KEYINVEST

ESTABLISHED 1878

2017/18

ANNUAL REPORT

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 $200m at 30 June 2018.

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 remains a member based Friendly Society providing a range of services to help customers achieve their financial and retirement goals. KeyInvest continues this tradition with a focus on "life's key investments" specialising in investment bonds and retirement living.

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CHAIRMAN'S REPORT

Building our financial strength to serve our members and clients.

I am pleased to have the opportunity to report to our members on developments and achievements in the 2017/18 financial year.

KeyInvest's strong financial performance this year reflects the significant progress achieved in building our asset base and our Funds Under Management (FUM) whilst maintaining a strong regulatory capital position.

Our investment bond products achieved 7% growth in FUM with strong inflows for the Life Events Bond and our largest capital guaranteed fund, the KeyInvest Funeral Bond.

Available yields on low risk assets and hence bonus rates on capital guaranteed products remain low. The Reserve Bank of Australia held cash rates at the historic low of 1.5% throughout 2017/18. Market expectations of any increase are being continuously pushed further out to at least 2020.

In July 2018 we sold our 51% shareholding in KeyInvest Lending Services (KLS) which marks KeyInvest's exit from the mortgage broking industry. Although performing well, heightened scrutiny from regulators, the Hayne Royal Commission, tighter lending standards and cooling housing market conditions signalled reduced future growth prospects for the business.

The construction program at KeyInvest's three retirement village development sites during 2017/18 delivered a significant increase in completed retirement homes and an outstanding new community centre known as The Lakehouse at Chiton Retirement Living.

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

OUR STRATEGY

The KeyInvest Strategic Business Plan focusses on the growth of our business divisions together with the pursuit of strategic initiatives designed to optimise the return on capital and drive improved financial performance to further build 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. For each business division, the strategic objectives are as follows:

Financial Services - Refresh the existing products to increase market appeal and improve delivery via distribution partners to replace outflows from legacy products and sustain 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 sought after independent retirement living option at all of the villages we operate, together with accelerated completion of the three development sites which will build our portfolio to nearly 500 homes over the next three years. 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, continues to comfortably exceed APRA's capital adequacy requirements for the capital guaranteed funds and the Management Fund.

Our consolidated entity results for 2017/18 show a strong improvement over the previous year with a profit after tax of $3,484,274 (2016/17: $387,158 loss) following improved investment property returns and reduced deferred tax liabilities.

Gross revenue from new loans written and Loans Under Management (LUM) in the lending services business increased to $8,261,038 (2016/17: $8,073,304).

Our investment bond FUM increased to $206m (2016/17: $193m) however investment income within our funds was lower at $6,181,193 (2016/17: $6,281,279) reflecting subdued investment markets for high credit quality fixed interest securities.

Revenues from retirement village deferred management fees and development margins were slightly higher $2,190,351 (2016/17: $2,020,660) on similar sales volumes to the previous year.

LENDING SERVICES

KeyInvest is proud of its involvement since 2008 as a 51% shareholder in the KLS business. During that time, KLS grew from around 25 brokers in SA to over 80 nationwide, both organically and through multiple acquisitions of broking businesses and loan portfolios. Today KLS settles nearly $600m in loans per annum and has a portfolio of $2.4b in LUM.

During 2017/18, the KeyInvest Board received a proposal from the other KLS shareholders to acquire KeyInvest's shares in the business, and after careful consideration, accepted the offer, with settlement of the sale transaction occurring in late July 2018. As a consequence of this decision, the financial results of the business are shown as Discontinued Operations in the financial statements.

FINANCIAL SERVICES

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

Our largest and most popular capital guaranteed bond, the KeyInvest Funeral Bond, continues to be popular with financial planners who utilise its excellent estate planning advantages and significant aged pension assets test concessions for their clients.

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

RETIREMENT SERVICES

KeyInvest operates seven sites and currently has 384 completed homes, with a development pipeline across three sites that will grow the portfolio to nearly 500 homes by 2021. During 2017/18 KeyInvest sold its three smallest villages (comprising 24 homes in total) after determining they were inconsistent with our preferred village model. This provided realisation of capital growth during the period of ownership and provides flexibility to reinvest in other opportunities or within the portfolio.

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

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

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

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

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

Yours sincerely

Dr Roger N Sexton AM
Chairman

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[1] Group means KeyInvest Ltd and its controlled entities.

[2] Company means KeyInvest Ltd ABN 74 087 649 474.

CORPORATE GOVERNANCE STATEMENT

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

The Board - Roles and Responsibilities

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

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, Dr Roger Sexton and Mr Timothy Sarah will retire by rotation at the upcoming 2018 Annual General Meeting. Dr Sexton will offer himself for re-election at that meeting and Mr Sarah will not offer himself for re-election. Further information on Dr Sexton and a nominated replacement for Mr Sarah 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 Chairman reviewed the performance of the individual Directors of the Board with respect to the 2017/18 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 2017/18 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;
- 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 27 September 2018. The directors have the power to amend and reissue the financial statements.

FINANCIAL REPORT

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 2018.

Principal Activities

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

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

Objectives

The consolidated entity's objectives and key performance indicators for the financial year 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.
- Deliver an enhanced Life Events Bond to market, online lodgement capability for the KeyInvest Funeral Bond and growth in the level of funds under management.
- Further advance 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.
- Attract more mortgage brokers to the Lending Services business and achieve growth in loans under management.

The consolidated entity's long term objectives include:

- Maintenance of a strong capital position for the benefit of members.
- The completion of our retirement village developments at Woodside, Chiton and Horsham.
- The organic growth of our 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 ongoing development of skilled professionals to deliver the strategies that underpin the 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 the financial year was $3,315,579 (2017: $(196,775)).

Operating revenue from continuing operations of the consolidated entity for the financial year was $12,712,002 (2017: $9,627,618).

The total comprehensive income (loss) for the year was $3,484,274 (2017: $(387,158)).

The net assets of the consolidated entity as at 30 June 2018 increased to $37,230,675 (2017: $34,096,231).

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

Life Investment Funds

In a year of continuing low yields on the high quality investments in which these funds are prudently invested to preserve members' capital, the company's capital guaranteed Life Investment funds exceeded their investment performance benchmarks before fees and tax, but overall returns were lower than the previous year due to lower capital appreciation. Bonus allocations to members reflected the available returns after fees and tax.

Members' Life Investment funds at the end of the financial year achieved growth of 7% to $206,452,651 (2017: $192,776,505).

Revenue was steady at $6,181,193 (2017: $6,281,279) despite the higher levels of invested funds reflecting the continuing low yield and lower capital appreciation environment.

DIRECTORS' REPORT

Retirement Living

The consolidated entity's Retirement Services division generated deferred management fees and development margins of $2,190,351 (2017: $2,020,660). Occupancy at established villages averaged 95% for 2018 which exceeds industry averages.

Construction activity at the three development villages added 34 new homes to the portfolio in 2018. In addition a new Community Centre was delivered at our Chiton village and civil works resulted in the final 16 building sites being completed at the Wimmera Lodge village.

Lending Services

Commission revenue from Lending Services grew to $8,261,038 (2017: $8,073,304). Following the receipt and negotiation of a management buyout offer, a decision was taken to divest this business from the consolidated entity shortly after balance date.

