,823**	**-**	**5,709,651**	**2,228,305**	**7,970,779**

Parent Entity
2016
$

Financial Instruments	Fixed interest rate 1 year or less	Fixed interest rate 1-5 years	Fixed interest rate 5 years	Variable interest rate	Non-interest bearing	Total
Financial Assets						
Cash assets	-	-	-	95,347	-	95,347
Term deposits	573,017	-	-	-	-	573,017
Unlisted share trusts	-	-	-	-	1,343,192	1,343,192
Shares in controlled entities	-	-	-	-	2,521,936	2,521,936
Loans to controlled entities	-	-	-	-	11,443,248	11,443,248
Receivables	-	-	-	-	1,012,744	1,012,744
Total Financial Assets	**573,017**	**-**	**-**	**95,347**	**16,321,120**	**16,989,484**
Financial Liabilities						
Payables	-	-	-	-	1,740,525	1,740,525
Bank loans secured	-	-	-	1,500,000	-	1,500,000
Total Financial Liabilities	**-**	**-**	**-**	**1,500,000**	**1,740,525**	**3,240,525**

NOTES TO THE FINANCIAL STATEMENTS
30 June 2016

NOTE 18: FINANCIAL RISK MANAGEMENT (cont)

b Financial Instruments Composition and Maturity Analysis: The tables below reflect the undiscounted contractual settlement terms for financial instruments of a fixed period to maturity, as well as Management's expectations of the settlement period for all other financial instruments. For this reason, the amounts may not reconcile to the Statement of Financial Position.

Consolidated Group
2015
$

Financial Instruments	Fixed interest rate 1 year or less	Fixed interest rate 1-5 years	Fixed interest rate 5 years	Variable interest rate	Non-interest bearing	Total
Financial Assets						
Cash assets	-	-	-	1,253,065	-	1,253,065
Term deposits	573,017	-	-	-	-	573,017
Unlisted share trusts	-	-	-	-	1,388,036	1,388,036
Receivables	-	-	-	-	1,776,320	1,776,320
Total Financial Assets	**573,017**	**-**	**-**	**1,253,065**	**3,164,356**	**4,990,438**
Financial Liabilities						
Payables	-	-	-	-	2,096,872	2,096,872
Bank loans secured	-	-	-	3,979,783	-	3,979,783
Total Financial Liabilities	**-**	**-**	**-**	**3,979,783**	**2,096,872**	**6,076,655**

Parent Entity
2015
$

Financial Instruments	Fixed interest rate 1 year or less	Fixed interest rate 1-5 years	Fixed interest rate 5 years	Variable interest rate	Non-interest bearing	Total
Financial Assets						
Cash assets	-	-	-	200,706	-	200,706
Term deposits	573,017	-	-	-	-	573,017
Unlisted share trusts	-	-	-	-	1,388,036	1,388,036
Shares in controlled entities	-	-	-	-	2,521,936	2,521,936
Loans to controlled entities	-	-	-	-	10,723,077	10,723,077
Receivables	-	-	-	-	970,561	970,561
Total Financial Assets	**573,017**	**-**	**-**	**200,706**	**15,603,610**	**16,377,333**
Financial Liabilities						
Payables	-	-	-	-	1,908,037	1,908,037
Total Financial Liabilities	**-**	**-**	**-**	**-**	**1,908,037**	**1,908,037**

NOTE 18: FINANCIAL RISK MANAGEMENT (cont)

c **Net Fair Values:** The net fair values of listed investments have been valued at the quoted market bid price at balance date adjusted for transaction costs expected to be incurred. For other assets and other liabilities the net fair value approximates their carrying value. No financial assets and financial liabilities are readily traded on organised markets in standardised form other than listed investments. Financial assets where the carrying amount exceeds net fair values in 2016: nil (2015: nil).

