



KEYINVEST

ESTABLISHED 1878

ANNUAL REPORT 2010/11





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CHAIRMAN'S REPORT

In my last two Annual Reports I have reflected on how Australia, and the majority of the developed world, has endured the most dramatic of economic events experienced in over 60 years. Despite the massive Government financial stimulus packages being delivered worldwide due to widespread fears of global recession, the shocks to confidence continue with the greatest current threat to systemic stability now being the Euro-crisis.

Caution is considered to be appropriate action whilst the issues in Europe unfold.

In this most difficult of financial and economic environments we grew our net assets from \$28.2 million to \$29 million, our profit before tax from \$8 million to \$8.9 million and increased our cash position at the end of the financial year by a further \$1.4 million. A strong operational performance delivered a \$456,794 net profit after tax result which was down from the previous year's \$1.8 million due to the successful sale of newly developed retirement village units at Woodside and McLaren Vale which negatively affected those two Retirement Village valuations and therefore our profit. The positive outcome from these sales was that our overall cash holdings increased.

During the last 12 months the KeyInvest Board resolved to continue to seek prudent growth opportunities in line with our conservative risk appetite due to the unique opportunity the current economic situation offers a company with little debt.

It is particularly pleasing therefore to be able to reflect on our achievements of the past year and provide increasing confidence to our members and our customers as we continue to grow and be there for "life's major events".

Over the past 12 months:

- Our financial products, with a focus on capital guaranteed returns, continued to prove to be market resilient and provide positive returns.
- We acquired a 47 unit completed Retirement Village in Salisbury, a northern suburb of Adelaide. The Village is fully occupied, beautifully established and has excellent and well utilised community facilities having only been developed between 2006 and 2008.
- We finalised the acquisition of a national mortgage aggregation company which together with our existing lending services business was re-branded as "KeyInvest Lending Services". We successfully sought and obtained an Australian Credit Licence under the National Consumer Credit Protection Act and established a nationwide platform to access new customers. KeyInvest is now in the Top 10 mortgage and finance broking businesses in Australia.
- We are nearing completion of construction of the first six units and Community Centre at our Horsham, Victoria retirement village site and will soon commence the next stage of nine units at Woodside in the Adelaide Hills upon completion of the existing infrastructure works.
- All negotiations and Council approvals were completed for an exciting new market changing Retirement Village development comprising 86 units amongst 94 hectares of trees and waterways near Victor Harbor. The environmentally sustainable project will be branded "Chiton". The development of the Chiton Retirement Village has commenced since the end of the reporting year.

There is no doubt the year ahead will again deliver challenges as financial markets reposition themselves worldwide.

In Australia, there are substantial legislative changes that will impact the commission regime for financial planners with Future of Financial Advice (FOFA) reform currently underway. Over the last 12 months, KeyInvest has developed a new funds under management system that will improve our flexibility to adapt to these legislative requirements in a proactive and cost effective manner.

We are confident that our strategy and financial performance has us well positioned for the future and our Board of Directors and Executive Management team remain fully focussed on growing KeyInvest for the benefit of our members.

I look forward to reporting further healthy progress again in 2012.

Yours sincerely



Dr Roger N Sexton AM
Chairman

MANAGING DIRECTOR'S REPORT

Our goal is to be a responsible, viable business offering relevant financial products and retirement services that sustain our members and customers through their major life events.

It has been a year of solid progress for KeyInvest and I am pleased to be able to share our vision and our recent achievements with you.

We are unique, just like our members

Since 1878 we have built our proud history caring for the welfare of our members and we continue to dedicate ourselves to enriching the lifestyles of Australian families. KeyInvest is one of the few growing and active Friendly Societies in Australia. We offer quality retirement living, secure long term savings products and residential and commercial property loan and leasing solutions.

We are here for your life's major events

KeyInvest's purpose is to provide market leading financial products and retirement services that are linked to life's major events creating long term lifestyle enhancing relationships with our customers and their families.

We are focussed on your future

KeyInvest's strategy is to grow the three core areas of our business by:

- Retaining our existing members and customers and attracting new members, residents and customers by being the market's best at responding with savings, lending products and retirement lifestyle solutions.
- Identifying and responding genuinely to all opportunities to grow and acquire complementary businesses that offer immediate scale and financial benefits to KeyInvest and lifestyle enhancement to an increasing customer base.