Significant Changes in State of Affairs

As disclosed in note 7 to the financial statements the consolidated entity disposed of 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, FAIM, 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.
	**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 a member of the Corporate Governance Committee, 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.
	**Tim Sarah** Director (Independent Non Executive)	BEc, MBA (Exec), ACA, FAICD Appointed Director on 1 July 2007. Mr Sarah is the Chairman of the Board Audit Committee and a member of the Board Risk Committee and the Corporate Governance Committee. Mr Sarah is Joint Managing Director of a private commercial construction group with 20 years' experience. Previously he worked in a professional accounting firm.
	**Geoff Vogt** Director (Independent Non Executive)	BEc, FAICD, FGIA, FCIS, SF Fin, FCPA, ANZIF (Assoc), CTP, RFD Appointed Director on 27 May 2010. Mr Vogt is the Chairman of the Board Risk Committee and a member of the Board Audit Committee and the Finance and Investment Committee. Mr Vogt is CEO of the Industry Leaders Fund Inc and a Director on a number of boards. Previously he worked as a CEO and in other senior executive roles primarily in the finance and insurance industries.
	**Marcus La Vincente** 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 Corporate Governance Committee and a member of the Board Audit Committee and the Board Risk Committee. Mr La Vincente was a Partner with the law firm Minter Ellison for 10 years ending in June 2013 and is now a Senior Legal Adviser to that law firm. Mr La Vincente has extensive commercial and corporate law experience as well as acting for a number of prominent not for profit organisations.
	**Ian Campbell** Managing Director (Executive)	BBus (Acctg), GMQ, MBA, FAICD, FCPA, JP Appointed Director on 30 November 2004 and Managing Director in January 2007. Mr Campbell has a 20 year corporate and business banking background. Upon leaving the banking industry he successfully developed and operated two home loan companies nationally. At KeyInvest, he has combined his strong financial services and business building background to the creation of KeyInvest Lending Services and overseeing the development and growth of the company's Retirement Services business. Mr Campbell retired on 13 July 2018.

DIRECTORS' REPORT

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

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

Acting CEO

Stephen Aspinall, DipFMBM, FFin, FAIBF MICM, MAICD

Mr Aspinall was appointed Chief Operating Officer on 1 February 2016 and Acting CEO on 2 June 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.

Directors' Meetings

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

	Board of Directors		Corporate Governance		Finance and Investment		Remuneration and Nomination		Board Audit		Board Risk	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
R N Sexton	11	11	-	-	-	-	9	9	-	-	-	-
D L Stillwell	11	11	3	3	5	5	9	9	-	-	-	-
D Walford	11	11	-	-	5	5	9	9	-	-	-	-
T H Sarah	11	10	3	3	1[1]	1[1]	-	-	6	6	5	5
G T Vogt	11	10	-	-	5	4	-	-	6	5	5	4
M D La Vincente	11	10	3	3	-	-	-	-	6	6	5	5
I J Campbell[2]	11	11	3	3	5	4	9	4	6	6	5	5

1 Tim Sarah was appointed as an Acting Committee member due to Geoff Vogt's absence at the 13 June 2018 meeting.
2 Ian Campbell attended Committee meetings by invitation.

DIRECTORS' REPORT

In addition, a number of Directors' meetings were held during the year for KeyInvest Property Loans Pty Ltd and its subsidiaries.

Indemnification of Officers or Auditors

During the financial year 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 the financial year 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 the year.

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

Options

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

Auditor's Independence Declaration

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

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

On behalf of the Board of Directors.

Dr Roger N Sexton AM
Chairman

Date: 27 September 2018

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 2018, 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

Nexia Edwards Marshall
Chartered Accountants

B Morkunas

Brett Morkunas
Partner

Adelaide
South Australia

27 September 2018

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KeyInvest Ltd
Statements of comprehensive income
For the year ended 30 June 2018

	Note	Consolidated Entity 2018 $	Consolidated Entity 2017 $	Parent Entity 2018 $	Parent Entity 2017 $
Revenue from continuing operations	3	5,432,756	4,998,919	4,550,402	4,126,465
Other income	4	7,279,246	4,628,699	4,313,880	3,084,156
Total revenue		12,712,002	9,627,618	8,864,282	7,210,621
Expenses					
Expenses	5	(12,302,186)	(10,037,863)	(8,108,678)	(7,107,478)
Total expenses		(12,302,186)	(10,037,863)	(8,108,678)	(7,107,478)
Surplus/(deficit) before income tax benefit from continuing operations		409,816	(410,245)	755,604	103,143
Income tax benefit	6	2,729,478	412,399	2,094,654	353,910
Life investment contracts	37				
Revenue		6,181,193	6,281,279	6,181,193	6,281,279
Expenses		(5,113,735)	(6,310,039)	(5,113,735)	(6,310,039)
Income tax expense		(785,955)	(657,914)	(785,955)	(657,914)
Add back: deficit after income tax expense		(281,503)	686,674	(281,503)	686,674
Life investment contracts contribution to profit, net of tax		-	-	-	-
Surplus after income tax benefit from continuing operations		3,139,294	2,154	2,850,258	457,053
Surplus/(deficit) after income tax expense from discontinued operations	7	344,980	(389,312)	-	-
Surplus/(deficit) after income tax (expense)/benefit for the year		3,484,274	(387,158)	2,850,258	457,053
Other comprehensive income for the year, net of tax		-	-	-	-
Total comprehensive income for the year		3,484,274	(387,158)	2,850,258	457,053
Surplus/(deficit) for the year is attributable to:					
Non-controlling interest		168,695	(190,383)	-	-
Members of KeyInvest Ltd		3,315,579	(196,775)	2,850,258	457,053
		3,484,274	(387,158)	2,850,258	457,053
Total comprehensive income for the year is attributable to:					
Continuing operations		-	-	-	-
Discontinued operations		168,695	(190,374)	-	-
Non-controlling interest		168,695	(190,374)	-	-
Continuing operations		3,139,294	2,154	2,850,258	457,053
Discontinued operations		176,285	(198,938)	-	-
Members of KeyInvest Ltd		3,315,579	(196,784)	2,850,258	457,053
		3,484,274	(387,158)	2,850,258	457,053

KeyInvest Ltd
Statements of financial position
As at 30 June 2018

	Note	Consolidated Entity 2018 $	Consolidated Entity 2017 $	Parent Entity 2018 $	Parent Entity 2017 $
Assets					
Cash and cash equivalents	8	1,693,499	2,161,959	1,262,938	1,346,403
Held-to-maturity financial assets	9	3,028,610	579,892	3,028,610	573,017
Other investments	10	-	-	2,521,936	2,521,936
Receivables	11	1,332,958	1,158,908	10,445,495	11,401,053
Assets of disposal groups classified as held for sale	12	5,920,375	-	-	-
Investment property	13	41,804,531	39,063,384	24,237,649	20,571,104
Property, plant and equipment	14	535,297	2,713,005	524,610	512,105
Life investment contracts policyholder assets	15	206,452,651	192,776,505	206,452,651	192,776,505
Deferred tax assets	16	6,928,522	5,329,988	6,395,277	5,114,672
Intangible assets	17	440,000	3,413,244	440,000	-
Total assets		268,136,443	247,196,885	255,309,166	234,816,795
Liabilities					
Payables	18	2,792,148	2,101,150	2,307,803	1,550,244
Current tax liabilities	19	456	3,050	-	-
Financial liabilities	20	10,299,091	6,893,926	5,843,054	2,500,000
Provisions	21	2,596,052	3,155,448	2,582,258	3,001,456
Life investment contracts policyholder liabilities	22	206,452,651	192,776,505	206,452,651	192,776,505
Liabilities directly associated with assets classified as held for sale	23	300,485	-	-	-
Deferred tax liabilities	24	8,464,885	8,170,575	6,731,842	6,447,290
Total liabilities		230,905,768	213,100,654	223,917,608	206,275,495
Net assets		37,230,675	34,096,231	31,391,558	28,541,300
Equity					
Asset revaluation reserve	25	193,477	193,477	-	-
Retained earnings		34,372,648	31,057,061	31,391,558	28,541,300
Equity attributable to the members of KeyInvest Ltd		34,566,125	31,250,538	31,391,558	28,541,300
Non-controlling interest		2,664,550	2,845,693	-	-
Total equity		37,230,675	34,096,231	31,391,558	28,541,300

