KEYINVEST
ESTABLISHED 1878

ANNUAL REPORT 2018/19

About KEYINVEST

KeyInvest is a licensed Friendly Society regulated by the Australian Prudential Regulation Authority (APRA) with total benefit fund assets under management in excess of $214m at 30 June 2019.

KeyInvest provides financial services and retirement services founded on a long and proud history of caring for the welfare of our members.

KeyInvest originated in 1878 as the Independent Order of Odd Fellows South Australia (IOOFSA), and continues today as a member based Friendly Society providing a range of services to assist customers achieve their financial and retirement goals.

KeyInvest maintains this tradition with a focus on "life's key investments" specialising in investment bonds and retirement living.

CONTENTS

Chairman’s Report	1
Corporate Governance Statement	3
Financial Report	7
Company Information	58

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CHAIRMAN'S REPORT

Building our financial strength to serve our members and clients.

It is my pleasure to once again inform members of developments and key outcomes during the course of the 2018/19 financial year.

After a long period of stability at historic low levels of 1.5% and expectations of an eventual tightening cycle for cash rates, a dramatic transformation in the interest rate outlook took place in late 2018. This was in part due to downward revisions to the international economic outlook, international trade tensions between the US and China and also the desire of the Reserve Bank of Australia to achieve higher employment levels and wages growth in Australia. The RBA lowered cash rates to a new historic low of 1.0% through successive 0.25% rate cuts in June and July 2019.

The pursuit of ultra-low interest rate policies provides an extremely challenging backdrop for savers generally and has adversely affected available yields on the high quality, low risk financial assets that we must invest in to support our capital guaranteed benefit funds.

KeyInvest's FY19 financial performance in Retirement Services reflected slower activity and negligible or even negative growth in residential property markets, resulting in longer selling time for incoming retirement village residents and pressure on prices. Our building program for our retirement village developments was slowed in FY19 as sales rates of new homes adjusted to the new market conditions.

In Financial Services, our two major products, the Life Events Bond, and our largest capital guaranteed fund, the KeyInvest Funeral Bond, collectively grew by over 9% during FY19. After allowing for run-off from our closed and legacy funds, our overall Funds Under Management (FUM) levels achieved a creditable 4% growth. The Life Events Bonds' lower fee structure was launched in November 2018 and received renewed interest and increased support from financial advisers.

The sale of our 51% shareholding in the KeyInvest Lending Services business in July 2018 proved to be a timely exit from the mortgage broking industry. In addition to the impact of a cooling housing market, there were significant headwinds facing the industry due to adverse Hayne Royal Commission recommendations and policy uncertainty in the lead up to the federal election in May 2019.

We continue to evaluate the best opportunities for positioning KeyInvest for long term growth, whilst providing greater product options for our members and maintaining a strong regulatory capital position.

OUR STRATEGY

The KeyInvest Strategic Business Plan focusses on the growth of our business together with the pursuit of strategic initiatives designed to optimise long term return on capital, building our financial strength to serve our members and clients.

We have committed to transformation initiatives in the three key areas of Financial Growth, Operational Innovation and People & Culture with each initiative having focus areas, measurable success metrics and commitments to action, as follows:

Financial Services - Refresh the existing products to increase market appeal, deliver improved product features and enhance on-line delivery via distribution partners to grow overall FUM levels while exploring alternate financial products with higher yield and investor returns to broaden our market reach and investor demographic.

Retirement Services - Deliver a sustainable, comfortable and desirable independent retirement living experience at all of the villages we operate, together with accelerated completion of the development sites to build our portfolio of homes and reduce capital, holding and operating costs and increase our sales volumes of existing and newly developed homes in line with portfolio growth to optimise revenues and capital usage.

OUR FINANCIAL PERFORMANCE

KeyInvest's capital position, as measured under APRA's Prudential Standards, for the capital guaranteed funds and the Management Fund remains sound. In the context of pressures emerging from ultra-low interest rates, we will continue to consolidate and re-position the business as required to sustain the capital position in the long term.

Our consolidated entity financial results for FY19 were impacted by lower valuation results and higher holding costs from our retirement village investment property assets, which were unable to reproduce the high growth momentum seen in FY18. Our after tax consolidated result was a (loss) of $(1,161,949) (FY18: $3,315,579).

Although sales numbers and valuation results were lower than in FY18, revenues from retirement village deferred management fees and development margins in FY19 were higher at $2,456,285 (FY18: $2,190,351).

Our investment bond FUM increased to over $214m (FY18: $206m) and investment income within our funds increased to $7,619,260 (FY18: $6,181,193). This is in line with the growth in FUM, the strong capital appreciation in fixed interest investments as credit spreads decreased and strong returns from equities in our Life Events Bond.

CHAIRMAN'S REPORT

FINANCIAL SERVICES

KeyInvest offers long term financial and investment solutions through its investment bond products that provide members with tax, social security and estate planning benefits.

Our largest capital guaranteed investment, the KeyInvest Funeral Bond, continues to be popular with financial advisers who utilise its estate planning advantages and significant aged pension assets test concessions for their clients. We look forward to launching a new augmented version of this product in FY20 to provide members with greater investment choice and flexibility.

The Life Events Bond is a unitised product delivering a competitive and low cost menu of 27 investment choices, with access to some of Australia's and the world's finest investment managers. It offers a flexible, tax effective alternative to superannuation that can be accessed before retirement or utilised as a long term investment vehicle for specific goals such as funding children's education or other major life events.

RETIREMENT SERVICES

KeyInvest operates seven sites and currently has 391 completed homes, with a development pipeline across three sites that will grow the portfolio to 472 homes by 2022. The retirement village portfolio is a blend of established and strategically located metropolitan sites, together with larger development sites located in regional areas with favourable underlying demographics and lifestyle attraction factors for retirees.

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

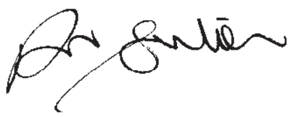
KEYINVEST ODD FELLOWS FOUNDATION

KeyInvest was founded in 1878 and retains the "Odd Fellow" tradition whereby members cared for widows and orphans of members, long before Government welfare existed.

KeyInvest has created the KeyInvest Odd Fellows Foundation with a mission to perpetuate the Odd Fellows ethos through the support of charities with grants and fundraising activities.

I take this opportunity to thank our Directors, Executive Management team and staff for their efforts during FY19 and look forward to sharing further developments with members next year.

Yours sincerely



Dr Roger N Sexton AM
Chairman

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[1] overall strategy, governance and performance. Under the Corporate Governance Policy, the Board has adopted a schedule of its roles and responsibilities as documented within its charter. Broadly, the Board's role includes:

- reviewing and approving the objectives and strategic direction of the Group;
- setting the Group's risk appetite and ensuring the Group's risk culture is consistent with the approved risk appetite;
- ensuring the Group's business continuity framework is appropriate for the nature and scale of the Group's operations and consistent with the Group's Risk Management Strategy;
- reviewing and approving the Group's statutory and regulatory accounts;
- adopting the annual budgets of the Company[2] 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 CEO.

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 CEO, Management and those authorities specifically retained by the Board.

Role of the CEO

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 CEO. The CEO 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.

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

CORPORATE GOVERNANCE STATEMENT

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.

In accordance with APRA's *Prudential Standard CPS 520 Fit and Proper* the Board membership must comprise Directors with appropriate skills, experience and knowledge, 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.

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 Geoff Vogt will retire by rotation at the upcoming 2019 Annual General Meeting. Messrs Stillwell and Vogt will 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 and CEO 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 Group, including its legal and prudential obligations and to ensure that the Group is managed in an appropriate way.

The Board and CEO Performance Evaluation Procedures assess the performance of Non Executive Directors and the CEO 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 CEO. The Board undertook an extensive Board performance self-evaluation and review process with respect to the 2018/19 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 CEO and Executive Management. In addition, corporate strategy meetings are held to assess and determine the strategic direction of the Group.

CORPORATE GOVERNANCE STATEMENT

Details of the number of meetings held by the Board and its Committees during the 2018/19 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 CEO, 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*.

CORPORATE GOVERNANCE STATEMENT

Board Audit 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 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;
- making recommendations on the appointment and removal of the Group's Appointed Actuary;
- 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 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 financial positioning and investment strategies of the Group.

FINANCIAL REPORT

These financial statements are the consolidated financial statements of the consolidated entity consisting of KeyInvest Ltd (‘company’ or ‘parent entity’) 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. 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, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 30 September 2019. The directors have the power to amend and reissue the financial statements.

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FINANCIAL REPORT

Directors' report			10
Auditor's independence declaration			15
Financial statements			
- Statements of comprehensive income			16
- Statements of financial position			17
- Statements of changes in equity			18
- Statements of cash flows			19
- Notes to the financial statements			
	Note 1:	Significant accounting policies	20
	Note 2:	Critical accounting judgements, estimates and assumptions	25
	Note 3:	Revenue	26
	Note 4:	Other income	26
	Note 5:	Expenses	27
	Note 6:	Income tax benefit	28
	Note 7:	Discontinued operations	28
	Note 8:	Cash and cash equivalents	30
	Note 9:	Financial assets at amortised cost	30
	Note 10:	Other investments	31
	Note 11:	Receivables	31
	Note 12:	Assets of disposal groups classified as held for sale	31
	Note 13:	Investment property	32
	Note 14:	Property, plant and equipment	33
	Note 15:	Life investment contracts policyholder assets	35
	Note 16:	Deferred tax assets	35
	Note 17:	Intangible assets	35
	Note 18:	Payables	36
	Note 19:	Current tax liabilities	37
	Note 20:	Financial liabilities	37
	Note 21:	Provisions	38
	Note 22:	Life investment contracts policyholder liabilities	39
	Note 23:	Liabilities directly associated with assets classified as held for sale	40
	Note 24:	Deferred tax liabilities	40
	Note 25:	Asset revaluation reserve	40
	Note 26:	Financial risk management	41
	Note 27:	Fair value measurement	45
	Note 28:	Key management personnel compensation	48
	Note 29:	Capital and lease commitments	48
	Note 30:	Related party transactions	48
	Note 31:	Interests in subsidiaries	49
	Note 32:	Economic dependency	50
	Note 33:	Events after the reporting period	50
	Note 34:	Reconciliation of surplus/(deficit) after income tax to net cash used in operating activities	50
	Note 35:	Changes in liabilities arising from financing activities	51
	Note 36:	Capital management	52
	Note 37:	Life investment contracts	53
Directors' declaration			55
Auditor's report			56

DIRECTORS' REPORT

The Directors of KeyInvest Ltd ('company' or 'parent entity') present their report, together with the financial statements of the consolidated entity, being the company and its subsidiary entities, for the year ended 30 June 2019.