Our success has been enabled by effective management of our cash flow and revenue streams through concentrating on clearly defined markets and by offering products and services that meet customer lifestyle needs.

A first class team is critical to achieving our goals and we are proud that we have maintained our Executive Management team and grown our numbers as our business has continued to expand. We have not deviated from a strong culture that allows us to attract, retain and develop our employees and Directors with the skills required to deliver our strategy.

OUR FINANCIAL PERFORMANCE

The Group's consolidated profit before tax was \$3,333,566 (2010: \$4,087,220). Cash flow was further boosted by \$1.4 million during the financial year due to excellent unit sales performance in our new retirement village developments. We emerged from the global financial crisis in great financial health and with a strong Balance Sheet and throughout the last financial year we further enhanced our total equity position by \$812,534.

It was particularly pleasing that solid capital growth in our fixed interest portfolios again ensured that overall positive returns were maintained for all members' funds.

Our long term focus on returns from our commercial property and retirement village investments helped to support the excellent financial performance in an operational sense. Pleasingly, improved independent valuations provided a positive influence and reflected the strength and quality of our ongoing strategic and operational management of those assets.

Our Lending Services division again performed profitably despite difficult market conditions for much of the year, with further acquisitions successfully completed and operationally bedded down.

FINANCIAL SERVICES - INVESTMENT BONDS

As a Friendly Society, KeyInvest remains one of a handful of Australian financial institutions that offer Investment and Funeral Bonds. KeyInvest is a specialist in this area and has offered Investment Bonds for over 20 years with currently \$175 million in funds under management. Our range of Investment Bonds are distributed through financial adviser networks across the country and are designed to assist with long term savings and investing for life's major events.

Our Life Events Bond offers excellent tax advantages and a choice of six investment options, making it a viable solution for long term savings such as children's education or a tax effective alternative to superannuation that can be accessed before retirement.

MANAGING DIRECTOR'S REPORT

Our most popular Bond, a capital guaranteed Funeral Bond, continues to receive widespread national support from financial advisers, with many of the biggest Dealer Groups in Australia now offering this product to their clients.

In addition, the Income Security and Supersaver Bond Funds also attract new inflows from investors seeking capital guaranteed returns and a steady income stream.

FINANCIAL SERVICES - LENDING SERVICES

Pursuant to the National Consumer Credit Protection Act we successfully obtained an Australian Credit Licence. The mortgage broking industry is now subject to stringent licencing and compliance requirements which we believe is a positive for the industry and for our lending services business as it demands credible and knowledgeable finance brokers. We are confident that these changes will provide additional opportunities for KeyInvest to expand its business further as smaller brokers increasingly seek to align themselves with organisations that have strong licencing and compliance programmes that are supported by a reputable ethos and brand.

During 2010/11, KeyInvest acquired a Queensland based national mortgage broking/aggregation business. Whilst a relatively young company, FirstRock had developed a national footprint with approximately 30 of these finance brokers joining KeyInvest's existing and mainly South Australian based Lending Services team.

As part of the integration process we took the opportunity to re-brand the FirstRock business and our existing Money Advisers lending business. The new division is now known as KeyInvest Lending Services.

As one of the Top 10 mortgage broking companies in Australia, KeyInvest Lending Services provides increased opportunity to strengthen our lending service offerings and provide new revenue streams in the years ahead.

RETIREMENT LIVING

Our Retirement Living portfolio has again performed well over the past year with strong sales at all established sites. Our largest village at McLaren Vale in particular had a record number of unit turnovers as well as completing sale of the "Stage 19" new units. Our Horsham site is nearing completion of construction of the first six homes and Community Centre whilst at Woodside in the Adelaide Hills we have completed the sale of all Stage 2 units and are well into the next stage of infrastructure development to enable commencement of a further nine units. The infrastructure and unit development includes caravan parking facilities, a large community workshop and a communal vegetable garden.

The cash acquisition of a 47 unit fully occupied village in Salisbury during the financial year is seen as a valuable and strategic addition to our growing base of completed units.

IN THE COMMUNITY

KeyInvest was founded in 1878 as IOOF and retains strong links and a worthy ethos of supporting the less advantaged in the community. Hundreds of years of "Odd Fellow" tradition cared for widows and orphans of members well before Government welfare existed. We continue to protect and enhance that tradition by retaining links to those less advantaged in the community and are delighted that many of our team share this passion.