KeyInvest Ltd
Statements of changes in equity
For the year ended 30 June 2018

Consolidated Entity	Reserves $	Retained earnings $	Non-controlling interest $	Total equity $
Balance at 1 July 2016	-	31,253,840	3,205,278	34,459,118
Deficit after income tax benefit for the year	-	(196,775)	(190,383)	(387,158)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	(196,775)	(190,383)	(387,158)
Revaluation surplus reserve	193,473	-	-	193,473
Dividends paid	-	-	(169,202)	(169,202)
Balance at 30 June 2017	193,473	31,057,065	2,845,693	34,096,231

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

Parent Entity	Retained earnings $	Total equity $
Balance at 1 July 2016	28,084,247	28,084,247
Surplus after income tax benefit for the year	457,053	457,053
Other comprehensive income for the year, net of tax	-	-
Total comprehensive income for the year	457,053	457,053
Balance at 30 June 2017	28,541,300	28,541,300

KeyInvest Ltd
Statements of changes in equity
For the year ended 30 June 2018

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

KeyInvest Ltd
Statements of cash flows
For the year ended 30 June 2018

	Note	Consolidated Entity 2018 $	Consolidated Entity 2017 $	Parent Entity 2018 $	Parent Entity 2017 $
Cash flows from operating activities					
Receipts from customers (inclusive of GST)		14,472,624	13,296.676	2,686,726	3,050,301
Payments to suppliers and employees (inclusive of GST)		(19,806,753)	(8,057,802)	(7,201,401)	(2,995,858)
Net receipts from issue of retirement village loans and licences		1,280,128	1,386,500	593,213	711,250
Interest and investment management fee receipts		2,801,246	2,585,727	2,148,554	2,928,025
Net GST recovered/(paid)		(130,943)	(144,765)	(31,330)	56,291
Interest and other finance costs paid		(167,379)	(296,122)	(191,461)	(92,649)
Income taxes recovered/(paid)		1,351,466	456,273	907,246	(649,693)
Net cash from operating activities	34	(199,611)	9,226,487	(1,088,453)	3,007,667
Cash flows from investing activities					
Purchase of financial assets		(2,450,000)	-	(2,450,000)	-
Purchase of intangible assets		(440,000)	-	(440,000)	-
Proceeds from sale of investments		190	1,397,905	190	1,343,192
Proceeds from sale of investment property		2,431,106	-	-	-
Capital expenditure on retirement villages		(7,682,220)	(10,961,010)	(3,476,832)	(5,208,326)
Proceeds from sale of property, plant and equipment		7,055	500,996	5,744	500,870
Purchase of property, plant and equipment		(317,508)	(215,110)	(205,533)	(186,727)
Capital expenditure on buildings		(2,599)	(32,870)	(2,599)	(32,870)
Proceeds from sale of retirement village buybacks and new units		5,704,000	634,160	2,315,000	259,577
Net cash from/(used in) investing activities		(2,749,976)	(8,675,929)	(4,254,031)	(3,324,284)
Cash flows from financing activities					
Dividends paid		(349,838)	(169,202)	-	-
Proceeds from borrowings		5,932,613	4,963,186	3,325,722	2,500,000
Repayment of borrowings		(2,826,032)	(3,811,738)	-	(1,500,000)
Loans to subsidiaries		-	-	1,933,297	567,673
Net cash from financing activities		2,756,743	982,246	5,259,019	1,567,673
Net increase/(decrease) in cash and cash equivalents		(192,844)	1,532,804	(83,465)	1,251,056
Cash and cash equivalents at the beginning of the financial year		2,161,959	629,155	1,346,403	95,347
Cash and cash equivalents at the end of the financial year		1,969,116	2,161,959	1,262,938	1,346,403
Cash and cash equivalents at the end of the financial year for Continuing operations		1,693,499	2,161,959	1,262,938	1,346,403
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	**1,969,115**	**2,161,959**	**1,262,938**	**1,346,403**

The above Statements of cash flows should be read in conjunction with the accompanying notes.

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.

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 available-for-sale 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.

Comparative figures
When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Where the Group retrospectively applies an accounting policy, makes a retrospective restatement of items in the financial statements or reclassifies items in its financial statements, a third statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statements is presented.

During the 2018 financial year, the methodology of calculating retirement village cash flows was reviewed. This resulted in changes in the allocation of retirement village cash flows between operating and investing activities in the Statement of cash flows to better reflect the nature of the underlying cash flows. The comparative figures were not adjusted as it was impracticable to do so, however, if the amounts had been reclassified, there would have been an overall reduction in net cash flows from operating activities with a corresponding increase in net cash flows from investing activities.

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 2018 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.

Note 1. Significant accounting policies (continued)

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.

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. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the asset is derecognised or impaired.

Available-for-sale financial assets
Available-for-sale financial assets are non-derivative financial assets, principally equity securities that are either designated as available-for-sale or not classified as any other category. After initial recognition, fair value movements are recognised in other comprehensive income through the available-for-sale reserve in equity. Cumulative gain or loss previously reported in the available-for-sale reserve is recognised in profit or loss when the asset is derecognised or impaired.

Held-to-maturity investments
Held-to-maturity 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. Held-to-maturity 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 assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

The amount of the impairment allowance for loans and receivables carried at amortised cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. If there is a reversal of impairment, the reversal cannot exceed the amortised cost that would have been recognised had the impairment not been made and is reversed to profit or loss.

Available-for-sale financial assets are considered impaired when there has been a significant or prolonged decline in value below initial cost. Subsequent increments in value are recognised in other comprehensive income through the available-for-sale reserve.

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 2018. 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 9 Financial Instruments
This standard is applicable to annual reporting periods beginning on or after 1 January 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 consolidated entity will adopt this standard from 1 July 2018. The business model for the consolidated entity’s life insurance related financial assets has been considered in the context of this new standard, with the conclusion that the consolidated entity will not be materially impacted by the standard. This is due to the way changes in the fair value of financial assets are currently recognised and measured for Life Insurance entities. The consolidated entity will apply the new impairment requirements of AASB 9 and does not anticipate a material impact under the expected credit loss model. Accordingly, the impact of the new standard will primarily be new disclosure requirements.

AASB 15 Revenue from Contracts with Customers
This standard is applicable to annual reporting periods beginning on or after 1 January 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. 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. The consolidated entity will adopt this standard from 1 July 2018 and is not expected to be materially impacted by the standard.

Note 1. Significant accounting policies (continued)

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 but the impact of its adoption is yet to be assessed by the consolidated entity.

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 139 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.

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

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 a freehold office building and retirement villages. The office building is held to generate long-term rental yields and the retirement villages are held to provide long-term 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 by independent valuers. 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.