Principal Activities

The consolidated entity's principal activities during the financial year were the provision of financial services and products (specifically Life Investment Funds to members) and the development and management of Retirement Villages.

As disclosed in note 7 to the financial statements the consolidated entity divested its shareholding in KeyInvest Property Loans Pty Ltd on 26 July 2018.

Objectives

The consolidated entity's objectives and key performance indicators for FY19 were to:

- Maintain a strong capital position while delivering positive annual returns to our capital guaranteed bondholders in a low fixed interest return environment.
- Maintain strong corporate governance structures and risk and compliance frameworks to ensure the consolidated entity's legal, legislative and regulatory obligations are met.
- Continue to grow Funds Under Management.
- Continue the construction of its retirement village developments at Woodside, Chiton and Horsham.
- Achieve growth in retirement village settlements and maintain high occupancy levels across our completed retirement villages.

The consolidated entity's long term objectives include:

- Maintaining a strong capital position for the benefit of members.
- Completing our retirement village developments at Woodside, Chiton and Horsham.
- Growing and expanding the Financial Services business.

KeyInvest continues to invest in the development of enhanced products and services, improved operational and sales management systems, growing distribution channels via targeted marketing campaigns and the ongoing development of skilled professionals to deliver the strategies that underpin the Group's strategic objectives.

Review of the Consolidated Entity's Operations and Results

The members' entitlement to the consolidated entity's net profit (loss) from ordinary activities after income tax for FY19 was $(1,161,949) (2018: $3,315,579).

Operating revenue from continuing operations of the consolidated entity for FY19 was $10,237,610 (2018: $12,712,002).

The total comprehensive income (loss) for FY19 was $(1,161,949) (2018: $3,484,274).

The net assets of the consolidated entity as at 30 June 2019 decreased to $32,933,531 (2018: $34,566,125).

An overview of the consolidated entity's operations is also set out in the Chairman's Report.

Life Investment Funds

KeyInvest's capital guaranteed Life Investment Funds continued to face challenging market conditions as fixed income yields fell to historic lows during FY19.

Despite this, KeyInvest's capital guaranteed Funds achieved improved returns when compared to FY18, as the second half of FY19 delivered strong capital appreciation across all Funds as bond yields fell. However, it is anticipated that bonuses will remain subdued reflecting the low interest rate environment and the requirement to maintain strong capital adequacy within the capital guaranteed Funds.

Members' Life Investment funds at the end of the financial year achieved growth of 4% to $214,159,353 (2018: $206,452,651).

Revenue grew to $7,619,260 (2018: $6,181,193) in line with higher levels of invested funds and greater capital appreciation, particularly from the Life Events Bond Funds.

DIRECTORS' REPORT

Retirement Services

The consolidated entity's Retirement Services division generated deferred management fees and development margins of $2,456,285 (2018: $2,190,351). Occupancy at established villages averaged 90% in FY19.

Construction activity at the development villages added seven new homes to the portfolio in FY19. In addition, civil works at Woodside Lodge created the final 15 building sites, and were completed in September 2019.

Significant Changes in State of Affairs

As disclosed in note 7 to the financial statements the consolidated entity divested its shareholding in KeyInvest Property Loans Pty Ltd on 26 July 2018.

After Balance Date Events

Other than as disclosed in this report or the financial statements, there have been no matters or circumstances that have arisen, which significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

Future Developments, Prospects and Business Strategies

Disclosure of information relating to future developments of the consolidated entity in future financial years is likely to result in unreasonable prejudice to the interests of the consolidated entity. 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, SF Fin, CPMgr, CUniv Appointed Director on 1 October 2003. Dr Sexton is 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. Dr Sexton also previously served as a Director and Chairman of KeyInvest between 1990-2002.
	**Daryl Stillwell** Deputy Chairman (Independent Non Executive)	BA, Dip App Psych, Reg Psych MAPS(MCOP), FAICD, CMC, MAHRI Appointed Director on 1 July 2005. Mr Stillwell is Chairman of the Corporate Governance Committee and a member of the Finance and Investment Committee and the Remuneration and Nomination Committee. Mr Stillwell is Managing Director of a human resources consulting company and has over 40 years' experience within that industry.

DIRECTORS' REPORT

Donny Walford

Director (Independent Non Executive)

FAICD

Appointed Director on 1 July 2005. Ms Walford 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.

Geoff Vogt

Director (Independent Non Executive)

BEc, FAICD, FGIA, FCIS, SF Fin, FCPA, ANZIF (Assoc), CTP, RFD

Appointed Director on 27 May 2010. Mr Vogt is the Chairman of the Board Audit Committee and a member of the Board Risk 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.

Marcus La Vincente AM

Director (Independent Non Executive)

LLB, MBA, FAICD, FANZCN, FNSSA, Notary Public

Appointed Director on 15 November 2011. Mr La Vincente is the Chairman of the Board Risk Committee and a member of the Board Audit Committee and the Corporate Governance 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.

Chantale Millard

Director (Independent Non Executive)

BCom, Dip Management, FCPA, GAICD

Appointed Director on 11 October 2018. Ms Millard is a member of the Board Audit Committee, the Board Risk Committee and the Corporate Governance Committee. Ms Millard has over 20 years' experience in a variety of senior executive roles in the areas of financial asset management and manufacturing. Ms Millard is currently CEO of a South Australian based premium food manufacturing business. Ms Millard is a FCPA and has over 10 years' experience in director roles.

Tim Sarah

Director (Independent Non Executive)

BEc, MBA (Exec), ACA, FAICD

Appointed Director on 1 July 2007. Mr Sarah recently served as 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.

Mr Sarah retired as a Director on 28 November 2018.

DIRECTORS' REPORT

The following persons were Directors of the following controlled entities of KeyInvest Ltd during FY19 and/or as at the date this Annual Report was published.

• Chiton RV Pty Ltd • KeyInvest Retirement Living Pty Ltd • KeyInvest Burton Pty Ltd • KeyInvest Gables Pty Ltd • KeyInvest Horsham Pty Ltd • KeyInvest Vistas Pty Ltd • KeyInvest Winzor Pty Ltd • Life Events Bond Pty Ltd	Stephen Aspinall and Stephen Favretto.
• KeyInvest Managed Investments Pty Ltd	Stephen Aspinall.

Chief Executive Officer

Stephen Aspinall, DipFMBM, FFin, FAIBF, MICM, MAICD

Mr Aspinall was appointed Chief Operating Officer on 1 February 2016 and Chief Executive Officer on 1 October 2018. Mr Aspinall has over 30 years' experience in banking, finance, broking and funds management. Between 2004-2016 Mr Aspinall's principal employment involved the establishment and day to day management of property and mortgage Managed Investment Schemes for retail and wholesale investors. Mr Aspinall holds a Diploma of Financial Services (Finance / Mortgage Broking Management).

Company Secretary

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

Mr Silvy was appointed Company Secretary on 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 compliance with the ASX Listing Rules. In addition to his professional qualification as a Chartered Secretary he holds a Bachelor of Finance and a Diploma of Applied Finance and Investment and is a graduate of the AICD Company Directors Course.

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	10	-	-	-	-	4	4	-	-	-	-
D L Stillwell	11	10	3	3	5	4	4	4	-	-	-	-
D Walford	11	11	-	-	5	5	4	4	-	-	-	-
T H Sarah [1]	11	6	3	2	-	-	-	-	5	3	5	3
G T Vogt	11	11	-	-	5	5	-	-	5	5	5	5
M D La Vincente	11	11	3	3	-	-	-	-	5	5	5	5
C M Millard [2]	11	8	3	1	-	-	-	-	5	3	5	3

[1] *retired as a Director on 28 November 2018.*
[2] *joined as a Director on 11 October 2018.*

DIRECTORS' REPORT

Indemnification of Officers or Auditors

During FY19 the company paid a premium in respect of a contract insuring the Directors, the Company Secretary and all officers of the consolidated entity, 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 FY19 the company has not indemnified or made a relevant agreement to indemnify the consolidated entity's Auditor against a liability arising out of their conduct while acting as the consolidated entity's Auditor. In addition, the consolidated entity has not paid, or agreed to pay, a premium in respect of a contract insuring against a liability incurred by the consolidated entity's Auditor.

Proceedings

No person has applied for leave of Court to bring proceedings on behalf of the consolidated entity or intervene in any proceedings to which the consolidated entity is a party for the purpose of taking responsibility on behalf of the consolidated entity for all or any part of those proceedings. The consolidated entity was not a party to any such proceedings during FY19.

Environmental Issues

The consolidated entity's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory. The consolidated entity promotes environmentally sustainable business practices across all its operations. The company has a policy of providing a safe environment for its staff, customers and residents.

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 FY20.
- 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 consolidated entity were granted during or since the end of FY19 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: 30 September 2019

Nexia Edwards Marshall

AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of KeyInvest Ltd.

As lead audit partner for the audit of the financial statements of KeyInvest Ltd for the financial year ended 30 June 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) any applicable code of professional conduct in relation to the audit.

Nexia Edwards Marshall
Chartered Accountants

Jamie Dreckow
Partner

Adelaide
South Australia

30 September 2019

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KeyInvest Ltd
Statements of comprehensive income
For the year ended 30 June 2019

	Note	Consolidated Entity 2019 $	Consolidated Entity 2018 $	Parent Entity 2019 $	Parent Entity 2018 $
Revenue from continuing operations	3	5,518,299	5,324,354	4,750,664	4,441,997
Other income	4	4,671,865	7,279,246	2,722,865	4,313,880
Interest revenue		47,446	108,402	47,446	108,405
Total revenue		10,237,610	12,712,002	7,520,975	8,864,282
Expenses					
Expenses	5	(12,262,112)	(12,302,186)	(10,345,626)	(8,108,678)
Total expenses		(12,262,112)	(12,302,186)	(10,345,626)	(8,108,678)
Surplus/(deficit) before income tax benefit from continuing operations		(2,024,502)	409,816	(2,824,651)	755,604
Income tax benefit	6	862,553	2,729,478	749,069	2,094,654
Life investment contracts	37				
Revenue		7,619,260	6,181,193	7,619,260	6,181,193
Expenses		(6,032,805)	(5,679,308)	(6,032,805)	(5,679,308)
Income tax expense		(1,149,934)	(784,149)	(1,149,934)	(784,149)
Add back: surplus/(deficit) after income tax expense		(436,521)	282,264	(436,521)	282,264
Life investment contracts contribution to profit, net of tax		-	-	-	-
Surplus/(deficit) after income tax benefit from continuing operations		(1,161,949)	3,139,294	(2,075,582)	2,850,258
Surplus after income tax expense from discontinued operations	7	-	344,980	-	-
Surplus/(deficit) after income tax (expense)/benefit for the year		(1,161,949)	3,484,274	(2,075,582)	2,850,258
Total comprehensive income for the year		(1,161,949)	3,484,274	(2,075,582)	2,850,258
Surplus/(deficit) for the year is attributable to:					
Non-controlling interest		-	168,695	-	-
Members of KeyInvest Ltd		(1,161,949)	3,315,579	(2,075,582)	2,850,258
		(1,161,949)	3,484,274	(2,075,582)	2,850,258
Total comprehensive income for the year is attributable to:					
Discontinued operations		-	168,695	-	-
Non-controlling interest		-	168,695	-	-
Continuing operations		(1,161,949)	3,139,294	(2,075,582)	2,850,258
Discontinued operations		-	176,285	-	-
Members of KeyInvest Ltd		(1,161,949)	3,315,579	(2,075,582)	2,850,258
		(1,161,949)	3,484,274	(2,075,582)	2,850,258

The above Statements of comprehensive income should be read in conjunction with the accompanying notes.