The aggregate net fair values and carrying amounts of financial assets and financial liabilities at balance date were:

	2016 $		2015 $	
	Carrying Amount	**Net Fair Value**	**Carrying Amount**	**Net Fair Value**
Consolidated Group				
Financial Assets				
Available for sale financial assets at fair value	1,343,192	1,343,192	1,388,036	1,388,036
Held to maturity financial assets	579,892	579,892	573,017	573,017
Receivables	1,498,356	1,498,356	1,776,320	1,776,320
Total Financial Assets	**3,421,440**	**3,421,440**	**3,737,373**	**3,737,373**
Financial Liabilities				
Payables	2,228,305	2,228,305	2,096,872	2,096,872
Bank loan secured	5,742,474	5,742,474	3,979,783	3,979,783
Total Financial Liabilities	**7,970,779**	**7,970,779**	**6,076,655**	**6,076,655**
Parent Entity				
Financial Assets				
Available for sale financial assets at fair value	1,343,192	1,343,192	1,388,036	1,388,036
Held to maturity financial assets	573,017	573,017	573,017	573,017
Receivables	1,012,744	1,012,744	970,561	970,561
Total Financial Assets	**2,928,953**	**2,928,953**	**2,931,614**	**2,931,614**
Financial Liabilities				
Payables	1,740,525	1,740,525	1,908,037	1,908,037
Bank loan secured	1,500,000	1,500,000	-	-
Total Financial Liabilities	**3,240,525**	**3,240,525**	**1,908,037**	**1,908,037**

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NOTE 18: FINANCIAL RISK MANAGEMENT (cont)

d Sensitivity Analysis

Equity Price Risk Sensitivity Analysis: The table below indicates the equity instruments to which the Group had exposure at 30 June. The effect on the Statement of Comprehensive Income and the fair value of equity instruments, due to a reasonably probable change in equity prices, and the resulting change in the fair value of equity instruments, with all other variables held constant, is as follows:

		Consolidated Group		Parent Entity	
		2016	2015	2016	2015
		$	$	$	$
	Movement in Equity Price %	Sensitivity of Profit (before tax) and Fair Value of Equity Instrument			
Unlisted Australian unit trusts	+10	134,318	138,804	134,318	138,804
Unlisted Australian unit trusts	-10	(134,318)	(138,804)	(134,318)	(138,804)

Interest Rate Sensitivity Analysis: The Group has performed a sensitivity analysis relating to the exposure to interest rate risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in this risk. At 30 June, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining unchanged would be as follows:

		Consolidated Group		Parent Entity	
		2016	2015	2016	2015
		$	$	$	$
	Change in Interest Rate %	Sensitivity of profit and equity (before tax)			
Financial Assets					
Cash at bank and in hand	+2	3,160	5,184	1,907	1,833
Short term money market	+2	9,423	19,877	-	2,181
Held to maturity financial assets	+2	11,598	11,460	11,460	11,460
Cash at bank and in hand	-2	(3,160)	(5,184)	(1,907)	(1,833)
Short term money market	-2	(9,423)	(19,877)	-	(2,181)
Held to maturity financial assets	-2	(11,598)	(11,460)	(11,460)	(11,460)
Financial Liabilities					
Bank loan secured	-2	114,849	79,596	(30,000)	-
Bank loan secured	+2	(114,849)	(79,596)	30,000	-

NOTE 19: FAIR VALUE MEASUREMENT

The Group measures and recognises the following assets and liabilities at fair value on a recurring basis after initial recognition:

- derivative financial instruments;
- financial assets held for trading;
- available for sale financial assets;
- freehold land and buildings;
- investment properties; and
- obligation for contingent consideration arising from a business combination.

The Group subsequently measures some items of freehold land and buildings at fair value on a non-recurring basis.

The Group does not subsequently measure any liabilities at fair value on a non-recurring basis.

a Fair Value Hierarchy

AASB 13: Fair Value Measurement requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

Level 1	Level 2	Level 3
Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.	Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.	Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

Valuation Techniques

The Group selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Group are consistent with one or more of the following valuation approaches:

Market Approach: Valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.

Income Approach: Valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.

Cost Approach: Valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Group gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

NOTE 19: FAIR VALUE MEASUREMENT (cont)

a Fair Value Hierarchy (cont):

The following tables provide the fair values of the Group's assets and liabilities measured and recognised on a recurring basis after initial recognition and the categorisation within the fair value hierarchy:

	Note	Consolidated Group 2016 $			
Recurring fair value measurements		**Level 1**	**Level 2**	**Level 3**	**Total**
Financial Assets					
Available for sale financial assets					
- Unlisted share trusts	3	1,343,192	-	-	1,343,192
Held to maturity financial assets					
- Term deposits	3	579,892	-	-	579,892
Total financial assets recognised at fair value on a recurring basis		**1,923,084**	**-**	**-**	**1,923,084**
Non-financial Assets					
Investment Property	7	-	37,059,036	-	37,059,036
Freehold land and buildings	8	-	2,184,821	-	2,184,821
Total non-financial assets recognised at fair value on a recurring basis		**-**	**39,243,857**	**-**	**39,243,857**