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 2018 $	Consolidated Entity 2017 $	Parent Entity 2018 $	Parent Entity 2017 $
From continuing operations				
Commission	26,796	29,531	26,796	29,531
Management fees	3,107,207	2,907,205	3,107,207	2,907,205
Dividends from related entities	-	-	365,546	176,798
Interest revenue	108,402	17,705	108,405	18,286
Distribution from non-related entities	-	23,818	-	23,818
Deferred management fees and development margin on sale of retirement village loans and licences	2,190,351	2,020,660	942,448	970,827
Revenue from continuing operations	5,432,756	4,998,919	4,550,402	4,126,465

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.

Interest
Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

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 2018 $	Consolidated Entity 2017 $	Parent Entity 2018 $	Parent Entity 2017 $
From continuing operations				
Unrealised gains (losses) on investments	-	94,980	-	94,980
Realised gains (losses) on investments	190	135,759	190	135,759
Surplus from revaluation of investment properties	3,398,988	1,012,091	1,933,491	446,465
Rental income	643,332	662,611	612,832	633,811
Accommodation fees from retirement village residents	2,055,489	1,948,272	1,157,568	1,085,799
Other	1,181,247	774,986	609,799	687,342
Other income from continuing operations	7,279,246	4,628,699	4,313,880	3,084,156

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	
	2018	2017	2018	2017
	$	$	$	$
From continuing operations				
Audit fees	62,574	68,508	56,516	60,778
Actuarial fees	46,557	43,743	36,189	34,117
Depreciation	191,334	213,414	157,723	183,996
Regulatory supervision fees	24,561	15,475	24,561	15,475
Salaries, wages and on costs	3,573,136	2,868,422	2,793,903	2,090,843
Employee benefits	282,540	344,332	220,245	253,877
Superannuation contributions	325,552	291,681	248,929	209,652
Commissions	169,692	210,767	142,692	168,767
Impairment and revaluations	1,610,493	261,631	146,132	-
Outsourced arrangements	612,181	680,060	612,181	680,060
Rates and taxes	1,013,205	975,000	662,295	632,012
Marketing	614,737	590,668	288,377	317,305
Other operating expenses	3,775,624	3,474,162	2,718,935	2,460,596
Expenses from continuing operations	12,302,186	10,037,863	8,108,678	7,107,478

KeyInvest Ltd
Notes to the financial statements
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Note 6. Income tax benefit

	Consolidated Entity 2018 $	Consolidated Entity 2017 $	Parent Entity 2018 $	Parent Entity 2017 $
Income tax benefit				
Current tax	(2,023,860)	(1,344,737)	(1,955,018)	(952,530)
Adjustment recognised for prior periods	(21,174)	-	(21,174)	-
Deferred tax	(529,450)	1,212,674	(118,462)	598,620
Aggregate income tax benefit	(2,574,484)	(132,063)	(2,094,654)	(353,910)
Income tax benefit is attributable to:				
Surplus/(deficit) from continuing operations	(2,729,478)	(412,399)	(2,094,654)	(353,910)
Surplus/(deficit) from discontinued operations	154,994	280,336	-	-
Aggregate income tax benefit	(2,574,484)	(132,063)	(2,094,654)	(353,910)
Numerical reconciliation of income tax benefit and tax at the statutory rate				
Surplus/(deficit) before income tax benefit from continuing operations	409,816	(410,245)	755,604	103,143
Surplus/(deficit) before income tax expense from discontinued operations	499,974	(108,976)	-	-
	909,790	(519,221)	755,604	103,143
Tax at the statutory tax rate of 30%	272,937	(155,766)	226,681	30,943
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:				
Non-assessable income	57,973	79,626	(51,691)	26,586
Other assessable amounts	77,051	26,808	77,051	26,808
Impairment adjustments	58,436	309,037	-	-
Net adjustments arising from retirement villages	(2,597,363)	(17,090)	(1,819,559)	(45,418)
Net adjustments arising from life investment contracts	(148,653)	(122,459)	(212,200)	(122,459)
Non-deductible expenditure	(117,029)	(172,552)	(137,100)	(190,703)
Imputation credits	(156,662)	(79,667)	(156,662)	(79,667)
	(2,553,310)	(132,063)	(2,073,480)	(353,910)
Adjustment recognised for prior periods	(21,174)	-	(21,174)	-
Income tax benefit	(2,574,484)	(132,063)	(2,094,654)	(353,910)

Note 7. Discontinued operations

Description

In October 2017 the consolidated entity received a management buyout offer for KeyInvest Property Loans Pty Ltd, a 51.1% owned subsidiary. The Directors of the consolidated entity reached agreement on the key terms of the buyout offer in February 2018 and 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 Loan 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)

Financial performance information

	Consolidated Entity		Parent Entity	
	2018	2017	2018	2017
	$	$	$	$
Discontinued revenue	8,261,038	8,073,304	-	-
Discontinued other income	225,695	512,012	-	-
Discontinued expense	(7,910,789)	(8,694,292)	-	-
Impairment of held for sale assets	(75,970)	-	-	-
Total expenses	(7,986,759)	(8,694,292)	-	-
Surplus/(deficit) before income tax expense	499,974	(108,976)	-	-
Income tax expense	(154,994)	(280,336)	-	-
Surplus/(deficit) after income tax expense from discontinued operations	344,980	(389,312)	-	-

Cash flow information

	Consolidated Entity		Parent Entity	
	2018	2017	2018	2017
	$	$	$	$
Net cash from/(used in) operating activities	(180,403)	294,917	-	-
Net cash from/(used in) investing activities	(78,525)	20,582	-	-
Net cash used in financing activities	(8,884)	(101,766)	-	-
Net increase/(decrease) in cash and cash equivalents from discontinued operations	(267,812)	213,733	-	-

Carrying amounts of assets and liabilities disposed

	Consolidated Entity		Parent Entity	
	2018	2017	2018	2017
	$	$	$	$
Cash and cash equivalents	275,616	-	-	-
Trade and other receivables	51,917	-	-	-
Held to maturity investments	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	
	2018	2017	2018	2017
	$	$	$	$
Cash at bank and in hand	169,495	160,414	166,763	87,728
Short-term money market	1,524,004	2,001,545	1,096,175	1,258,675
	1,693,499	2,161,959	1,262,938	1,346,403
0-3 months	1,693,499	2,161,959	1,262,938	1,346,403

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	1,693,499	2,161,959	1,262,938	1,346,403
Cash and cash equivalents - classified as held for sale (note 12)	275,616	-	-	-
Balance as per Statement of cash flows	1,969,115	2,161,959	1,262,938	1,346,403

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 three 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. Held-to-maturity financial assets

	Consolidated Entity		Parent Entity	
	2018	2017	2018	2017
	$	$	$	$
Term deposits	3,028,610	579,892	3,028,610	573,017
Amount expected to be recovered within 12 months	3,028,610	573,017	3,028,610	573,017
Amount expected to be recovered after more than 12 months	-	6,875	-	-
	3,028,610	579,892	3,028,610	573,017

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.