KeyInvest Ltd
Statements of financial position
As at 30 June 2019

	Note	Consolidated Entity 2019 $	Consolidated Entity 2018 $	Parent Entity 2019 $	Parent Entity 2018 $
Assets					
Cash and cash equivalents	8	1,611,735	1,693,499	1,163,766	1,262,938
Financial assets at amortised cost	9	1,278,610	3,028,610	1,278,610	3,028,610
Other investments	10	-	-	15,003	2,521,936
Receivables	11	1,194,596	1,332,958	10,439,515	10,445,495
Assets of disposal groups classified as held for sale	12	-	5,920,375	-	-
Investment property	13	42,749,885	41,804,531	24,245,536	24,237,649
Property, plant and equipment	14	811,048	535,297	803,942	524,610
Life investment contracts policyholder assets	15	214,159,353	206,452,651	214,159,353	206,452,651
Deferred tax assets	16	8,288,869	6,928,522	7,912,028	6,395,277
Intangible assets	17	440,000	440,000	440,000	440,000
Total assets		270,534,096	268,136,443	260,457,753	255,309,166
Liabilities					
Payables	18	2,334,864	2,792,148	1,603,795	2,307,803
Current tax liabilities	19	-	456	-	-
Financial liabilities	20	9,416,814	10,299,091	5,829,388	5,843,054
Provisions	21	2,141,601	2,596,052	2,141,601	2,582,258
Life investment contracts policyholder liabilities	22	214,159,353	206,452,651	214,159,353	206,452,651
Liabilities directly associated with assets classified as held for sale	23	-	300,485	-	-
Deferred tax liabilities	24	9,547,933	8,464,885	7,407,640	6,731,842
Total liabilities		237,600,565	230,905,768	231,141,777	223,917,608
Net assets		32,933,531	37,230,675	29,315,976	31,391,558
Equity					
Asset revaluation reserve	25	-	193,477	-	-
Retained earnings		32,933,531	34,372,648	29,315,976	31,391,558
Equity attributable to the members of KeyInvest Ltd		32,933,531	34,566,125	29,315,976	31,391,558
Non-controlling interest		-	2,664,550	-	-
Total equity		32,933,531	37,230,675	29,315,976	31,391,558

KeyInvest Ltd
Statements of changes in equity
For the year ended 30 June 2019

Consolidated Entity	Reserves $	Retained earnings $	Non-controlling interest $	Total equity $
Balance at 1 July 2017	193,473	31,057,065	2,845,693	34,096,231
Surplus after income tax benefit for the year	-	3,315,579	168,695	3,484,274
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	3,315,579	168,695	3,484,274
Dividends paid	-	-	(349,830)	(349,830)
Balance at 30 June 2018	193,473	34,372,644	2,664,558	37,230,675

Consolidated Entity	Reserves $	Retained earnings $	Non-controlling interest $	Total equity $
Balance at 1 July 2018	193,473	34,372,644	2,664,558	37,230,675
Deficit after income tax benefit for the year	-	(1,161,949)	-	(1,161,949)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	(1,161,949)	-	(1,161,949)
Disposal of minority interests	(193,473)	(277,164)	(2,664,558)	(3,135,195)
Balance at 30 June 2019	-	32,933,531	-	32,933,531

Parent Entity	Retained earnings $	Total equity $
Balance at 1 July 2017	28,541,300	28,541,300
Surplus after income tax benefit for the year	2,850,258	2,850,258
Other comprehensive income for the year, net of tax	-	-
Total comprehensive income for the year	2,850,258	2,850,258
Balance at 30 June 2018	31,391,558	31,391,558

Parent Entity	Retained earnings $	Total equity $
Balance at 1 July 2018	31,391,558	31,391,558
Deficit after income tax benefit for the year	(2,075,582)	(2,075,582)
Other comprehensive income for the year, net of tax	-	-
Total comprehensive income for the year	(2,075,582)	(2,075,582)
Balance at 30 June 2019	29,315,976	29,315,976

KeyInvest Ltd
Statements of cash flows
For the year ended 30 June 2019

	Note	Consolidated Entity 2019 $	Consolidated Entity 2018 $	Parent Entity 2019 $	Parent Entity 2018 $
Cash flows from operating activities					
Receipts from customers (inclusive of GST)		2,830,917	14,472,624	3,151,751	2,686,726
Payments to suppliers and employees (inclusive of GST)		(12,000,986)	(19,806,753)	(10,694,334)	(7,201,401)
Net receipts from issue of retirement village loans and licences		1,140,742	1,280,128	616,687	593,213
Interest and investment management fee receipts		2,814,520	2,801,246	3,561,222	2,148,554
Net GST recovered/(paid)		60,001	(130,943)	23,774	(31,330)
		(5,154,806)	(1,383,698)	(3,340,900)	(1,804,238)
Interest and other finance costs paid		(407,917)	(167,379)	(228,883)	(191,461)
Income taxes refunded		584,798	1,351,466	-	907,246
Income taxes paid		-	-	(91,884)	-
Net cash used in operating activities	34	(4,977,925)	(199,611)	(3,661,667)	(1,088,453)
Cash flows from investing activities					
Capital expenditure on retirement villages		(2,361,981)	(7,682,220)	(723,437)	(3,476,833)
Payments for property, plant and equipment	14	(503,424)	(317,508)	(503,424)	(205,533)
Payments for intangibles	17	-	(440,000)	-	(440,000)
Capital expenditure on buildings		(37,033)	(2,599)	(37,033)	(2,599)
Payments for investment property		(2,100,000)	-	(2,100,000)	-
Payments for financial assets		-	(2,450,000)	-	(2,450,000)
Proceeds from disposal of financial investments		1,750,000	190	1,750,000	190
Proceeds from disposal of investments		4,584,700	-	2,672,866	-
Proceeds from disposal of investment property		-	2,431,106	-	-
Proceeds from disposal of property, plant and equipment		-	7,055	-	5,744
Proceeds from sale of retirement village new units and buybacks		4,724,565	5,704,000	3,413,015	2,315,000
Net cash from/(used in) investing activities		6,056,827	(2,749,976)	4,471,987	(4,254,031)
Cash flows from financing activities					
Proceeds from borrowings		3,688,882	5,932,613	3,540,012	3,325,722
Dividends paid		-	(349,838)	-	-
Repayment of borrowings		(4,849,547)	(2,826,032)	(3,557,047)	-
Loans from/(to) subsidiaries		-	-	(892,457)	1,933,297
Net cash from/(used in) financing activities		(1,160,665)	2,756,743	(909,492)	5,259,019
Net decrease in cash and cash equivalents		(81,763)	(192,844)	(99,172)	(83,465)
Cash and cash equivalents at the beginning of the financial year		1,693,498	2,161,959	1,262,938	1,346,403
		1,611,735	1,969,116	1,163,766	1,262,938
Cash and cash equivalents at the end of the financial year for continuing operations		1,611,735	1,693,499	1,163,766	1,262,938
Cash and cash equivalents at the end of the financial year for discontinued operations		-	275,616	-	-
Cash and cash equivalents at the end of the financial year	8	1,611,735	1,969,115	1,163,766	1,262,938

Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out either in the respective notes or below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted
The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 9 Financial Instruments
The consolidated entity has adopted AASB 9 from 1 July 2018. The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in other comprehensive income ('OCI'). Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

The assessment of the consolidated entity’s business model was made as of the date of initial application, 1 July 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets. The classification and measurement requirements of AASB 9 did not have a significant impact on the consolidated financial statements.

The consolidated entity has not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for the consolidated entity’s financial liabilities.

In summary, upon adoption of AASB 9, the consolidated entity applied the following required or elected reclassifications:

	AASB 139 original	AASB 9 new	AASB 139 original	AASB 9 recognition of additional loss allowance	AASB 9 new
Financial assets					
Cash and cash equivalents	Loans and receivables (amortised cost)	Financial assets at amortised cost	1,693,499	-	1,693,499
Receivables	Loans and receivables (amortised cost)	Financial assets at amortised cost	1,332,958	-	1,332,958
Held-to-maturity financial assets	Held-to-maturity	Financial assets at amortised cost	3,028,610	-	3,028,610
Financial liabilities					
Payables	Amortised cost	Financial liabilities at amortised cost	2,792,148	-	2,792,148
Borrowings	Amortised cost	Financial liabilities at amortised cost	10,299,091	-	10,299,091

Note 1. Significant accounting policies (continued)

The adoption of AASB 9 has fundamentally changed the consolidated entity’s accounting for impairment losses for financial assets by replacing AASB 139’s incurred loss approach with a forward looking ECL approach. AASB 9 requires the consolidated entity to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets ie those held at amortised cost.

Upon adoption of AASB 9 the consolidated entity made an assessment that no additional impairment on trade receivables and loan receivables was required.

AASB 15 Revenue from Contracts with Customers
The consolidated entity has adopted AASB 15 from 1 July 2018. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the accounting policies below. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in an entity's Statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period.

Basis of preparation
These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by ASSB, the Corporations Act 2001 and the Life Insurance Act 1995, as appropriate for complying entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Historical cost convention
The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets, financial assets and liabilities at fair value through profit or loss, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's and company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of KeyInvest Ltd ('company' or 'parent entity') as at 30 June 2019 and the results of all subsidiaries for the year then ended. KeyInvest Ltd and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

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

A list of controlled entities is contained in note 31 to the financial statements.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the Statement of comprehensive income, Statement of financial position and Statement of changes in equity of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Note 1. Significant accounting policies (continued)

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Interests in subsidiaries are accounted for at cost, less any impairment, in the parent entity. Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Investments and other financial assets
Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless, an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

Financial assets at amortised cost
A financial asset is measured at amortised cost only if both of the following conditions are met: (i) it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

Financial assets at fair value through other comprehensive income
Financial assets at fair value through other comprehensive income include equity investments which the consolidated entity intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

Investments
Investments includes non-derivative financial assets with fixed or determinable payments and fixed maturities where the consolidated entity has the positive intention and ability to hold the financial asset to maturity. This category excludes financial assets that are held for an undefined period. Investments are carried at amortised cost using the effective interest rate method adjusted for any principal repayments. Gains and losses are recognised in profit or loss when the asset is derecognised or impaired.