KeyInvest is proud to support the following charities with grants and numerous fundraising activities:

Morialta Trust - As a founding partner of this charity in the 1920's, KeyInvest supports Morialta Trust in its efforts to provide grants to support disadvantaged children in South Australia. This year Morialta Trust will again grant in excess of \$400,000 in financial aid that directly benefits thousands of children in our community.

Fishing for the Disabled - This charity provides disabled persons with the opportunity to enjoy the pursuit of fishing with excursions to numerous locations across South Australia allowing fishing from the land or from a purpose built pontoon.

Julian Burton Burns Trust - Julian Burton was injured in the Bali bombings in 2002 which claimed the lives of many innocent people, including 88 Australians. Following his rehabilitation, Julian established the Trust with a vision to be Australia's leading social enterprise committed to the prevention, care and research associated with burn injury.



Ian Campbell
Managing Director

CORPORATE GOVERNANCE STATEMENT

The Board is committed to implementing effective corporate governance practices that achieve sustainable and profitable financial performance with long term growth of members' funds.

The Board - Roles and Responsibilities

The Board is responsible for the Company's overall strategy, governance and performance.

The Board's role includes:

- deciding the objectives and strategic direction of the Group;
- reviewing and approving the Group's statutory and regulatory accounts;
- adopting the Company's annual budget;
- approving significant business decisions for the Company;
- understanding the Company's business and the industry and environment within which it operates to effectively oversee the risk management and strategic direction of the Company;
- monitoring the achievement of all objectives and financial performance of the Company;
- monitoring the adequacy, appropriateness and operation of internal controls implemented by the Company; and
- appointment and reviewing the performance of the Company's Managing Director.

The Board has adopted a Corporate Governance Policy that details the roles and responsibilities of the Board, its Committees and its members.

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

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

The Company's controlled entities all have separate Boards who are responsible for the strategy, governance and performance of those entities.

Board Composition

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

- a majority of independent Non Executive Directors;
- a minimum of five Directors; and
- 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 - Fit and Proper (LPS 520) the Board membership comprises Directors with the appropriate skills, experience and knowledge and who act with honesty and integrity. That is, they are considered to be fit and proper.

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

CORPORATE GOVERNANCE STATEMENT

Board Renewal

The Company's Constitution requires the regular rotation of Non Executive Directors such that none serve 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 Directors have established a Board Renewal Plan that sets out how the Board intends to progressively and systematically renew its membership.

Under the Board Renewal Plan Mr Graham Olsson will retire at the 2011 Annual General Meeting (AGM) and to ensure the Board maintains appropriate legal skills and expertise the Board is recommending the appointment of Mr Marcus La Vincente to the vacancy created by Mr Olsson's retirement.

Board Performance Evaluation

The Board has established a mechanism whereby the Remuneration and Nomination Committee is responsible for evaluating annually the Board's performance as a whole and each Director's performance individually, including that of the Managing Director.

Training and Development

All newly appointed Directors undertake an appropriate induction programme to ensure they are equipped for their role on the Board and are aware of the governance environment within which the Company operates. In addition, all Directors participate in ongoing training and development so they can continuously develop their understanding of the environment in which the Company operates.

Board Practices

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

Details of the number of meetings held by the Board and its Committees during the 2010/11 financial year and attendance by Directors are set out in the Directors' Report.

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

Risk Management

The Company maintains a risk management framework to manage the risks arising from its business operations. The framework covers market, liquidity, credit, asset and liability, strategic and tactical and operational risks insofar as these impact on the Company's operations.

Overall, the Board is responsible for the Company's risk management framework and oversees implementation of systems, processes, structures and policies designed to identify, assess, mitigate and monitor risks of the Company.

The Business Continuity Plan of the Company was tested during the year. The Company's risk registers have been progressively reviewed and updated.

Board Committees

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

Each Committee operates in accordance with a written Charter and it is the policy of the Board that the majority of the members of each Committee should be independent Non Executive Directors.

The role and function of each Committee is reviewed annually by the Board.

CORPORATE GOVERNANCE STATEMENT

Corporate Governance Committee

The Corporate Governance Committee has been established to advise on the Group's corporate governance policies and procedures and its compliance obligations.