Note 10. Other investments

	Consolidated Entity		Parent Entity	
	2018	2017	2018	2017
	$	$	$	$
Shares in controlled entities	-	-	2,521,936	2,521,936
Amount expected to be recovered within 12 months	-	-	2,506,934	2,506,934
Amount expected to be recovered after more than 12 months	-	-	15,002	15,002
	-	-	2,521,936	2,521,936

Note 11. Receivables

	Consolidated Entity		Parent Entity	
	2018	2017	2018	2017
	$	$	$	$
Prepayments	235,746	38,129	235,746	23,060
Loans to controlled entities - unsecured	-	-	9,036,709	10,970,006
Receivable from life funds	970,861	948,071	1,063,287	390,831
Interest and distributions receivable	6,788	3,161	6,621	3,027
Other	119,563	169,547	103,132	14,129
	1,332,958	1,158,908	10,445,495	11,401,053
Amount expected to be recovered within 12 months	1,332,958	1,158,908	10,445,495	11,401,053

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

	Consolidated Entity		Parent Entity	
	2018	2017	2018	2017
	$	$	$	$
Cash and cash equivalents	275,616	-	-	-
Trade and other receivables	51,919	-	-	-
Held-to-maturity 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	-	-	-

Note 13. Investment property

	Consolidated Entity		Parent Entity	
	2018	2017	2018	2017
	$	$	$	$
Land and buildings - opening balance	5,882,870	5,850,000	5,882,870	5,850,000
Acquisitions, additions and disposals	2,599	32,870	2,599	32,870
Fair value adjustments	-	-	-	-
	5,885,469	5,882,870	5,885,469	5,882,870
Retirement villages - opening balance	21,523,002	21,498,000	9,872,001	9,498,000
Additions	2,600,120	3,988,776	1,709,648	2,008,132
Disposals	(2,431,106)	-	-	-
Revaluation - consolidated entity's interests	(1,436,191)	(1,937,562)	(1,028,616)	(952,912)
Revaluation - residents' interests	(5,459,300)	(7,802,430)	(2,192,375)	(3,085,079)
Transfer from undeveloped land	1,551,511	573,236	973,581	209,921
Transfer from work in progress	12,518,847	4,662,327	6,169,459	1,877,552
Fair value adjustments	1,645,370	540,655	1,852,305	316,387
	30,512,253	21,523,002	17,356,003	9,872,001
Retirement villages - undeveloped land - opening balance	5,517,385	6,032,305	1,637,384	1,847,305
Transfer to retirement villages	(1,551,511)	(573,236)	(973,581)	(209,921)
Fair value adjustments	97,930	58,316	-	-
	4,063,804	5,517,385	663,803	1,637,384
Retirement villages - work in progress - opening balance	6,140,127	3,678,731	3,178,849	1,820,561
Acquisitions, additions and disposals	7,481,742	6,972,234	3,241,798	3,200,192
Transfer to retirement villages	(12,518,847)	(4,662,327)	(6,169,459)	(1,877,552)
Fair value adjustments	239,983	151,489	81,186	35,648
	1,343,005	6,140,127	332,374	3,178,849
	41,804,531	39,063,384	24,237,649	20,571,104

Reconciliation

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

	Consolidated 2018	Consolidated 2017	Parent 2018	Parent 2017
Opening fair value	39,063,384	37,059,036	20,571,104	19,015,866
Additions	10,084,461	10,993,880	4,954,045	5,241,194
Disposals	(2,431,106)	-	-	-
Revaluation increments	1,983,283	750,459	1,933,491	352,035
Revaluation decrements	(6,895,491)	(9,739,991)	(3,220,991)	(4,037,991)
Closing fair value	41,804,531	39,063,384	24,237,649	20,571,104

Note 13. Investment property (continued)

	Consolidated Entity		Parent Entity	
	2018	2017	2018	2017
	$	$	$	$
Retirement villages				
Investment in the retirement villages as at 30 June was:				
Development and acquisition costs	123,058,155	117,014,811	61,886,192	53,337,705
Add: revaluation				
- consolidated entity's interests	8,795,875	7,052,828	8,413,146	6,569,419
- residents' interests	(8,023,677)	(6,351,338)	(3,648,085)	(2,932,248)
	123,830,353	117,716,301	66,651,253	56,974,876
Less: residents' loans and licences	(93,318,100)	(96,193,299)	(49,295,250)	(47,102,875)
Total units of account at fair value	30,512,253	21,523,002	17,356,003	9,872,001
Total at cost (after testing for impairment)				
+ undeveloped land	4,063,804	5,517,385	663,803	1,637,384
+ work in progress	1,343,005	6,140,127	332,374	3,178,849
Total net investment	35,919,062	33,180,514	18,352,180	14,688,234

Valuations of investment properties
The 2018 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	
	2018	2017	2018	2017
	$	$	$	$
Land and buildings - at independent valuation	-	2,178,000	-	-
Less: accumulated depreciation	-	(78,000)	-	-
	-	2,100,000	-	-
Furniture, equipment and software - at cost	1,922,677	1,932,607	1,880,731	1,717,893
Less: accumulated depreciation	(1,432,704)	(1,381,225)	(1,401,445)	(1,244,012)
	489,973	551,382	479,286	473,881
Motor vehicles - at cost	74,207	104,189	74,207	72,197
Less: accumulated depreciation	(28,883)	(42,566)	(28,883)	(33,973)
	45,324	61,623	45,324	38,224
	535,297	2,713,005	524,610	512,105
Amount expected to be recovered after more than 12 months	535,297	2,713,005	524,610	512,105

Note 14. Property, plant and equipment (continued)

Consolidated Entity	Land and buildings $	Furniture, equipment and software $	Motor vehicles $	Total $
Balance at 1 July 2016	2,184,821	600,991	51,072	2,836,884
Additions	-	176,403	38,707	215,110
Disposals	(484,821)	(5,910)	(10,265)	(500,996)
Revaluation increments	400,000	-	-	400,000
Depreciation expense	-	(220,102)	(17,891)	(237,993)
Balance at 30 June 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

Parent Entity	Land and buildings $	Furniture, equipment and software $	Motor vehicles $	Total $
Balance at 1 July 2016	484,821	504,543	20,880	1,010,244
Additions	-	172,007	38,707	210,714
Disposals	(484,821)	(5,783)	(10,266)	(500,870)
Depreciation expense	-	(196,886)	(11,097)	(207,983)
Balance at 30 June 2017	-	473,881	38,224	512,105
Additions	-	180,533	25,000	205,533
Disposals	-	(128)	(5,616)	(5,744)
Depreciation expense	-	(175,001)	(12,284)	(187,285)
Balance at 30 June 2018	-	479,285	45,324	524,609

Valuations of land and buildings
The consolidated entity periodically engages independent accredited valuers to determine the fair value of the land and buildings classified as property, plant and equipment. The 2018 valuations were conducted by the consolidated entity's Directors.

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

Land and buildings are shown at fair value based on periodic valuations by external independent valuers, less subsequent depreciation and impairment for buildings. The valuations are undertaken more frequently if there is a material change in the fair value relative to the carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Increases in the carrying amounts arising on revaluation of land and buildings are credited in other comprehensive income through to the revaluation surplus reserve in equity. Any revaluation decrements are initially taken in other comprehensive income through to the revaluation surplus reserve to the extent of any previous revaluation surplus of the same asset. Thereafter the decrements are taken to profit or loss.

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.

Note 14. Property, plant and equipment (continued)

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	
	2018	2017	2018	2017
	$	$	$	$
Supersaver Bond Fund	27,190,956	31,233,539	27,190,956	31,233,539
Life Events Bond Funds	29,571,838	16,155,832	29,571,838	16,155,832
Pre-Arranged Funeral Fund	28,703,434	32,102,758	28,703,434	32,102,758
KeyInvest Funeral Bond	118,363,787	110,392,242	118,363,787	110,392,242
Income Security Fund	2,622,636	2,892,134	2,622,636	2,892,134
	206,452,651	192,776,505	206,452,651	192,776,505

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

Life Events Bond Funds
Effective 22 April 2016 the structure of the Life Events Bond Fund changed from a single fund with multiple investment options to 27 approved benefit funds which are grouped under Life Events Bond Funds.