Impairment of financial assets
The consolidated entity recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the consolidated entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets measured at fair value through other comprehensive income, the loss allowance is recognised within other comprehensive income. In all other cases, the loss allowance is recognised in profit or loss.

Note 1. Significant accounting policies (continued)

Retirement villages
The consolidated entity 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 consolidated entity’s ongoing interest in the retirement villages. These valuations are carried out by Certified Practising Valuers and by the consolidated entity'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 13). The consolidated entity’s interest, net of residents’ interests, is shown in note 13 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.

Impairment of non-financial assets
Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash generating unit ('CGU') to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a CGU.

Finance costs
Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Goods and services tax ('GST') and other similar taxes
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the Statement of financial position.

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

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Note 1. Significant accounting policies (continued)

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 tax consolidated 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.

New accounting standards and interpretations not yet mandatory or early adopted
Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2019. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

AASB 16 Leases
This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the Statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the Statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The consolidated entity will adopt this standard from 1 July 2019. The adoption of this standard is not expected to have a significant impact.

Life business - disclosure
The financial statements recognise the assets, liabilities, income and expenses of the life insurance business conducted by the consolidated entity 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 consolidated entity.

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 9 and AASB 1038, which apply to investment contracts and assets backing insurance liabilities respectively.

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.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Fair value measurement hierarchy
The consolidated entity is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

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

Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

Estimation of useful lives of assets
The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Goodwill and other indefinite life intangible assets
The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 1. The recoverable amounts of CGU's have been determined based on the higher of fair value less cost to sell and value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

Investment property
Investment property comprises freehold office buildings and retirement villages. The office buildings are held to generate long-term rental yields and the retirement villages are held to provide long-term revenue from deferred management fees and development margins. All tenant leases and loan contracts are on an arm’s length basis. Investment property is carried at fair value, determined annually either by independent valuers on a three year cycle or the consolidated entity's Directors. Changes to fair value are recorded in the Statement of comprehensive income.

In accounting for its retirement villages in accordance with AASB 140: Investment property, the consolidated entity defines an investment property unit of account to represent a stage of retirement village development.

Income tax
The consolidated entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The consolidated entity recognises liabilities for anticipated tax audit issues based on the consolidated entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Recovery of deferred tax assets
Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Note 2. Critical accounting judgements, estimates and assumptions (continued)

Employee benefits provision
As discussed in the Provision note, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Note 3. Revenue

	Consolidated Entity		Parent Entity	
	2019 $	2018 $	2019 $	2018 $
From continuing operations				
Commission	8,599	26,796	8,599	26,796
Management fees	3,053,415	3,107,207	3,053,415	3,107,207
Dividends from related entities	-	-	-	365,546
Deferred management fees and development margin on sale of retirement village loans and licences	2,456,285	2,190,351	1,688,650	942,448
Revenue from continuing operations	5,518,299	5,324,354	4,750,664	4,441,997

Accounting policy for revenue recognition
Revenue is measured at the fair value of the consideration received or receivable.

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 KeyInvest Ltd constitution.

Retirement village unit 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 4. Other income

	Consolidated Entity		Parent Entity	
	2019 $	2018 $	2019 $	2018 $
From continuing operations				
Realised gains (losses) on investments	-	190	-	190
Surplus from revaluation of investment properties	1,033,239	3,398,988	100,000	1,933,491
Rental income	716,344	643,332	716,344	612,832
Accommodation fees from retirement village residents	2,085,257	2,055,489	1,246,608	1,157,568
Other	837,025	1,181,247	659,913	609,799
Other income from continuing operations	4,671,865	7,279,246	2,722,865	4,313,880

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.

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.

Note 5. Expenses

	Consolidated Entity		Parent Entity	
	2019	2018	2019	2018
	$	$	$	$
From continuing operations				
Audit fees	73,049	62,574	70,961	56,516
Actuarial fees	41,323	46,557	31,288	36,189
Depreciation	221,795	191,334	176,160	157,723
Regulatory supervision fees	27,597	24,561	27,597	24,561
Salaries, wages and on costs	3,499,134	3,573,136	2,576,523	2,793,903
Employee benefits	251,552	282,540	243,812	220,245
Superannuation contributions	311,933	325,552	226,894	248,929
Commissions	149,704	169,692	137,704	142,692
Impairment and revaluations	1,177,493	1,610,493	2,147,140	146,132
Outsourced arrangements	547,670	612,181	547,670	612,181
Rates and taxes	1,020,753	1,013,205	784,287	662,295
Marketing	691,847	614,737	402,312	288,377
Other operating expenses	4,248,262	3,775,624	2,973,278	2,718,935
Expenses from continuing operations	12,262,112	12,302,186	10,345,626	8,108,678

Note 6. Income tax benefit

	Consolidated Entity		Parent Entity	
	2019	2018	2019	2018
	$	$	$	$
Income tax benefit				
Current tax	(2,269,746)	(2,023,860)	(1,615,402)	(1,955,018)
Adjustment recognised for prior periods	-	(21,174)	-	(21,174)
Deferred tax	1,407,193	(529,450)	866,333	(118,462)
Aggregate income tax benefit	(862,553)	(2,574,484)	(749,069)	(2,094,654)
Income tax benefit is attributable to:				
Surplus/(deficit) from continuing operations	(862,553)	(2,729,478)	(749,069)	(2,094,654)
Surplus from discontinued operations	-	154,994	-	-
Aggregate income tax benefit	(862,553)	(2,574,484)	(749,069)	(2,094,654)
Numerical reconciliation of income tax benefit and tax at the statutory rate				
Surplus/(deficit) before income tax benefit from continuing operations	(2,024,502)	409,816	(2,824,651)	755,604
Surplus before income tax expense from discontinued operations	-	499,974	-	-
	(2,024,502)	909,790	(2,824,651)	755,604
Tax at the statutory tax rate of 30%	(607,351)	272,937	(847,395)	226,681
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:				
Non-assessable income	53,978	57,973	53,978	(51,691)
Other assessable amounts	-	77,051	-	77,051
Impairment adjustments	-	58,436	-	-
Net adjustments arising from retirement villages	68,939	(2,597,363)	437,169	(1,819,559)
Net adjustments arising from life investment contracts	(224,491)	(148,653)	(224,491)	(212,200)
Non-deductible expenditure	(153,628)	(117,029)	(168,330)	(137,100)
Imputation credits	-	(156,662)	-	(156,662)
	(862,553)	(2,553,310)	(749,069)	(2,073,480)
Adjustment recognised for prior periods	-	(21,174)	-	(21,174)
Income tax benefit	(862,553)	(2,574,484)	(749,069)	(2,094,654)

Note 7. Discontinued operations

Description
The sale of KeyInvest Property Loans Pty Ltd was completed on 26 July 2018. The sale resulted in a loss of control of the subsidiary.

At 30 June 2018, the operations of KeyInvest Property Loans Pty Ltd were classified as a disposal group held for sale and as a discontinued operation. The business of KeyInvest Property Loans Pty Ltd represented the consolidated entity's mortgage lending operations until 30 June 2018.

Note 7. Discontinued operations (continued)

	Consolidated Entity		Parent Entity	
	2019	2018	2019	2018
	$	$	$	$
Financial performance information				
Discontinued revenue	-	8,261,038	-	-
Discontinued other income	-	225,695	-	-
Discontinued expense	-	(7,910,789)	-	-
Impairment of held for sale assets	-	(75,970)	-	-
Total expenses	-	(7,986,759)	-	-
Surplus before income tax expense	-	499,974	-	-
Income tax expense	-	(154,994)	-	-
Surplus after income tax expense from discontinued operations	-	344,980	-	-

	Consolidated Entity		Parent Entity	
	2019	2018	2019	2018
	$	$	$	$
Cash flow information				
Net cash used in operating activities	-	(180,403)	-	-
Net cash used in investing activities	-	(78,525)	-	-
Net cash used in financing activities	-	(8,884)	-	-
Net decrease in cash and cash equivalents from discontinued operations	-	(267,812)	-	-

	Consolidated Entity		Parent Entity	
	2019	2018	2019	2018
	$	$	$	$
Carrying amounts of assets and liabilities disposed				
Cash and cash equivalents	-	275,616	-	-
Trade and other receivables	-	51,917	-	-
Financial assets at amortised cost	-	6,875	-	-
Property, plant and equipment	-	2,264,691	-	-
Intangibles	-	3,218,460	-	-
Deferred tax asset	-	102,816	-	-
Total assets	-	5,920,375	-	-
Payables	-	113,116	-	-
Financial liabilities	-	15,552	-	-
Provisions	-	147,155	-	-
Current tax liabilities	-	24,662	-	-
Total liabilities	-	300,485	-	-
Net assets	-	5,619,890	-	-

Note 7. Discontinued operations (continued)

Accounting policy for discontinued operations
A discontinued operation is a component of the consolidated entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the Statement of comprehensive income.

Note 8. Cash and cash equivalents

	Consolidated Entity		Parent Entity	
	2019	2018	2019	2018
	$	$	$	$
Cash at bank and in hand	95,447	169,495	94,429	166,763
Short-term money market	1,516,288	1,524,004	1,069,337	1,096,175
	1,611,735	1,693,499	1,163,766	1,262,938
0-6 months	1,611,735	1,693,499	1,163,766	1,262,938

Reconciliation to cash and cash equivalents at the end of the financial year
The above figures are reconciled to cash and cash equivalents at the end of the financial year as shown in the Statement of cash flows as follows:

Balances as above	1,611,735	1,693,499	1,163,766	1,262,938
Cash and cash equivalents - classified as held for sale (note 12)	-	275,616	-	-
Balance as per Statement of cash flows	1,611,735	1,969,115	1,163,766	1,262,938

Accounting policy for cash and cash equivalents
Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of six months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Note 9. Financial assets at amortised cost

	Consolidated Entity		Parent Entity	
	2019	2018	2019	2018
	$	$	$	$
Term deposits	1,278,610	3,028,610	1,278,610	3,028,610
Amount expected to be recovered within 12 months	1,278,610	3,028,610	1,278,610	3,028,610

Refer to note 27 for further information on fair value measurement.