In particular, the Committee is responsible for ensuring the Company's compliance with APRA's Prudential Standard - Governance (LPS 510).

Remuneration and Nomination Committee

The Remuneration and Nomination Committee has been established to review and make recommendations to the Board on remuneration packages and all benefits applicable to the Directors, Senior Management and Risk and Control Personnel, in accordance with APRA's Prudential Standard - Governance (LPS 510).

This Committee is also responsible for making recommendations regarding nominations and appointments of Directors, the fitness and propriety of Directors, Executive Management team, the External Auditor, the Internal Auditor and the Actuary, in accordance with APRA's Prudential Standard - Fit and Proper (LPS 520).

Audit and Risk Committee

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

The Audit and Risk Committee has been established to advise on the financial reporting (including external audit), internal control systems (including internal audit) and the risk management framework of the Company.

In addition, this Committee is responsible for reviewing and monitoring the Company's compliance with its policies and obligations and reviewing and recommending for approval, to the Board, the Company's Financial Statements.

Finance and Marketing Committee

The Finance and Marketing Committee has been established to advise the Board on the financial activities, investment policies and marketing activities of the Company.

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

- the Annual Budgets of the Company;
- the bonus rates to be declared on the Life Investment Contracts;
- the financial viability of major projects; and
- the long term positioning, branding, marketing and communication strategies of the Company.

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DIRECTORS' REPORT

The Directors of KeyInvest Ltd (**Company**) present their report, together with the Financial Statements of the Group, being the Company and its controlled entities, for the year ended 30 June 2011.

Principal Activities

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

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

Review of the Group's Operations and Results

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

The members' entitlement to the Group's net profit (loss) from ordinary activities after income tax for the financial year was \$238,859 (2010: \$1,785,643).

Operating revenue of the Group was \$27,400,591 (2010: \$25,717,519).

The net assets of the Group as at 30 June 2011 were \$29,011,363 (2010: \$28,198,829).

Life Investment Funds

Investment performance in each of the Company's Life Investment Funds was satisfactory with all Funds exceeding their performance benchmarks.

Earnings of \$11,305,421 (2010: \$11,933,158) on Statutory Funds contributed strongly to the overall operating revenue of the Group.

Members' funds at the end of the financial year were \$175,637,119 (2010: \$180,611,750).

Retirement Living

Expansion of the Group's Retirement Living division continued with the construction of six new units and a Community Centre at Wimmera Lodge at Horsham and through its subsidiary KeyInvest Winzor Pty Ltd it purchased an additional 47 units located in the northern Adelaide suburb of Salisbury.

Deferred management fees and development profits of \$1,579,855 (2010: \$1,528,826) from sale of Retirement Village units contributed to the overall operating revenue of the Group.

Lending Services

Expansion of the Group's Lending Services division continued with the acquisition of the business assets of a Queensland based aggregation company. The KeyInvest Lending Services team is now represented across Australia with over 55 Lending Advisers.

Commission from lending services increased to \$6,796,889 (2010: \$4,637,468).

Significant Changes in State of Affairs

During the financial year the Group expanded its:

- Lending Services division through the formation of KeyInvest Lending Pty Ltd, a company in which KeyInvest Property Loans Pty Ltd holds a 73.73% interest, which acquired the business assets of FirstRock Mortgage Centre Pty Ltd, all the shares in Money Advisers QLD Pty Ltd and the business assets of a Western Australian based mortgage broker.
- Retirement Living division through the acquisition of Winzor Retirement Estate.

Other than the above, there were no other significant changes in the state of affairs of the Group during the financial year.

DIRECTORS' REPORT

After Balance Date Events

Since the end of the financial year the following after balance date event has occurred:

- On 1 July 2011, KeyInvest Retirement Living Pty Ltd (a wholly owned subsidiary) entered into an agreement with a South Australian based entity to jointly develop the Chiton Retirement Village, an 86 unit village at Victor Harbor, South Australia. KeyInvest Retirement Living Pty Ltd has a 50% interest in two newly formed companies, Chiton RV Developments Pty Ltd and Chiton RV Pty Ltd, which have been established to develop and operate the Village.