Actuarial report
The effective date of the actuarial report on the policy liabilities and solvency reserves is 30 June 2018. The actuarial report for KeyInvest Ltd was prepared by Mr Bruce Watson, FIAA, and was dated 27 September 2018. 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 2018 $	Consolidated Entity 2017 $	Parent Entity 2018 $	Parent Entity 2017 $
Deferred tax asset	6,928,522	5,329,988	6,395,277	5,114,672
Movements:				
Opening balance	5,329,988	4,909,903	5,114,672	3,649,798
Valuation adjustments	883,238	(265,580)	537,769	733,012
Carry forward tax losses	877,588	908,558	877,588	908,558
Employee benefit and payables movement	(162,292)	(222,893)	(134,752)	(176,696)
Closing balance	6,928,522	5,329,988	6,395,277	5,114,672

Note 17. Intangible assets

	Consolidated Entity 2018 $	Consolidated Entity 2017 $	Parent Entity 2018 $	Parent Entity 2017 $
Goodwill - at cost	-	5,374,876	-	-
Less: impairment	-	(1,961,632)	-	-
	-	3,413,244	-	-
Intellectual property - at cost	440,000	-	440,000	-
	440,000	3,413,244	440,000	-
Amount expected to be recovered after more than 12 months	440,000	3,413,244	440,000	-

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 2016	-	4,498,080	4,498,080
Disposals	-	(54,713)	(54,713)
Impairment of assets	-	(1,030,123)	(1,030,123)
Balance at 30 June 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

Note 17. Intangible assets (continued)

Parent Entity	Intellectual Property $	Total $
Balance at 1 July 2016	-	-
Balance at 30 June 2017	-	-
Additions	440,000	440,000
Balance at 30 June 2018	440,000	440,000

Impairment testing of goodwill
Goodwill acquired through business combinations is allocated to cash generating units (CGU's), with 100% being allocated to the Lending Services division. The recoverable amount of the CGU's are determined based on the higher of fair value less costs to sell and value-in-use by reference to the discounted net cash flows expected to be derived from the continuing use of the asset. The future cash flows are based on financial budgets and projections approved by management covering a five year period. The recoverable amount in 2018 was determined with reference to the disposal proceeds of the CGU.

Discount rate
The discount rate applied to future cash flows for 2017 was 10%. The discount rate reflects the Lending Services division's weighted average cost of capital including the risks specific to the CGU.

Note 18. Payables

	Consolidated Entity		Parent Entity	
	2018 $	2017 $	2018 $	2017 $
Trade creditors	778,146	756,704	775,642	712,037
Creditors and accrued expenses	(16,746)	53,800	23,913	67,750
Accrued expenses	1,115,846	428,572	1,021,233	348,535
Retirement village maintenance fund liabilities	914,902	862,074	487,015	421,922
	2,792,148	2,101,150	2,307,803	1,550,244
Amount expected to be settled within 12 months	2,792,148	2,101,150	2,307,803	1,550,244

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	
	2018 $	2017 $	2018 $	2017 $
Provision for income tax	456	3,050	-	-
Amount expected to be settled within 12 months	456	3,050	-	-

Note 20. Financial liabilities

	Consolidated Entity		Parent Entity	
	2018	2017	2018	2017
	$	$	$	$
Bank loans - secured	10,299,091	6,893,926	5,843,054	2,500,000
Amount expected to be settled within 12 months	4,456,037	6,878,307	-	2,500,000
Amount expected to be settled after more than 12 months	5,843,054	15,619	5,843,054	-
	10,299,091	6,893,926	5,843,054	2,500,000

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	
	2018	2017	2018	2017
	$	$	$	$
Bank loans - secured	10,314,643	6,893,926	5,843,054	2,500,000
Liabilities directly associated with assets classified as held for sale (note 23)	(15,552)	-	-	-
	10,299,091	6,893,926	5,843,054	2,500,000

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 an $8.25m loan facility maturing March 2021, a $6.5m fixed term facility maturing September 2018, a $2.5m loan facility maturing March 2021, a $0.8m line of credit closed 4 July 2018 and a chattel mortgage of $35k due April 2019.

	Consolidated Entity		Parent Entity	
	2018	2017	2018	2017
	$	$	$	$
Total facilities				
Bank loans	18,085,000	12,335,000	10,750,000	5,000,000
Liabilities directly associated with assets classified as held for sale	(835,000)	-	-	-
	17,250,000	12,335,000	10,750,000	5,000,000
Used at the reporting date				
Bank loans	10,314,643	6,893,926	5,843,054	2,500,000
Liabilities directly associated with assets classified as held for sale (note 23)	(15,552)	-	-	-
	10,299,091	6,893,926	5,843,054	2,500,000
Unused at the reporting date				
Bank loans	7,770,357	5,441,074	4,906,946	2,500,000
Liabilities directly associated with assets classified as held for sale	(819,448)	-	-	-
	6,950,909	5,441,074	4,906,946	2,500,000

Note 20. Financial liabilities (continued)

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	
	2018	2017	2018	2017
	$	$	$	$
Annual leave	206,119	281,193	198,839	218,119
Long service leave	362,878	461,785	356,364	370,867
Unearned income	2,027,055	2,412,470	2,027,055	2,412,470
	2,596,052	3,155,448	2,582,258	3,001,456
Amount expected to be settled within 12 months	516,622	627,835	509,342	489,930
Amount expected to be settled after more than 12 months	2,079,430	2,527,613	2,072,916	2,511,526
	2,596,052	3,155,448	2,582,258	3,001,456

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

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

Consolidated Entity - 2018	Unearned income $
Carrying amount at the start of the year	2,412,470
Amounts used	(385,415)
Carrying amount at the end of the year	2,027,055

Parent Entity - 2018	Unearned income $
Carrying amount at the start of the year	2,412,470
Amounts used	(385,415)
Carrying amount at the end of the year	2,027,055

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.

Note 21. Provisions (continued)

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	
	2018	2017	2018	2017
	$	$	$	$
Supersaver Bond Fund	27,190,956	31,233,539	27,190,956	31,233,539
Life Events Bond Funds	29,571,836	16,155,832	29,571,836	16,155,832
Pre-Arranged Funeral Fund	28,703,434	32,102,758	28,703,434	32,102,758
KeyInvest Funeral Fund	118,363,787	110,392,242	118,363,787	110,392,242
Income Security Fund	2,622,636	2,892,134	2,622,636	2,892,134
	206,452,651	192,776,505	206,452,651	192,776,505

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		Parent Entity	
	2018	2017	2018	2017
	$	$	$	$
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		Parent Entity	
	2018	2017	2018	2017
	$	$	$	$
Deferred tax liability	8,464,885	8,170,575	6,731,842	6,447,290
Movements:				
Opening balance	8,170,575	7,446,370	6,447,290	5,986,019
Valuation adjustments	294,310	724,205	284,552	461,271
Closing balance	8,464,885	8,170,575	6,731,842	6,447,290

Note 25. Asset revaluation reserve

	Consolidated Entity		Parent Entity	
	2018	2017	2018	2017
	$	$	$	$
Asset revaluation reserve	193,477	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 2016	-	-
Revaluation - gross	193,477	193,477
Balance at 30 June 2017	193,477	193,477
Balance at 30 June 2018	193,477	193,477

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 2018.

Note 26. Financial risk management (continued)

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 effect on financial performance.

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

Financial risk exposures and management: The main risks the consolidated entity is exposed to through the financial instruments are market risk, credit risk and liquidity 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 2018 the consolidated entity had borrowings of $10,299,091 (2017: $6,893,926). 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 available-for-sale financial assets are not rated by external credit agencies. These are reviewed regularly to ensure that credit exposure is minimised.