A term deposit of $0.7m in the parent entity is held as security for loans from banks.

KeyInvest Ltd
Notes to the financial statements
30 June 2019

Note 10. Other investments

	Consolidated Entity		Parent Entity	
	2019	2018	2019	2018
	$	$	$	$
Shares in controlled entities	-	-	15,003	2,521,936
Amount expected to be recovered within 12 months	-	-	-	2,506,934
Amount expected to be recovered after more than 12 months	-	-	15,003	15,002
	-	-	15,003	2,521,936

Note 11. Receivables

	Consolidated Entity		Parent Entity	
	2019	2018	2019	2018
	$	$	$	$
Prepayments	248,363	235,746	248,363	235,746
Loans to controlled entities - unsecured	-	-	9,929,166	9,036,709
Receivable from life funds	868,480	970,861	214,136	1,063,287
Interest and distributions receivable	101	6,788	-	6,621
Other	77,652	119,563	47,850	103,132
	1,194,596	1,332,958	10,439,515	10,445,495
Amount expected to be recovered within 12 months	1,194,596	1,332,958	10,439,515	10,445,495

Note 12. Assets of disposal groups classified as held for sale

	Consolidated Entity		Parent Entity	
	2019	2018	2019	2018
	$	$	$	$
Cash and cash equivalents	-	275,616	-	-
Trade and other receivables	-	51,919	-	-
Investments	-	6,875	-	-
Property, plant and equipment	-	2,264,689	-	-
Intangibles	-	3,218,460	-	-
Deferred tax asset	-	102,816	-	-
	-	5,920,375	-	-
Amount expected to be recovered within 12 months	-	5,920,375	-	-

KeyInvest Ltd
Notes to the financial statements
30 June 2019

Note 13. Investment property

	Consolidated Entity		Parent Entity	
	2019	2018	2019	2018
	$	$	$	$
Land and buildings - opening balance	5,885,469	5,882,870	5,885,469	5,882,870
Acquisitions, additions and disposals	2,137,033	2,599	2,137,033	2,599
Fair value adjustments	100,000	-	100,000	-
	8,122,502	5,885,469	8,122,502	5,885,469
Retirement villages - opening balance	30,512,253	21,523,002	17,356,003	9,872,001
Additions and reductions	(301,100)	2,600,120	(664,604)	1,709,648
Disposals	-	(2,431,106)	-	-
Revaluation of consolidated entity's interests	(544,694)	(1,436,191)	179,481	(1,028,616)
Revaluation of residents' interests	(2,524,809)	(5,459,300)	(1,726,981)	(2,192,375)
Transfer from undeveloped land	147,308	1,551,511	-	973,581
Transfer from work in progress	2,033,302	12,518,847	59,012	6,169,459
Fair value adjustments	(424,260)	1,645,370	(689,911)	1,852,305
	28,898,000	30,512,253	14,513,000	17,356,003
Retirement villages - undeveloped land - opening balance	4,063,804	5,517,385	663,803	1,637,384
Transfer to retirement villages	(147,308)	(1,551,511)	-	(973,581)
Fair value adjustments	27,307	97,930	-	-
	3,943,803	4,063,804	663,803	663,803
Retirement villages - work in progress - opening balance	1,343,005	6,140,127	332,374	3,178,849
Acquisitions, additions and disposals	2,323,178	7,481,742	672,869	3,241,798
Transfer to retirement villages	(2,033,302)	(12,518,847)	(59,012)	(6,169,459)
Fair value adjustments	152,699	239,983	-	81,186
	1,785,580	1,343,005	946,231	332,374
	42,749,885	41,804,531	24,245,536	24,237,649

Reconciliation
Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out below:

	Consolidated 2019	Consolidated 2018	Parent 2019	Parent 2018
Opening fair value	41,804,531	39,063,384	24,237,649	20,571,104
Additions	4,159,111	10,084,461	2,145,298	4,954,045
Disposals	-	(2,431,106)	-	-
Revaluation increments	280,006	1,983,283	100,000	1,933,491
Revaluation decrements	(3,493,763)	(6,895,491)	(2,237,411)	(3,220,991)
Closing fair value	42,749,885	41,804,531	24,245,536	24,237,649

KeyInvest Ltd
Notes to the financial statements
30 June 2019

Note 13. Investment property (continued)

	Consolidated Entity		Parent Entity	
	2019	2018	2019	2018
	$	$	$	$
Retirement villages				
Investment in the retirement villages as at 30 June was:				
Development and acquisition costs	127,724,891	123,058,155	63,754,226	61,886,192
Revaluation of consolidated entity's interests	8,380,194	8,795,875	7,731,811	8,413,146
Revaluation of residents' interests	(11,364,179)	(8,023,678)	(5,950,806)	(3,648,085)
Residents' loans and licences	(95,842,906)	(93,318,100)	(51,022,231)	(49,295,250)
Total units of account at fair value	28,898,000	30,512,252	14,513,000	17,356,003
Total at cost (after testing for impairment)				
Undeveloped land	3,943,803	4,063,805	663,803	663,803
Work in progress	1,785,580	1,343,005	946,231	332,374
Total net investment	34,627,383	35,919,062	16,123,034	18,352,180

Valuations of investment properties
The 2019 valuations were conducted by external accredited independent valuer Knight Frank Valuations and by the consolidated entity'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 consolidated entity'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.

Refer to note 27 for further information on fair value measurement.

Note 14. Property, plant and equipment

	Consolidated Entity		Parent Entity	
	2019	2018	2019	2018
	$	$	$	$
Furniture, equipment and software - at cost	2,252,029	1,922,677	2,210,482	1,880,731
Less: accumulated depreciation	(1,476,107)	(1,432,704)	(1,441,666)	(1,401,445)
	775,922	489,973	768,816	479,286
Motor vehicles - at cost	74,207	74,207	74,207	74,207
Less: accumulated depreciation	(39,081)	(28,883)	(39,081)	(28,883)
	35,126	45,324	35,126	45,324
	811,048	535,297	803,942	524,610
Amount expected to be recovered after more than 12 months	811,048	535,297	803,942	524,610

Note 14. Property, plant and equipment (continued)

Consolidated Entity	Land and buildings $	Furniture, equipment and software $	Motor vehicles $	Total $
Balance at 1 July 2017	2,100,000	551,382	61,623	2,713,005
Additions	-	292,508	25,000	317,508
Classified as held for sale (note 12)	(2,100,000)	(146,555)	(18,134)	(2,264,689)
Disposals	-	(1,442)	(5,616)	(7,058)
Depreciation expense	-	(205,920)	(17,549)	(223,469)
Balance at 30 June 2018	-	489,973	45,324	535,297
Additions	-	503,423	-	503,423
Disposals	-	(5,877)	-	(5,877)
Depreciation expense	-	(211,597)	(10,198)	(221,795)
Balance at 30 June 2019	-	775,922	35,126	811,048

Parent Entity	Land and buildings $	Furniture, equipment and software $	Motor vehicles $	Total $
Balance at 1 July 2017	-	473,881	38,224	512,105
Additions	-	180,534	25,000	205,534
Disposals	-	(128)	(5,616)	(5,744)
Depreciation expense	-	(175,001)	(12,284)	(187,285)
Balance at 30 June 2018	-	479,286	45,324	524,610
Additions	-	503,424	-	503,424
Disposals	-	(5,877)	-	(5,877)
Depreciation expense	-	(208,017)	(10,198)	(218,215)
Balance at 30 June 2019	-	768,816	35,126	803,942

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Office equipment	3% to 40%
Furniture and fittings	1% to 18%

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

Note 15. Life investment contracts policyholder assets

	Consolidated Entity		Parent Entity	
	2019	2018	2019	2018
	$	$	$	$
Supersaver Bond Fund	23,775,767	27,190,956	23,775,767	27,190,956
Life Events Bond Funds	38,254,942	29,571,838	38,254,942	29,571,838
Pre-Arranged Funeral Fund	26,106,005	28,703,434	26,106,005	28,703,434
KeyInvest Funeral Bond	124,081,421	118,363,787	124,081,421	118,363,787
Income Security Fund	1,941,218	2,622,636	1,941,218	2,622,636
	214,159,353	206,452,651	214,159,353	206,452,651

Refer to note 27 for further information on fair value measurement.

Actuarial report
The effective date of the actuarial report on the policy liabilities and solvency reserves is 30 June 2019. The actuarial report for KeyInvest Ltd was prepared by Mr Bruce Watson, FIAA, and was dated 24 September 2019. The appointed actuary is satisfied as to the accuracy of the data upon which the policy liabilities have been determined.

Refer to note 37 for further information on life investment contracts.

Note 16. Deferred tax assets

	Consolidated Entity		Parent Entity	
	2019	2018	2019	2018
	$	$	$	$
Deferred tax asset	8,288,869	6,928,522	7,912,028	6,395,277
Movements:				
Opening balance	6,928,522	5,329,988	6,395,277	5,114,672
Valuation adjustments	(587,437)	883,238	-	537,769
Carry forward tax losses	1,707,567	877,588	1,707,567	877,588
Employee benefit and payables movement	240,217	(162,292)	(190,816)	(134,752)
Closing balance	8,288,869	6,928,522	7,912,028	6,395,277

Note 17. Intangible assets

	Consolidated Entity		Parent Entity	
	2019	2018	2019	2018
	$	$	$	$
Intellectual property - at cost	440,000	440,000	440,000	440,000
Amount expected to be recovered after more than 12 months	440,000	440,000	440,000	440,000

Note 17. Intangible assets (continued)

Reconciliations
Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated Entity	Intellectual Property $	Goodwill $	Total $
Balance at 1 July 2017	-	3,413,244	3,413,244
Additions	440,000	-	440,000
Classified as held for sale (note 12)	-	(3,218,456)	(3,218,456)
Revaluation decrements	-	(194,788)	(194,788)
Balance at 30 June 2018	440,000	-	440,000
Balance at 30 June 2019	440,000	-	440,000

Parent Entity	Intellectual Property $	Total $
Balance at 1 July 2017	-	-
Additions	440,000	440,000
Balance at 30 June 2018	440,000	440,000
Balance at 30 June 2019	440,000	440,000

Note 18. Payables

	Consolidated Entity		Parent Entity	
	2019 $	2018 $	2019 $	2018 $
Trade creditors	342,426	778,146	342,326	775,642
Creditors and accrued expenses	378,193	(16,746)	161,174	23,913
Accrued expenses	491,623	1,115,846	424,625	1,021,233
Retirement village maintenance fund liabilities	1,122,622	914,902	675,670	487,015
	2,334,864	2,792,148	1,603,795	2,307,803
Amount expected to be settled within 12 months	2,334,864	2,792,148	1,603,795	2,307,803

Refer to note 26 for further information on financial risk management.