	Note	Parent 2016 $			
Recurring fair value measurements		**Level 1**	**Level 2**	**Level 3**	**Total**
Financial Assets					
Available for sale financial assets					
- Unlisted share trusts	3	1,343,192	-	-	1,343,192
- Shares in controlled entities	3	-	2,521,936	-	2,521,936
Held to maturity financial assets					
- Term deposits	3	573,017	-	-	573,017
Total financial assets recognised at fair value on a recurring basis		**1,916,209**	**2,521,936**	**-**	**4,438,145**
Non-financial Assets					
Investment Property	7	-	19,015,866	-	19,015,866
Freehold land and buildings	8	-	484,821	-	484,821
Total non-financial assets recognised at fair value on a recurring basis		**-**	**19,500,687**	**-**	**19,500,687**

NOTES TO THE FINANCIAL STATEMENTS
30 June 2016

NOTE 19: FAIR VALUE MEASUREMENT (cont)

a Fair Value Hierarchy (cont):

The following tables provide the fair values of the Group's assets and liabilities measured and recognised on a recurring basis after initial recognition and the categorisation within the fair value hierarchy:

	Note	Consolidated Group 2015 $			
Recurring fair value measurements		**Level 1**	**Level 2**	**Level 3**	**Total**
Financial Assets					
Available for sale financial assets					
- Unlisted share trusts	3	1,388,036	-	-	1,388,036
Held to maturity financial assets					
- Term deposits	3	573,017	-	-	573,017
Total financial assets recognised at fair value on a recurring basis		**1,961,053**	**-**	**-**	**1,961,053**
Non-financial Assets					
Investment Property	7	-	34,889,947	-	34,889,947
Freehold land and buildings	8	-	2,183,831	-	2,183,831
Total non-financial assets recognised at fair value on a recurring basis		**-**	**37,073,778**	**-**	**37,073,778**

	Note	Parent 2015 $			
Recurring fair value measurements		**Level 1**	**Level 2**	**Level 3**	**Total**
Financial Assets					
Available for sale financial assets					
- Unlisted share trusts	3	1,388,036	-	-	1,388,036
- Shares in controlled entities	3	-	2,521,936	-	2,521,936
Held to maturity financial assets					
- Term deposits	3	573,017	-	-	573,017
Total financial assets recognised at fair value on a recurring basis		**1,961,053**	**2,521,936**	**-**	**4,482,989**
Non-financial Assets					
Investment Property	7	-	17,845,000	-	17,845,000
Freehold land and buildings	8	-	483,831	-	483,831
Total non-financial assets recognised at fair value on a recurring basis		**-**	**18,328,831**	**-**	**18,328,831**

NOTES TO THE FINANCIAL STATEMENTS
30 June 2016

NOTE 19: FAIR VALUE MEASUREMENT (cont)

b Valuation Techniques and Inputs Used to Measure Level 2 Fair Values

Consolidated Group 2016 $

Description	Fair Value	Valuation Technique(s)	Inputs Used
Non-financial Assets			
Investment Property	37,059,036	Market approach using recent observable market data for similar properties.	Discount rates, life tables, sales evidence and price per square metre.
Freehold land and buildings	2,184,821	Market approach using recent observable market data for similar properties and income approach using discounted cash flow methodology.	Price per square metre, market borrowing rate and rental yields.
	39,243,857		

Parent 2016 $

Description	Fair Value	Valuation Technique(s)	Inputs Used
Non-financial Assets			
Investment Property	19,015,866	Market approach using recent observable market data for similar properties.	Discount rates, life tables, sales evidence and price per square metre.
Freehold land and buildings	484,821	Market approach using recent observable market data for similar properties and income approach using discounted cash flow methodology.	Price per square metre, market borrowing rate and rental yields.
	19,500,687		

The fair value of freehold land and buildings and Investment Property is determined annually based on valuations by an independent valuer and by the Group's Directors. Where the Directors determine a property's value a reasonable fair value estimate is applicable to each type of Investment Property is used including recent observable market data and discounted cash flow methodologies.