The table reflects the credit risk of the consolidated entity's receivables.

	Consolidated Entity		**Parent Entity**	
	2018	**2017**	**2018**	**2017**
	$	**$**	**$**	**$**
Receivables				
A1+ rated counterparties	6,788	3,161	6,621	3,027
Counterparties not rated	355,309	207,676	338,878	37,189
Internal receivable from life funds	970,861	948,071	1,063,287	390,831
Total	1,332,958	1,158,908	1,408,786	431,047

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)

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 2017 $

Financial instruments	Fixed interest rate 1 year or less	Fixed interest rate 1-5 years	Variable interest rate	Non-interest bearing	Total
Financial assets					
Cash assets	-	-	2,161,959	-	2,161,959
Term deposits	573,017	6,875	-	-	579,892
Receivables	-	-	-	1,158,908	1,158,908
Total financial assets	573,017	6,875	2,161,959	1,158,908	3,900,759
Financial liabilities					
Payables	-	-	-	2,101,150	2,101,150
Bank loans secured	-	24,435	6,869,491	-	6,893,926
Total financial liabilities	-	24,435	6,869,491	2,101,150	8,995,076

Parent Entity 2017 $

Financial instruments	Fixed interest rate 1 year or less	Fixed interest rate 1-5 years	Variable interest rate	Non-interest bearing	Total
Financial assets					
Cash assets	-	-	1,346,403	-	1,346,403
Term deposits	573,017	-	-	-	573,017
Shares in controlled entities	-	-	-	2,521,936	2,521,936
Loans to controlled entities	-	-	-	11,663,672	11,663,672
Receivables	-	-	-	431,047	431,047
Total financial assets	573,017	-	1,346,403	14,616,655	16,536,075
Financial liabilities					
Payables	-	-	-	1,550,244	1,550,244
Bank loans secured	-	-	2,500,000	-	2,500,000
Total financial liabilities	-	-	2,500,000	1,550,244	4,050,244

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 2018: nil (2017: nil).

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

	2018 $		2017 $	
	Carrying amount	**Net fair value**	**Carrying amount**	**Net fair value**
Consolidated Entity				
Financial assets				
Held-to-maturity financial assets	3,028,610	3,028,610	579,892	579,892
Receivables	1,332,958	1,332,958	1,158,908	1,158,908
Total financial assets	4,361,568	4,361,568	1,738,800	1,738,800
Financial liabilities				
Payables	2,792,148	2,792,148	2,101,150	2,101,150
Bank loans secured	10,299,091	10,299,091	6,893,926	6,893,926
Total financial liabilities	13,091,239	13,091,239	8,995,076	8,995,076
Parent Entity				
Financial assets				
Held-to-maturity financial assets	3,028,610	3,028,610	573,017	573,017
Receivables	1,408,786	1,408,786	431,047	431,047
Total financial assets	4,437,396	4,437,396	1,004,064	1,004,064
Financial liabilities				
Payables	2,307,803	2,307,803	1,550,244	1,550,244
Bank loans secured	5,843,054	5,843,054	2,500,000	2,500,000
Total financial liabilities	8,150,857	8,150,857	4,050,244	4,050,244

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	
		2018 $	2017 $	2018 $	2017 $
	Change in interest Rate %	Sensitivity of profit and equity (before tax)			
Financial assets					
Cash at bank and in hand	+2	3,390	3,208	3,335	1,755
Short-term money market	+2	30,480	40,031	21,924	25,174
Held-to-maturity financial assets	+2	60,572	11,598	60,572	11,460
Cash at bank and in hand	-2	(3,390)	(3,208)	(3,335)	(1,755)
Short-term money market	-2	(30,480)	(40,031)	(21,924)	(25,174)
Held-to-maturity financial assets	-2	(60,572)	(11,598)	(60,572)	(11,460)
Financial liabilities					
Bank loan secured	-2	205,982	137,879	(116,861)	(50,000)
Bank loan secured	+2	(205,982)	(137,879)	116,861	50,000

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
- available-for-sale financial assets
- 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 - 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

Consolidated Entity - 2017	Level 1 $	Level 2 $	Level 3 $	Total $
Assets				
Term deposits	579,892	-	-	579,892
Investment property	-	39,063,384	-	39,063,384
Land and buildings	-	2,100,000	-	2,100,000
Total assets	579,892	41,163,384	-	41,743,276

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

Parent Entity - 2017	Level 1 $	Level 2 $	Level 3 $	Total $
Assets				
Term deposits	573,017	-	-	573,017
Shares in controlled entities	-	2,521,936	-	2,521,936
Investment property	-	20,571,104	-	20,571,104
Total assets	573,017	23,093,040	-	23,666,057

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.

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:

Note 27. Fair value measurement (continued)

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 based on independent assessments 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.

The basis of the valuation of land and buildings is fair value. The land and buildings were last revalued on 30 June 2017 based on independent assessments by a member of the Australian Property Institute having recent experience in the location and category of land and buildings being valued. The Directors do not believe that there has been a material movement in fair value since the revaluation date. Valuations are based on current prices for similar properties in the same location and condition.

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 2018 the following fees were paid - Non Executive Directors received annual fees of $57,452, Chairman - $137,961 and the Deputy Chairman - $87,742. In recognition of the additional workload resulting from participating on various Board Committees, Non Executive Directors are paid $5,000 annually for undertaking the role of Chairman of a Committee.

Non Executive Directors of KeyInvest Property Loans Pty Ltd receive annual fees of $23,456 and the Chairman $26,646.

Superannuation Guarantee Levy obligations for individual Non Executive Directors are additional to Directors' fees disclosed above.

During 2017 Mr Timothy Sarah took a leave of absence and, while he remained a Non Executive Director, he did not receive Director fees. As a result total Non Executive Director fees in 2017 decreased by the amount Mr Sarah would have received. In 2018 Mr Sarah resumed receiving Director fees and therefore total Non Executive Director fees increased from $439,870 in 2017 to $506,666 in 2018, a total increase of 15.18%.

Other key management personnel
The key management personnel of the consolidated entity consisted of the following 11 (2017: 11) positions: Managing Director, Chief Financial Officer, Company Secretary / Chief Investment Officer, Chief Operating Officer, Chief Executive Officer (KeyInvest Property Loans Pty Ltd) and Non Executive Directors (6).

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

	Consolidated Entity		Parent Entity	
	2018	2017	2018	2017
	$	$	$	$
Short-term employee benefits	1,697,674	1,602,840	1,396,425	1,281,559
Long-term benefits	638,559	134,604	609,787	104,282
	2,336,233	1,737,444	2,006,212	1,385,841

Note 29. Capital and lease commitments

	Consolidated Entity		Parent Entity	
	2018	2017	2018	2017
	$	$	$	$
Capital expenditure commitments				
Committed at the reporting date but not recognised as liabilities:				
Construction of retirement villages	1,209,879	6,285,397	-	2,843,620
Payable				
Committed at the reporting date but not recognised as liabilities, payable:				
Within one year	1,209,879	6,285,397	-	2,843,620

Note 30. Related party transactions

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

Note 30. Related party transactions (continued)

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.