Accounting policy for trade and other payables
These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Note 19. Current tax liabilities

	Consolidated Entity		Parent Entity	
	2019	2018	2019	2018
	$	$	$	$
Provision for income tax	-	456	-	-
Amount expected to be settled within 12 months	-	456	-	-

Note 20. Financial liabilities

	Consolidated Entity		Parent Entity	
	2019	2018	2019	2018
	$	$	$	$
Bank loans - secured	9,416,814	10,299,091	5,829,388	5,843,054
Amount expected to be settled within 12 months	-	4,456,037	-	-
Amount expected to be settled after more than 12 months	9,416,814	5,843,054	5,829,388	5,843,054
	9,416,814	10,299,091	5,829,388	5,843,054

Refer to note 26 for further information on financial risk management.

Total secured liabilities
The total secured liabilities are as follows:

	Consolidated Entity		Parent Entity	
	2019	2018	2019	2018
	$	$	$	$
Bank loans - secured	9,416,814	10,314,643	5,829,388	5,843,054
Liabilities directly associated with assets classified as held for sale (note 23)	-	(15,552)	-	-
	9,416,814	10,299,091	5,829,388	5,843,054

Note 20. Financial liabilities (continued)

Loan facilities
Bank loans are secured by a $0.7m term deposit, registered first mortgages over investment and freehold properties and a registered charge over the assets and undertakings of consolidated entities.

The loan facilities include a $8.25m loan facility maturing March 2021, a $6.5m fixed term facility maturing October 2020 and a $2.5m loan facility maturing March 2021.

	Consolidated Entity		Parent Entity	
	2019	2018	2019	2018
	$	$	$	$
Total facilities				
Bank loans	17,250,000	18,085,000	10,750,000	10,750,000
Liabilities directly associated with assets classified as held for sale	-	(835,000)	-	-
	17,250,000	17,250,000	10,750,000	10,750,000
Used at the reporting date				
Bank loans	9,416,814	10,314,643	5,829,388	5,843,054
Liabilities directly associated with assets classified as held for sale (note 23)	-	(15,552)	-	-
	9,416,814	10,299,091	5,829,388	5,843,054
Unused at the reporting date				
Bank loans	7,833,186	7,770,357	4,920,612	4,906,946
Liabilities directly associated with assets classified as held for sale	-	(819,448)	-	-
	7,833,186	6,950,909	4,920,612	4,906,946

Accounting policy for borrowings
Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Note 21. Provisions

	Consolidated Entity		Parent Entity	
	2019	2018	2019	2018
	$	$	$	$
Annual leave	198,307	206,119	198,307	198,839
Long service leave	311,650	362,878	311,650	356,364
Unearned income	1,631,644	2,027,055	1,631,644	2,027,055
	2,141,601	2,596,052	2,141,601	2,582,258
Amount expected to be settled within 12 months	438,308	516,622	438,308	509,342
Amount expected to be settled after more than 12 months	1,703,293	2,079,430	1,703,293	2,072,916
	2,141,601	2,596,052	2,141,601	2,582,258

Short-term employee benefits
Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Note 21. Provisions (continued)

Movements in provisions
Movements in each class of provision during the current financial year, other than employee benefits, are set out below:

Consolidated Entity - 2019	**Unearned income $**
Carrying amount at the start of the year	2,027,055
Amounts used	(395,411)
Carrying amount at the end of the year	1,631,644

Parent Entity - 2019	**Unearned income $**
Carrying amount at the start of the year	2,027,055
Amounts used	(395,411)
Carrying amount at the end of the year	1,631,644

Accounting policy for provisions
Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

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

Note 22. Life investment contracts policyholder liabilities

	Consolidated Entity		**Parent Entity**	
	2019 $	**2018 $**	**2019 $**	**2018 $**
Supersaver Bond Fund	23,775,767	27,190,956	23,775,767	27,190,956
Life Events Bond Funds	38,254,942	29,571,838	38,254,942	29,571,838
Pre-Arranged Funeral Fund	26,106,005	28,703,434	26,106,005	28,703,434
KeyInvest Funeral Fund	124,081,421	118,363,787	124,081,421	118,363,787
Income Security Fund	1,941,218	2,622,636	1,941,218	2,622,636
	214,159,353	206,452,651	214,159,353	206,452,651

Refer to note 37 for further information on life investment contracts.

Note 23. Liabilities directly associated with assets classified as held for sale

	Consolidated Entity 2019 $	Consolidated Entity 2018 $	Parent Entity 2019 $	Parent Entity 2018 $
Payables	-	113,116	-	-
Financial liabilities	-	15,552	-	-
Provisions	-	147,155	-	-
Current tax liabilities	-	24,662	-	-
	-	300,485	-	-
Amount expected to be settled within 12 months	-	300,485	-	-

Note 24. Deferred tax liabilities

	Consolidated Entity 2019 $	Consolidated Entity 2018 $	Parent Entity 2019 $	Parent Entity 2018 $
Deferred tax liability	9,547,933	8,464,885	7,407,640	6,731,842
Movements:				
Opening balance	8,464,885	8,170,575	6,731,842	6,447,290
Valuation adjustments	1,083,048	294,310	675,798	284,552
Closing balance	9,547,933	8,464,885	7,407,640	6,731,842

Note 25. Asset revaluation reserve

	Consolidated Entity 2019 $	Consolidated Entity 2018 $	Parent Entity 2019 $	Parent Entity 2018 $
Asset revaluation reserve	-	193,477	-	-

Asset revaluation reserve
The reserve is used to recognise increments and decrements in the fair value of land and buildings, excluding investment properties.

Movements in reserves
Movements in each class of reserve during the current and previous financial year are set out below:

Consolidated Entity	Asset revaluation reserve $	Total $
Balance at 1 July 2017	193,477	193,477
Balance at 30 June 2018	193,477	193,477
Disposals	(193,477)	(193,477)
Balance at 30 June 2019	-	-

Note 26. Financial risk management

a Financial risk management policies

Insurance contracts (Statutory Funds) as defined in AASB 4: Insurance Contracts are exempted from disclosure requirements under AASB7: Financial Instruments Disclosures. Financial risk management disclosures in this note relate to the consolidated entity's financial instruments only.

The consolidated entity 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 consolidated entity 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 consolidated entity'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 consolidated entity operations. The consolidated entity does not have any derivative instruments at 30 June 2019.

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 consolidated entity in meeting its strategic goals and financial targets, whilst minimising potential adverse effects 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 consolidated entity is exposed to through the financial instruments are liquidity risk, market risk and credit risk.

Liquidity risk: Liquidity risk is the risk that the consolidated entity is unable to promptly meet its obligations as they fall due. The consolidated entity manages liquidity risk by monitoring forecast cash flows modelled on a 12 month time frame 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 consolidated entity will decline as a result of changes in market conditions. The consolidated entity is exposed to the following risks:

Price Risk - Equities: The consolidated entity'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 consolidated entity. This risk is primarily managed by investment diversification. For further details on equity price risk refer to section d later in this note.

Interest rate: Interest rate risk is the risk that the value of financial assets will fluctuate due to movements in interest rate and credit markets. The consolidated entity 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 2019 the consolidated entity had borrowings of $9,416,814 (2018: $10,314,643). For further details on interest rate risk refer to section d later in this note.

Credit risk: Credit risk is the risk of counterparty default resulting in financial loss to the consolidated entity. The maximum exposure of the consolidated entity 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 consolidated entity'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 consolidated entity's short-term deposits are held with APRA regulated financial institutions. Unlisted 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 consolidated entity's receivables.

Note 26. Financial risk management (continued)

a **Financial risk management policies (continued)**

	Consolidated Entity 2019 $	Consolidated Entity 2018 $	Parent Entity 2019 $	Parent Entity 2018 $
Receivables				
A1+ rated counterparties	101	6,788	-	6,621
Counterparties not rated	326,015	355,309	296,213	338,878
Internal receivable from life funds	868,480	970,861	214,136	1,063,287
Total	1,194,596	1,332,958	510,349	1,408,786

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 Entity 2019 $

Financial instruments	Fixed interest rate 1 year or less	Variable interest rate	Non-interest bearing	Total
Financial assets				
Cash assets	-	95,447	-	95,447
Term deposits	1,516,288	-	-	1,516,288
Receivables	-	101	1,194,495	1,194,596
Total financial assets	1,516,288	95,548	1,194,495	2,806,331
Financial liabilities				
Payables	-	-	2,334,864	2,334,864
Bank loans secured	-	9,416,814	-	9,416,814
Total financial liabilities	**-**	9,416,814	2,334,864	11,751,678

Parent Entity 2019 $

Financial instruments	Fixed interest rate 1 year or less	Variable interest rate	Non-interest bearing	Total
Financial assets				
Cash assets	-	94,429	-	94,429
Term deposits	1,069,337	-	-	1,069,337
Shares in controlled entities	-	-	15,003	15,003
Loans to controlled entities	-	-	9,929,166	9,929,166
Receivables	-	-	510,349	510,349
Total financial assets	1,069,337	94,429	10,454,518	11,618,284
Financial liabilities				
Payables	-	-	1,603,795	1,603,795
Bank loans secured	-	5,829,388	-	5,829,388
Total financial liabilities	**-**	5,829,388	1,603,795	7,433,183

Note 26. Financial risk management (continued)

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 Entity 2018 $

Financial instruments	Fixed interest rate 1 year or less	Variable interest rate	Non-interest bearing	Total
Financial assets				
Cash assets	-	1,693,499	-	1,693,499
Term deposits	3,028,610	-	-	3,028,610
Receivables	-	-	1,332,958	1,332,958
Total financial assets	3,028,610	1,693,499	1,332,958	6,055,067
Financial liabilities				
Payables	-	-	2,792,148	2,792,148
Bank loans secured	-	10,299,091	-	10,299,091
Total financial liabilities	**-**	10,299,091	2,792,148	13,091,239

Parent Entity 2018 $

Financial instruments	Fixed interest rate 1 year or less	Variable interest rate	Non-interest bearing	Total
Financial assets				
Cash assets	-	1,262,938	-	1,262,938
Term deposits	3,028,610	-	-	3,028,610
Shares in controlled entities	-	-	2,521,936	2,521,936
Loans to controlled entities	-	-	9,036,709	9,036,709
Receivables	-	-	1,408,786	1,408,786
Total financial assets	3,028,610	1,262,938	12,967,431	17,258,979
Financial liabilities				
Payables	-	-	2,307,803	2,307,803
Bank loans secured	-	5,843,054	-	5,843,054
Total financial liabilities	-	5,843,054	2,307,803	8,150,857

Note 26. Financial risk management (continued)

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 2019: nil (2018: nil).