There were no changes during the period in the valuation techniques used by the Group to determine Level 2 fair values.

NOTES TO THE FINANCIAL STATEMENTS
30 June 2016

NOTE 19: FAIR VALUE MEASUREMENT (cont)

b Valuation Techniques and Inputs Used to Measure Level 2 Fair Values

Consolidated Group 2015 $

Description	Fair Value	Valuation Technique(s)	Inputs Used
Non-financial Assets			
Investment Property	34,889,947	Market approach using recent observable market data for similar properties.	Discount rates, life tables, sales evidence and price per square metre.
Freehold land and buildings	2,183,831	Market approach using recent observable market data for similar properties and income approach using discounted cash flow methodology.	Price per square metre, market borrowing rate and rental yields.
	37,073,778		

Parent 2015 $

Description	Fair Value	Valuation Technique(s)	Inputs Used
Non-financial Assets			
Investment Property	17,845,000	Market approach using recent observable market data for similar properties.	Discount rates, life tables, sales evidence and price per square metre.
Freehold land and buildings	483,831	Market approach using recent observable market data for similar properties and income approach using discounted cash flow methodology.	Price per square metre, market borrowing rate and rental yields.
	18,328,831		

The fair value of freehold land and buildings and Investment Property is determined annually based on valuations by an independent valuer and by the Group's Directors. Where the Directors determine a property's value a reasonable fair value estimate is applicable to each type of Investment Property is used including recent observable market data and discounted cash flow methodologies.

There were no changes during the period in the valuation techniques used by the Group to determine Level 2 fair values.

NOTES TO THE FINANCIAL STATEMENTS
30 June 2016

NOTE 19: FAIR VALUE MEASUREMENT (cont)

c Disclosed Fair Value Measurements

The following assets and liabilities are not measured at fair value in the Statement of Financial Position, but their fair values are disclosed in the Notes:

- loans to controlled entities - unsecured; and
- bank loans - secured.

The following table provides the level of the fair value hierarchy within which the disclosed fair value measurements are categorised in their entirety and a description of the valuation technique(s) and inputs used:

Description	Note	Fair Value Hierarchy Level	Valuation Technique(s)	Inputs Used
Assets				
Loans to controlled entities - unsecured	4	2	Income approach using discounted cash flow methodology.	Market interest rates for similar assets.
Liabilities				
Bank loans - secured	12	2	Income approach using discounted cash flow methodology.	Current commercial borrowing rates for similar instruments.

There has been no change in the valuation technique(s) used to calculate the fair values disclosed in the Notes to the Financial Statements.

NOTE 20: CAPITAL MANAGEMENT

KeyInvest Ltd is a public company, limited by shares and guarantee. No shares have been issued. The guarantee acts as both the means of membership of KeyInvest Ltd and the means of limiting the members' liability. The Group's capital base is comprised entirely of retained earnings. No dividend distributions are possible and capital cannot be raised without triggering a demutualisation.

Management effectively manages the Group's capital within the APRA Prudential Standard - Capital Adequacy LPS 110 which became effective 1 January 2013. The Standard requires the Board to ensure that the Group maintains an adequate level and quality of capital commensurate with the scale, nature and complexity of its business and risk profile, such that it is able to meet its obligations under a wide range of circumstances.

Management controls the capital of the Group in order to ensure that the Group can fund its operations and continue as a going concern. There have been no significant changes in the strategy adopted by Management to control the capital of the Group since the prior year. At 30 June 2016 the Group had borrowings of $5,742,474 (2015: $3,979,783).

Measurement of Capital Base and Capital Adequacy as per APRA Prudential Standard - Capital Adequacy LPS 110

			2016 $			
Fund	**Net Assets**	**Member Balances and Unallocated Surpluses**	**Deductions from Capital Base**	**Capital Base All Tier 1 (a)**	**Prescribed Capital Amount (b)**	**Capital Surplus**
Management Fund	25,507,479	-	(1,548,595)	23,958,884	(10,000,000)	13,958,884
Supersaver Bond Fund	34,300,995	(34,300,995)	-	-	-	-
Life Events Bond Funds	10,178,797	(10,178,797)	-	-	-	-
Pre-Arranged Funeral Fund	35,110,381	(35,110,381)	-	-	-	-
KeyInvest Funeral Bond	86,900,828	(86,900,828)	-	-	-	-
Income Security Fund	3,354,367	(3,354,367)	-	-	-	-