Except for the above matter there have been no matters or circumstances that have arisen since the end of the financial year, which significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Future Developments, Prospects and Business Strategies



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

Directors

The names and particulars of the Directors of the Company during or since the end of the financial year are (except where otherwise stated):

	Roger Sexton AM Chairman (Non Executive)	BEC (Hons), MEd, PhD (Econ), FAICD, FAIM, SF Fin, CPMgr, CUniv Appointed Director on 1 October 2003 and is the Chairman of the Remuneration and Nomination Committee. Dr Sexton previously served as a Director/Trustee from 1988 to 2002 and is an Investment Banker with over 30 years of experience.
	Graham Olsson Deputy Chairman (Non Executive)	LLB, FANZCN, Notary Public Appointed Director on 29 June 1990 and is the Chairman of the Corporate Governance Committee and member of the Remuneration and Nomination Committee. Mr Olsson previously served as Trustee from 1972, and was a practising Solicitor for over 50 years, retiring in June 2006.
	Daryl Stillwell Director (Non Executive)	BA Dip App Psych, Reg Psych, FAICD, CMC, MAHRI Appointed Director on 1 July 2005 and is a member of the Audit and Risk Committee and Remuneration and Nomination Committee. Mr Stillwell is Managing Director of a human resources consulting company and has over 30 years experience within that industry.
	Donny Walford Director (Non Executive)	FAICD Appointed Director on 1 July 2005 and is the Chairman of the Finance and Marketing 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 (Non Executive)	BEC, MBA (Exec), ACA, FAICD Appointed Director on 1 July 2007 and is the Chairman of the Audit and Risk Committee and a member of the Finance and Marketing Committee. Mr Sarah is Joint Managing Director of a private commercial construction group with 18 years experience. Previously he worked in a professional accounting firm.

DIRECTORS' REPORT

	Geoff Vogt Director (Non Executive)	BEC, FAICD, FCSA, SF Fin, CPA, AAZIF, CTP, RFD Appointed Director on 27 May 2010 and is a member of the Audit and Risk Committee and Corporate Governance Committee. Mr Vogt is CEO of the Industry Leaders Fund Inc and a Director of a number of organisations. Previously he worked as a CEO and in other senior executive roles primarily in the finance and insurance industries.
	Ian Campbell Managing Director (Executive)	BBus (Acctg), GMQ, MBA, FAICD, FCPA, JP Appointed Director on 30 November 2004, Joint Managing Director in September 2006 and Managing Director in January 2007 and is a member of the Corporate Governance Committee and Finance and Marketing Committee. Prior to joining the Company he successfully developed and operated two home loan companies nationally and is a former senior bank executive with an extensive corporate and business banking background.
Geoff Lane		Retired as a Director on 16 November 2010.

Certain Directors are also Directors of the following controlled entities as at the date of this report:

<ul style="list-style-type: none"> IOOF Financial Planning Services Pty Ltd Life Events Bond Pty Ltd KeyInvest Retirement Living Pty Ltd KeyInvest Gables Pty Ltd KeyInvest Horsham Pty Ltd 	Roger Sexton (Chairman), Graham Olsson, Daryl Stillwell, Donny Walford, Tim Sarah and Ian Campbell.
<ul style="list-style-type: none"> KeyInvest Property Loans Pty Ltd Australian Associated Advisers Pty Ltd KeyInvest Lending Services Pty Ltd Money Advisers Pty Ltd 	Roger Sexton (Chairman), Donny Walford and Ian Campbell.
<ul style="list-style-type: none"> KeyInvest Winzor Pty Ltd 	Ian Campbell.

Company Secretary

Ms Kerry M Waiblinger (BAcc, GradDip (Applied Corporate Governance), ACIS, CPA, AACI) has held the position of Company Secretary since 24 February 2004. Ms Waiblinger joined the Company in 1996 and since September 1999 has overseen its secretariat, compliance and risk management functions.

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		Audit and Risk		Corporate Governance		Finance and Marketing		Remuneration and Nomination	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
R N Sexton	12	12	-	-	-	-	-	-	2	2
G D Olsson	12	12	-	-	2	1	-	-	2	2
G D Lane ¹	12	4	7	2	2	2	-	-	-	-
D L Stillwell	12	12	7	7	-	-	-	-	2	2
D Walford	12	11	-	-	-	-	5	5	-	-
T H Sarah	12	12	7	7	-	-	5	5	-	-
G T Vogt	12	12	7	7	2	2	-	-	-	-
I J Campbell	12	12	-	-	2	2	5	5	-	-

¹ retired as a Director on 16 November 2010.