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

	2019 $		2018 $	
	Carrying amount	**Net fair value**	**Carrying amount**	**Net fair value**
Consolidated Entity				
Financial assets				
Financial assets at amortised cost	1,278,610	1,278,610	3,028,610	3,028,610
Receivables	667,071	667,071	697,457	697,457
Total financial assets	1,945,681	1,945,681	3,726,067	3,726,067
Financial liabilities				
Payables	2,334,864	2,334,864	2,792,148	2,792,148
Bank loans secured	9,416,814	9,416,814	10,299,091	10,299,091
Total financial liabilities	11,751,678	11,751,678	13,091,239	13,091,239
Parent Entity				
Financial assets				
Financial assets at amortised cost	1,278,610	1,278,610	3,028,610	3,028,610
Receivables	510,349	510,349	680,859	680,859
Total financial assets	1,788,959	1,788,959	3,709,469	3,709,469
Financial liabilities				
Payables	1,603,795	1,603,795	2,307,803	2,307,803
Bank loans secured	5,829,388	5,829,388	5,843,054	5,843,054
Total financial liabilities	7,433,183	7,433,183	8,150,857	8,150,857

Note 26. Financial risk management (continued)

d Sensitivity analysis

Interest rate sensitivity analysis: The consolidated entity 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 Entity		Parent Entity	
		2019 $	2018 $	2019 $	2018 $
	Change in interest Rate %	Sensitivity of profit and equity (before tax)			
Financial assets					
Cash at bank and in hand	+2	1,051	3,390	1,051	3,335
Short-term money market	+2	31,184	30,480	22,225	21,924
Financial assets at amortised cost	+2	25,272	60,572	25,572	60,572
Cash at bank and in hand	-2	(1,051)	(3,390)	(1,051)	(3,335)
Short-term money market	-2	(31,184)	(30,480)	(22,225)	(21,924)
Financial assets at amortised cost	-2	(25,272)	(60,572)	(25,572)	(60,572)
Financial liabilities					
Bank loan secured	-2	188,336	205,982	(116,588)	(116,861)
Bank loan secured	+2	(188,336)	(205,982)	116,588	116,861

Note 27. Fair value measurement

Fair value hierarchy
The consolidated entity 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
- financial assets at amortised cost
- freehold land and buildings
- investment properties
- obligation for contingent consideration arising from a business combination

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

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

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
Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Note 27. Fair value measurement (continued)

Level 2
Measurements based on inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3
Measurements based on unobservable inputs for the asset or liability.

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

Consolidated Entity - 2019	Level 1 $	Level 2 $	Level 3 $	Total $
Assets				
Term deposits	1,278,610	-	-	1,278,610
Investment property	-	42,749,885	-	42,749,885
Total assets	1,278,610	42,749,885	-	44,028,495

Consolidated Entity - 2018	Level 1 $	Level 2 $	Level 3 $	Total $
Assets				
Term deposits	3,028,610	-	-	3,028,610
Investment property	-	41,804,531	-	41,804,531
Total assets	3,028,610	41,804,531	-	44,833,141

Parent Entity - 2019	Level 1 $	Level 2 $	Level 3 $	Total $
Assets				
Term deposits	1,278,610	-	-	1,278,610
Shares in controlled entities	-	15,003	-	15,003
Investment property	-	24,245,536	-	24,245,536
Total assets	1,278,610	24,260,539	-	25,539,149

Parent Entity - 2018	Level 1 $	Level 2 $	Level 3 $	Total $
Assets				
Term deposits	3,028,610	-	-	3,028,610
Shares in controlled entities	-	2,521,936	-	2,521,936
Investment property	-	24,237,649	-	24,237,649
Total assets	3,028,610	26,759,585	-	29,788,195

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.

There were no transfers between levels during the financial year.

Note 27. Fair value measurement (continued)

Valuation Techniques
The consolidated entity 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 consolidated entity 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 consolidated entity 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.

Valuation techniques for fair value measurements categorised within level 2 and level 3
The basis of the valuation of investment properties is fair value. The investment properties are revalued annually either by Directors of the consolidated entity or, based on independent assessments on a three year cycle, by a member of the Australian Property Institute having recent experience in the location and category of investment property being valued. Valuations are based on current prices in an active market for similar properties of the same location and condition, subject to similar leases and takes into consideration occupancy rates and returns on investment.

Accounting policy for fair value measurement
When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Note 28. Key management personnel compensation

Directors
Members approved a total aggregate Non Executive Director fee pool of $530,000, inclusive of Superannuation Guarantee Levy, at the 2015 AGM. During 2019 the following fees were paid (inclusive of Superannuation Guarantee Levy) - Non Executive Directors $69,753 each, Chairman - $139,658 and the Deputy Chairman - $97,999.

Other key management personnel
The key management personnel of the consolidated entity consisted of the following 11 (2018: 11) positions: Chief Executive Officer, Chief Financial Officer, Company Secretary / Chief Investment Officer, General Manager Sales and Operations, General Manager Client Services and Non Executive Directors (6).

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

	Consolidated Entity		Parent Entity	
	2019	2018	2019	2018
	$	$	$	$
Short-term employee benefits	1,750,063	1,697,674	1,750,063	1,396,425
Long-term benefits	181,535	638,559	181,535	609,787
	1,931,598	2,336,233	1,931,598	2,006,212

Note 29. Capital and lease commitments

	Consolidated Entity		Parent Entity	
	2019	2018	2019	2018
	$	$	$	$
Capital expenditure commitments				
Committed at the reporting date but not recognised as liabilities:				
Construction of retirement villages	219,080	1,209,879	219,080	-
Payable				
Committed at the reporting date but not recognised as liabilities, payable:				
Within one year	219,080	1,209,879	219,080	-

Note 30. Related party transactions

Parent entity
The ultimate parent entity is KeyInvest Ltd which is incorporated in Australia.

Subsidiaries
Interests in subsidiaries are set out in note 31.

Key management personnel
Disclosures relating to key management personnel are set out in note 28.

Note 30. Related party transactions (continued)

Transactions with related parties
Other than specific transactions listed below, other transactions with related parties during the current and previous financial year have been eliminated as a part of producing the consolidated financial reports.

The following specific transactions occurred with related parties:

	Consolidated Entity		Parent Entity	
	2019	**2018**	**2019**	**2018**
	$	**$**	**$**	**$**
Payment for goods and services:				
Mr D L Stillwell is a Director of a human resource management consultancy that received fees for human resources services provided to the consolidated entity.	40,706	49,996	40,706	49,996
Ms D Walford is a Director of a professional development company that received fees for professional development services provided to the consolidated entity.	-	6,050	-	6,050
Mr T Sarah is a Director of a plumbing services company that received fees for plumbing services provided to the consolidated entity.	2,877	1,474	2,877	1,474
Mr M La Vincente is a Consultant of a law firm that received fees for legal advice provided to the consolidated entity.	690	-	690	-

Terms and conditions
All transactions were made on normal commercial terms and conditions and at market rates.

Note 31. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1:

		Ownership interest	
	Principal place of business /	**2019**	**2018**
Name	**Country of incorporation**	**%**	**%**
Life Events Bond Pty Ltd	Australia	100.00%	100.00%
KeyInvest Managed Investments Pty Ltd	Australia	100.00%	100.00%
KeyInvest Retirement Living Pty Ltd	Australia	100.00%	100.00%
KeyInvest Gables Pty Ltd	Australia	100.00%	100.00%
KeyInvest Horsham Pty Ltd	Australia	100.00%	100.00%
KeyInvest Winzor Pty Ltd	Australia	100.00%	100.00%
KeyInvest Vistas Pty Ltd	Australia	100.00%	100.00%
Chiton RV Pty Ltd AFT Chiton RV Unit Trust	Australia	100.00%	100.00%
Chiton RV Unit Trust	Australia	100.00%	100.00%
KeyInvest Burton Pty Ltd	Australia	100.00%	-
KeyInvest Property Loans Pty Ltd	Australia	-	51.10%
Australian Associated Advisers Pty Ltd	Australia	-	51.10%
Money Advisers Pty Ltd	Australia	-	51.10%
Aussie Unit Trust	Australia	-	51.10%

Percentage of voting power is in proportion to ownership.

Note 32. Economic dependency

The consolidated entity has economic dependency on Corporate Information Management Pty Ltd for the provision of information technology services in relation to the consolidated entity's life funds membership system.

Note 33. Events after the reporting period

The following matter has arisen since 30 June 2019 which may significantly affect the consolidated entity's operating results in future financial years.

The Independent Order of Odd Fellows Grand Lodge of South Australia, the Fraternal arm of KeyInvest Ltd, have indicated their intention to establish themselves as a separate legal entity. Subject to legal advice and other conditions precedent, a transfer of funds will be made to support this initiative and will be an expense when incurred. The amount is subject to negotiation and cannot yet be reliably estimated.

No other matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years

Note 34. Reconciliation of surplus/(deficit) after income tax to net cash used in operating activities

	Consolidated Entity		Parent Entity	
	2019	2018	2019	2018
	$	$	$	$
Surplus/(deficit) after income tax (expense)/benefit for the year	(1,161,949)	3,484,274	(2,075,582)	2,850,258
Adjustments for:				
Depreciation and amortisation	221,795	223,470	218,215	187,285
Impairment of non-current assets	144,254	(1,907,313)	2,047,140	(1,787,359)
Write off of non-current assets	5,877	-	5,877	-
Finance costs - non-cash	278,388	314,135	3,369	17,330
Net profit on disposal of investment property	-	505,582	-	-
Change in operating assets and liabilities:				
Increase in receivables	138,359	(231,748)	(1,414,636)	(1,129,651)
Decrease in the consolidated entity's net interests in retirement villages	(3,415,159)	(1,594,915)	(460,432)	(568,623)
Increase in deferred tax assets	(1,360,347)	(1,701,350)	(1,516,751)	(1,280,605)
Increase/(decrease) in payables	(457,284)	804,118	(704,008)	757,559
Increase/(decrease) in provision for income tax	(456)	22,068	-	-
Increase in deferred tax liabilities	1,083,048	294,310	675,798	284,552
Decrease in provisions	(69,036)	(26,827)	(55,242)	(33,784)
Decrease in unearned income	(385,415)	(385,415)	(385,415)	(385,415)
Net cash used in operating activities	(4,977,925)	(199,611)	(3,661,667)	(1,088,453)

Note 35. Changes in liabilities arising from financing activities

Consolidated Entity	Proceeds from borrowing $	Repayment of borrowings $	Non-cash borrowing costs $	Total $
Balance at 1 July 2017	10,500,865	(3,821,723)	214,784	6,893,926
Loans received	5,932,614	(2,826,032)	314,135	3,420,717
Balance at 30 June 2018	16,433,479	(6,647,755)	528,919	10,314,643
Loans received	3,688,882	(4,849,547)	278,388	(882,277)
Balance at 30 June 2019	20,122,361	(11,497,302)	807,307	9,432,366

Parent Entity	Proceeds from borrowing $	Repayment of borrowings $	Non-cash borrowing costs $	Total $
Balance at 1 July 2017	4,000,000	(1,500,000)	-	2,500,000
Loans received	3,325,724	-	17,330	3,343,054
Balance at 30 June 2018	7,325,724	(1,500,000)	17,330	5,843,054
Loans received	3,540,012	(3,557,047)	3,369	(13,666)
Balance at 30 June 2019	10,865,736	(5,057,047)	20,699	5,829,388

Note 36. 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 consolidated entity'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 consolidated entity'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 consolidated entity 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 consolidated entity in order to ensure that the consolidated entity 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 consolidated entity since the prior year.