The Management Fund Capital Adequacy Multiple (%) (a)/(b) is 237%

			2015 $			
Fund	**Net Assets**	**Member Balances and Unallocated Surpluses**	**Deductions from Capital Base**	**Capital Base All Tier 1 (a)**	**Prescribed Capital Amount (b)**	**Capital Surplus**
Management Fund	24,828,775	-	(1,577,000)	23,251,775	(10,000,000)	13,251,775
Supersaver Bond Fund	38,475,855	(38,475,855)	-	-	-	-
Life Events Bond Fund	10,341,378	(10,341,378)	-	-	-	-
Pre-Arranged Funeral Fund	38,896,784	(38,896,784)	-	-	-	-
KeyInvest Funeral Bond	81,916,853	(81,916,853)	-	-	-	-
Income Security Fund	3,950,851	(3,950,851)	-	-	-	-

The Management Fund Capital Adequacy Multiple (%) (a)/(b) is 232%

	Consolidated Group		Parent Entity	
	2016	2015	2016	2015
	$	$	$	$
NOTE 21: CAPITAL AND LEASING COMMITMENTS				
Capital Expenditure Commitments				
Capital expenditure commitments contracted for:				
Construction of retirement villages	2,005,997	2,788,936	790,891	1,474,419
Tenancy Upgrade	-	341,097	-	341,097
	2,005,997	**3,130,033**	**790,891**	**1,815,516**
Payable				
Not later than 12 months	2,005,997	3,130,033	790,891	1,815,516
Between 12 months and 5 years	-	-	-	-
Greater than 5 years	-	-	-	-
	2,005,997	**3,130,033**	**790,891**	**1,815,516**

DIRECTORS' DECLARATION

In the Directors' opinion:

(a) the consolidated Financial Statements of KeyInvest Ltd and its controlled entities are in accordance with the Corporations Act 2001, including:

  (i) giving a true and fair view of the financial position of the Company and Consolidated Group as at 30 June 2016 and of its performance, as represented by the results of its operations and cash flows for the year ended on that date; and

  (ii) complying with the Australian Accounting Standards and the Corporations Regulations 2001, and

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

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

On behalf of the Board of Directors.

Dr Roger N Sexton AM
Chairman

Date: 28 September 2016

AUDITOR'S REPORT

Nexia Edwards Marshall

KeyInvest Ltd

Report on the Financial Report

We have audited the accompanying financial report of KeyInvest Ltd ("the company"), which comprises the statement of financial position as at 30 June 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year and the annual financial report of the following Benefit Funds:

- Supersaver Bond Fund
- KeyInvest Funeral Bond
- Income Security Fund
- Life Events Bond
- Pre-Arranged Funeral Fund

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and the *Life Insurance Act 1995*, and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Australian Accounting Standard AASB 101: "Presentation of Financial Statements" that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Opinion

In our opinion:

(a) the financial report of KeyInvest Ltd is in accordance with the *Corporations Act 2001*, including:

  i) giving a true and fair view of KeyInvest Ltd's and the consolidated entity's financial positions as at 30 June 2016 and of their performance for the year ended on that date; and

  ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*;

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

In our opinion:

(a) the financial report of the company and its Benefit Funds are in accordance with the *Life Insurance Act 1995*;

(b) the records of the company and Benefit Funds on which the financial report are based record properly the affairs and transactions of the company and its Benefit Funds;

(c) the financial report truly represent the financial position of the company and its Benefit Funds;

(d) the apportionments made under Division 2 of Part 6 of the *Life Insurance Act 1995* have been made equitably and in accordance with generally accepted accounting principles; and

(e) no part of the assets of the Benefit Funds have been applied directly or indirectly in contravention of the provisions of Division 1 of Part 4 and Division 4 of Part 2A of the *Life Insurance Act 1995*.

Nexia Edwards Marshall

Nexia Edwards Marshall
Chartered Accountants

B Morkunas

Brett Morkunas
Partner

Adelaide
South Australia

28 September 2016

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Appointed Actuary
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Auditor
Nexia Edwards Marshall Chartered Accountants ABN 38 238 591 759

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