DIRECTORS' REPORT

Indemnification of Officers or Auditors

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

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

Proceedings

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

Environmental Issues

The Group's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

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 intention to issue shares or declare any dividends in the next financial year.
- The guarantee provided by members acts as both the means of membership of the Company and the means of limiting the members' liability (the amount of each member's guarantee is up to a maximum of \$1).

Options


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

Auditor's Independence Declaration

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

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

On behalf of the Board of Directors.



Dr Roger N Sexton
Chairman

Date: 26 September 2011

AUDITOR'S INDEPENDENCE DECLARATION

KEYINVEST LTD

AUDITOR'S INDEPENDENCE DECLARATION

UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

TO THE DIRECTORS OF KEYINVEST LTD



EdwardsMarshall

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Telephone 08 8139 1111
Facsimile 08 8139 1100
info@edwardsmarshall.com.au
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I declare that, to the best of my knowledge and belief, during the year ended 30 June 2011 there have been:

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

and

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

Edwards Marshall
Chartered Accountants

Jamie Dreckow
Partner

Adelaide
South Australia

Dated: 26 September 2011

STATEMENT OF FINANCIAL POSITION

As at 30 June 2011

	Note	Consolidated Group		Parent Entity	
		2011	2010	2011	2010
		\$	\$	\$	\$
ASSETS					
Cash and cash equivalents	2	5,734,188	4,326,344	5,028,586	3,867,343
Other financial assets	3	1,771,623	2,794,139	4,348,559	5,371,075
Receivables	6	2,151,896	975,787	10,566,715	6,231,290
Investments accounted for using the equity method	5	-	86,347	-	-
Current tax assets	7	1,102,148	590,766	1,051,552	560,973
Deferred tax assets	7	375,109	579,254	317,910	434,880
Investment property	8	17,972,065	18,336,363	11,633,267	14,486,363
Property, plant and equipment	9	7,551,950	6,251,657	2,900,029	2,640,877
Life Investment Contract policyholder assets	10	175,637,119	180,611,750	175,637,119	180,611,750
Intangible assets	11	4,177,471	2,916,442	-	-
Total Assets		216,473,569	217,468,849	211,483,737	214,204,551
LIABILITIES					
Payables	12	2,015,766	1,702,109	1,415,596	1,305,982
Current tax liabilities	7	100,488	173,328	-	-
Financial liabilities	13	736,217	137,639	101,409	53,889
Provisions	14	4,476,053	3,726,314	4,406,699	3,690,068
Life Investment Contract policyholder liabilities	10	175,637,119	180,611,750	175,637,119	180,611,750
Deferred tax liabilities	7	4,496,563	2,918,880	4,460,053	2,918,880
Total Liabilities		187,462,206	189,270,020	186,020,876	188,580,569
NET ASSETS		29,011,363	28,198,829	25,462,861	25,623,982
EQUITY					
Reserves	15	300,000	300,000	300,000	300,000
Retained earnings		25,738,577	25,499,718	25,162,861	25,323,982
Parent interest		26,038,577	25,799,718	25,462,861	25,623,982
Minority equity interest		2,972,786	2,399,111	-	-
Total Equity		29,011,363	28,198,829	25,462,861	25,623,982

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2011

	Note	Consolidated Group		Parent Entity	
		2011 \$	2010 \$	2011 \$	2010 \$
Revenue	16	27,400,591	25,717,519	19,254,132	20,278,614
Expenses	16	(24,067,025)	(21,616,833)	(16,829,920)	(16,575,566)
Share of net profit (loss) of associate	5 b	-	(13,466)	-	-
Profit (loss) before income tax expense		3,333,566	4,087,220	2,424,212	3,703,048
Income tax expense	7	(2,574,157)	(2,294,483)	(2,282,718)	(1,985,007)
Net profit (loss) after related income tax expense		759,409	1,792,737	141,494	1,718,041
Net (profit) loss attributable to Life Investment Contracts - unallocated policyholder benefits	10	(302,612)	8,332	(302,612)	8,332
Transfers from (to) Life Funds		-	-	-	-
Net profit (loss) after profit (loss) attributable to Life Investment Contracts		456,797	1,801,069	(161,118)	1,726,373
Other comprehensive income after income tax		-	-	-	-
Total comprehensive income for the year		456,797	1,801,069	(161,118)	1,726,373
Profit (loss) attributable to:					
Members of the Parent Entity		238,859	1,785,643	(161,121)	1,726,373
Minority equity interests		217,935	15,426	-	-
Net profit (loss) after profit (loss) attributable to Life Investment Contracts		456,794	1,801,069	(161,121)	1,726,373
Total comprehensive income attributable to:					
Members of the Parent Entity		238,859	1,785,643	(161,121)	1,726,373
Minority equity interests		217,935	15,426	-	-
Total comprehensive income for the period		456,794	1,801,069	(161,121)	1,726,373