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

			2019 $			
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	29,315,976	-	(944,389)	28,371,589	(17,240,044)	11,131,545
Supersaver Bond Fund	23,775,767	(23,775,767)	-	-	-	-
Life Events Bond Funds	38,254,942	(38,254,942)	-	-	-	-
Pre-Arranged Funeral Fund	26,106,005	(26,106,005)	-	-	-	-
KeyInvest Funeral Bond	124,081,421	(124,081,421)	-	-	-	-
Income Security Fund	1,941,218	(1,941,218)	-	-	-	-

The Management Fund Capital Adequacy Multiple (%) (a)/(b) is 165%.

			2018 $			
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	31,391,558	-	(1,856,732)	29,534,826	(16,737,241)	12,797,585
Supersaver Bond Fund	27,190,957	(27,190,957)	-	-	-	-
Life Events Bond Funds	29,571,837	(29,571,837)	-	-	-	-
Pre-Arranged Funeral Fund	28,703,435	(28,703,435)	-	-	-	-
KeyInvest Funeral Bond	118,363,787	(118,363,787)	-	-	-	-
Income Security Fund	2,622,636	(2,622,636)	-	-	-	-

The Management Fund Capital Adequacy Multiple (%) (a)/(b) is 176%.

Note 37. Life Investment Contracts

Policyholder assets and liabilities 2019	**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	1,290,852	590,931	2,071,699	2,003,118	162,267	**6,118,867**
Financial assets	22,403,198	37,656,979	23,678,788	121,631,433	1,764,000	**207,134,398**
Loans and advances	6,720	-	-	-	-	**6,720**
Receivables	74,997	1,391	156,833	446,870	8,649	**688,740**
Current tax benefit	-	-	198,685	-	6,302	**204,987**
Deferred tax assets	-	5,641	-	-	-	**5,641**
Total assets	**23,775,767**	**38,254,942**	**26,106,005**	**124,081,421**	**1,941,218**	**214,159,353**
Payables	(5,573)	10,957	249,329	178,877	5,393	**438,983**
Current tax liability	95,304	313,483	-	226,801	-	**635,588**
Deferred tax liability	41,487	659,453	14,618	170,692	-	**886,250**
Policyholder liabilities	23,028,188	37,271,049	25,387,273	122,596,951	1,909,058	**210,192,519**
Unallocated policyholder benefits	616,361	-	454,785	908,100	26,767	**2,006,013**
Total liabilities	23,775,767	38,254,942	26,106,005	124,081,421	1,941,218	**214,159,353**
Net assets	**-**	**-**	**-**	**-**	**-**	**-**

Solvency requirements for the life investment contracts were met at all times during the financial year. As at 30 June 2019 the life investment contracts had investment assets in excess of policyholder liabilities of $2,006,013 (2018: $1,569,492).

Policyholder income and expenses 2019	**Supersaver Bond Fund**	**Life Events Bond Funds**	**Pre-Arranged Funeral Fund**	**KeyInvest Funeral Fund**	**Income Security Fund**	**Total Life Investment Contracts**
	$	**$**	**$**	**$**	**$**	**$**
Investment income	678,080	2,938,830	719,312	3,233,856	49,182	**7,619,260**
Investment expenses	(48,251)	-	(74,904)	(226,291)	-	**(349,446)**
Management fees	(437,162)	(141,084)	(477,778)	(1,959,746)	(37,645)	**(3,053,415)**
Allocated to policyholders	(67,514)	(2,039,189)	(320,349)	(171,594)	(31,298)	**(2,629,944)**
Profit (loss) before tax	125,153	758,557	(153,719)	876,225	(19,761)	**1,586,455**
Income tax benefit (expense)	(125,289)	(758,557)	91,593	(363,983)	6,302	**(1,149,934)**
Profit (loss) after tax	(136)	-	(62,126)	512,242	(13,459)	**436,521**
Transfer from (to) other funds						
Unallocated policyholder benefits at beginning of the year	616,497	-	516,911	395,858	40,226	**1,569,492**
Unallocated policyholder benefits at end of the year	**616,361**	**-**	**454,785**	**908,100**	**26,767**	**2,006,013**
Movement of policyholder liabilities 2019						
Value of policyholder liabilities at beginning of the year	26,419,129	29,012,806	27,991,529	117,468,637	2,575,973	**203,468,074**
Deposits	212,148	8,171,428	7,765	11,092,959	960	**19,485,260**
Allocation to policyholders	67,514	2,039,189	320,349	171,594	31,298	**2,629,944**
Withdrawals	(3,670,603)	(1,952,374)	(2,932,370)	(6,136,239)	(699,173)	**(15,390,759)**
Transfer from (to) other funds	-	-	-	-	-	**-**
Value of policyholder liabilities at end of the year	**23,028,188**	**37,271,049**	**25,387,273**	**122,596,951**	**1,909,058**	**210,192,519**
Policyholder liabilities and unallocated benefits	**23,644,549**	**37,271,049**	**25,842,058**	**123,505,051**	**1,935,825**	**212,198,532**

Note 37. Life Investment Contracts

Policyholder assets and liabilities 2018	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	1,531,955	704,244	3,569,749	1,909,880	157,328	**7,873,156**
Financial assets	25,571,218	28,860,574	24,880,584	116,037,630	2,449,000	**197,799,006**
Loans and advances	6,720	-	-	-	-	**6,720**
Receivables	81,063	2,755	156,457	416,277	14,023	**670,575**
Current tax benefit	-	-	96,644	-	2,285	**98,929**
Deferred tax assets	-	4,265	-	-	-	**4,265**
Total assets	**27,190,956**	**29,571,838**	**28,703,434**	**118,363,787**	**2,622,636**	**206,452,651**
Payables	7,342	13,726	190,824	186,381	6,437	**404,710**
Current tax liability	136,489	297,370	-	279,401	-	**713,260**
Deferred tax liability	11,499	247,936	4,170	33,510	-	**297,115**
Policyholder liabilities	26,419,129	29,012,806	27,991,529	117,468,637	2,575,973	**203,468,074**
Unallocated policyholder benefits	616,497	-	516,911	395,858	40,226	**1,569,492**
Total liabilities	27,190,956	29,571,838	28,703,434	118,363,787	2,622,636	**206,452,651**
Net assets	**-**	**-**	**-**	**-**	**-**	**-**

Solvency requirements for the life investment contracts were met at all times during the financial year. As at 30 June 2018 the life investment contracts had investment assets in excess of policyholder liabilities of $1,569,492 (2017: $1,851,756).

Policyholder income and expenses 2018	Supersaver Bond Fund	Life Events Bond Funds	Pre-Arranged Funeral Fund	KeyInvest Funeral Fund	Income Security Fund	Total Life Investment Contracts
	$	$	$	$	$	$
Investment income	718,059	1,919,617	733,498	2,746,425	63,594	**6,181,193**
Investment expenses	(56,499)	-	(80,707)	(211,832)	-	**(349,038)**
Management fees	(504,300)	(161,777)	(536,035)	(1,856,048)	(49,048)	**(3,107,208)**
Allocated to policyholders	(130,693)	(1,252,886)	(91,032)	(725,893)	(22,558)	**(2,223,062)**
Profit (loss) before tax	26,567	504,954	25,724	(47,348)	(8,012)	**501,885**
Income tax benefit (expense)	(128,315)	(504,954)	98,287	(251,452)	2,285	**(784,149)**
Profit (loss) after tax	(101,748)	-	124,011	(298,800)	(5,727)	**(282,264)**
Transfer from (to) other funds	-	-	-	-	-	**-**
Unallocated policyholder benefits at beginning of the year	718,245	-	392,900	694,658	45,953	**1,851,756**
Unallocated policyholder benefits at end of the year	**616,497**	**-**	**516,911**	**395,858**	**40,226**	**1,569,492**

Movement of policyholder liabilities 2018

	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	30,268,332	15,860,567	31,470,885	109,089,215	2,839,489	**189,528,488**
Deposits	328,934	13,018,312	24,845	13,525,081	2,749	**26,899,921**
Allocation to policyholders	130,693	1,252,886	91,032	725,893	22,558	**2,223,062**
Withdrawals	(4,308,830)	(1,118,959)	(3,595,233)	(5,871,552)	(288,823)	**(15,183,397)**
Transfer from (to) other funds	-	-	-	-	-	**-**
Value of policyholder liabilities at end of the year	**26,419,129**	**29,012,806**	**27,991,529**	**117,468,637**	**2,575,973**	**203,468,074**
Policyholder liabilities and unallocated benefits	**27,035,626**	**29,012,806**	**28,508,440**	**117,864,495**	**2,616,199**	**205,037,566**

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 entity as at 30 June 2019 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: 30 September 2019

AUDITOR'S REPORT

Nexia Edwards Marshall

KEYINVEST LTD

Opinion

We have audited the financial report of KeyInvest Ltd ('the company'), which comprises the statement of financial position as at 30 June 2019, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, 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

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 2019 and of their financial 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 represents 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*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the company in accordance with the ethical requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Other Information

The directors are responsible for the other information. The other information comprises the information in the company's annual report for the year ended 30 June 2019, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information we are required to report that fact. We have nothing to report in this regard.

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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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Nexia Edwards Marshall

KEYINVEST LTD

Directors' Responsibility for the Financial Report (cont)

In preparing the financial report, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibility for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

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

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

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

Nexia Edwards Marshall

Nexia Edwards Marshall
Chartered Accountants

Jamie Dreckow
Partner

Adelaide
South Australia

30 September 2019

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