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	
	2018	2017	2018	2017
	$	$	$	$
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.	49,996	5,742	49,996	5,742
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.	1,474	-	1,474	-

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 /	2018	2017
Name	Country of incorporation	%	%
Life Events Bond Pty Ltd	Australia	100.00%	100.00%
KeyInvest Managed Investments Pty Ltd	Australia	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%
Chiton RV Developments Pty Ltd	Australia	-	100.00%
KeyInvest Property Loans Pty Ltd	Australia	51.10%	51.10%
Australian Associated Advisers Pty Ltd	Australia	51.10%	51.10%
Money Advisers Pty Ltd	Australia	51.10%	51.10%
Aussie Unit Trust	Australia	51.10%	51.10%

Percentage of voting power is in proportion to ownership.

Chiton RV Developments Pty Ltd was de-registered during 2018.

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 and on Choice Aggregation Services for mortgage broking services.

Note 33. Events after the reporting period

Other than as disclosed in note 7 no matter or circumstance has arisen since 30 June 2018 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 from/(used in) operating activities

	Consolidated Entity		Parent Entity	
	2018	2017	2018	2017
	$	$	$	$
Surplus/(deficit) after income tax benefit for the year	3,484,274	(387,158)	2,850,258	457,053
Adjustments for:				
Depreciation and amortisation	223,470	237,993	187,285	183,996
Impairment	(1,907,313)	73,141	(1,787,359)	(352,035)
Net profit on disposal of investment property	505,582	-	-	-
Finance costs - non-cash	314,135	-	17,330	-
Change in operating assets and liabilities:				
Decrease/(increase) in receivables	(231,748)	339,448	(1,129,651)	487,267
Decrease/(increase) in current tax assets	-	17,040	-	-
Decrease/(increase) in revaluation of the consolidated entity’s and residents’ interests in retirement villages	(1,594,915)	9,105,830	(568,623)	3,778,413
Decrease/(increase) in deferred tax assets	(1,701,350)	(420,085)	(1,280,605)	(1,464,874)
Increase/(decrease) in payables	804,118	(127,156)	757,559	(190,281)
Increase/(decrease) in current tax liabilities	22,068	3,050	-	-
Increase/(decrease) in provisions	(26,826)	45,584	(33,783)	32,262
Increase/(decrease) in unearned income	(385,415)	(385,407)	(385,415)	(385,407)
Increase/(decrease) in deferred tax liabilities	294,310	724,205	284,552	461,271
Net cash from/(used in) operating activities	(199,611)	9,226,487	(1,088,453)	3,007,667

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 2016	5,742,474	-	-	5,742,474
Loans received	4,758,391	(3,821,723)	214,784	1,151,452
Balance at 30 June 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

Parent Entity	Proceeds from borrowing $	Repayment of borrowings $	Non-cash borrowing costs $	Total $
Balance at 1 July 2016	1,500,000	-	-	1,500,000
Loans received	2,500,000	(1,500,000)	-	1,000,000
Balance at 30 June 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

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

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	27,190,956	(27,190,956)	-	-	-	-
Life Events Bond Funds	29,571,838	(29,571,838)	-	-	-	-
Pre-Arranged Funeral Fund	28,703,434	(28,703,434)	-	-	-	-
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%.

2017 $

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	28,541,300	-	(1,204,233)	27,337,067	(14,048,134)	13,288,933
Supersaver Bond Fund	30,986,577	(30,986,577)	-	-	-	-
Life Events Bond Funds	15,860,567	(15,860,567)	-	-	-	-
Pre-Arranged Funeral Fund	31,863,787	(31,863,787)	-	-	-	-
KeyInvest Funeral Bond	109,783,873	(109,783,873)	-	-	-	-
Income Security Fund	2,885,441	(2,885,441)	-	-	-	-

The Management Fund Capital Adequacy Multiple (%) (a)/(b) is 195%.

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	-	515,105	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						
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**	**205,035,760**

Note 37. Life Investment Contracts (continued)

Policyholder assets and liabilities 2017	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	5,251,096	648,337	6,219,363	10,431,767	161,212	**22,711,775**
Financial assets	25,866,970	15,429,285	25,628,038	99,562,072	2,710,000	**169,196,365**
Loans and advances	6,720	-	-	-	-	**6,720**
Receivables	108,753	4,052	170,817	398,404	15,454	**697,480**
Current tax benefit	-	-	84,540	-	5,467	**90,007**
Deferred tax assets	-	74,158	-	-	-	**74,158**
Total assets	**31,233,539**	**16,155,832**	**32,102,758**	**110,392,243**	**2,892,133**	**192,776,505**
Payables	25,599	6,501	233,161	214,726	6,692	**486,679**
Current tax liability	201,690	157,345	-	332,185	-	**691,220**
Deferred tax liability	19,673	131,419	5,810	61,459	-	**218,361**
Policyholder liabilities	30,268,332	15,860,567	31,470,885	109,089,215	2,839,489	**189,528,488**
Unallocated policyholder benefits	718,245	-	392,902	694,658	45,952	**1,851,757**
Total liabilities	31,233,539	16,155,832	32,102,758	110,392,243	2,892,133	**192,776,505**
Net assets	-	-	-	-	-	**-**

Solvency requirements for the life investment contracts were met at all times during the financial year. As at 30 June 2017 the life investment contracts had investment assets in excess of policyholder liabilities of $1,851,757 (2016: $2,538,431).

Policyholder income and expenses 2017	Supersaver Bond Fund	Life Events Bond Funds	Pre-Arranged Funeral Fund	KeyInvest Funeral Fund	Income Security Fund	Total Life Investment Contracts
	$	$	$	$	$	$
Investment income	977,621	1,035,193	918,514	3,273,003	76,948	**6,281,279**
Investment expenses	(65,578)	-	(66,275)	(188,752)	-	**(320,605)**
Management fees	(561,905)	(70,584)	(596,921)	(1,624,388)	(53,406)	**(2,907,204)**
Allocated to policyholders	(294,043)	(816,242)	(487,049)	(1,442,877)	(42,019)	**(3,082,230)**
Profit (loss) before tax	56,095	148,367	(231,731)	16,986	(18,477)	**(28,760)**
Income tax benefit (expense)	(195,376)	(148,367)	92,415	(412,053)	5,467	**(657,914)**
Profit (loss) after tax	(139,281)	-	(139,316)	(395,067)	(13,010)	**(686,674)**
Transfer from (to) other funds	-	-	-	-	-	**-**
Unallocated policyholder benefits at beginning of the year	857,526	-	532,218	1,089,725	58,962	**2,538,431**
Unallocated policyholder benefits at end of the year	**718,245**	**-**	**392,902**	**694,658**	**45,952**	**1,851,757**

Movement of policyholder liabilities 2017						
Value of policyholder liabilities at beginning of the year	33,443,469	10,178,797	34,578,163	85,811,103	3,295,405	**167,306,937**
Deposits	753,116	5,905,733	22,489	27,096,512	960	**33,778,810**
Allocation to policyholders	294,043	816,242	487,049	1,442,877	42,019	**3,082,230**
Withdrawals	(4,222,296)	(1,040,205)	(3,616,816)	(5,261,277)	(498,895)	**(14,639,489)**
Transfer from (to) other funds	-	-	-	-	-	**-**
Value of policyholder liabilities at end of the year	**30,268,332**	**15,860,567**	**31,470,885**	**109,089,215**	**2,839,489**	**189,528,488**
Policyholder liabilities and unallocated benefits	**30,986,577**	**15,860,567**	**31,863,787**	**109,783,873**	**2,885,441**	**191,380,245**

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 2018 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: 27 September 2018

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 2018, 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 2018 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 2018, 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

B D Morkunas

Brett Morkunas
Partner

Adelaide
South Australia

27 September 2018

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Auditor
Nexia Edwards Marshall Chartered Accountants ABN 38 238 591 759

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