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2011

	Retained Earnings	General Reserves	Minority Equity Interests	Total
	\$	\$	\$	\$
Consolidated Group				
BALANCE AT 30 JUNE 2009	23,714,075	300,000	2,562,729	26,576,804
Initial recognition of minority interest	-	-	-	-
Profit (loss) attributable to Members of the Parent Entity	1,785,643	-	-	1,785,643
Profit (loss) attributable to minority interests	-	-	15,426	15,426
Sub-total	1,785,643	-	15,426	1,801,069
Dividends paid or provided for	-	-	(179,044)	(179,044)
BALANCE AT 30 JUNE 2010	25,499,718	300,000	2,399,111	28,198,829
Initial recognition of minority interest	-	-	355,740	355,740
Profit (loss) attributable to Members of the Parent Entity	238,859	-	-	238,859
Profit (loss) attributable to minority interests	-	-	217,935	217,935
Sub-total	238,859	-	573,675	812,534
Dividends paid or provided for	-	-	-	-
BALANCE AT 30 JUNE 2011	25,738,577	300,000	2,972,786	29,011,363
Parent Entity				
BALANCE AT 30 JUNE 2009	23,597,609	300,000	-	23,897,609
Profit (loss) attributable to Members of the Parent Entity	1,726,373	-	-	1,726,373
BALANCE AT 30 JUNE 2010	25,323,982	300,000	-	25,623,982
Profit (loss) attributable to Members of the Parent Entity	(161,121)	-	-	(161,121)
BALANCE AT 30 JUNE 2011	25,162,861	300,000	-	25,462,861

STATEMENT OF CASH FLOWS

For the year ended 30 June 2011

	Note	Consolidated Group		Parent Entity	
		2011	2010	2011	2010
		\$	\$	\$	\$
Cash flows from operating activities					
Operating receipts from customers		10,550,937	7,938,755	3,279,114	2,744,800
Interest and investment management fee receipts		3,522,143	3,819,077	3,500,393	3,811,255
Net receipts from issue of Retirement Village loans and licences		168,402	394,381	(66,778)	(64,420)
Net GST recovered (paid)		41,692	(89,009)	100,682	26,409
Payments to suppliers and employees		(13,209,871)	(10,441,661)	(6,427,024)	(6,089,193)
Finance costs		(133,618)	(36,945)	(41,436)	(30,097)
Income tax reimbursed (paid)		123,483	(302,132)	384,880	16,627
Net cash provided by operating activities	19	<u>1,063,168</u>	<u>1,282,466</u>	<u>729,831</u>	<u>415,381</u>
Cash flows from investing activities					
Sale (purchase) of investment securities		-	(84,467)	-	(84,467)
Purchase of property, plant and equipment		(238,590)	(232,390)	(220,957)	(191,993)
Purchase of Retirement Villages		(2,038,798)	-	-	-
Capital expenditure on Retirement Villages		(1,542,559)	(3,580,769)	(469,113)	(3,217,506)
Capital expenditure on buildings		(235,453)	(117,555)	(235,453)	(102,023)
Receipts from sale of Retirement Village buybacks and new units		4,670,676	5,276,064	4,670,676	5,276,064
Receipts from sale of non-current assets		12,161	31,110	13,281	-
Sales (purchase) of business		(845,880)	(196,725)	-	-
Net cash provided by (used in) investing activities		<u>(218,443)</u>	<u>1,095,268</u>	<u>3,758,434</u>	<u>1,680,075</u>
Cash flows from financing activities					
Proceeds from borrowing		563,119	72,485	-	-
Repayment of borrowing		-	(1,500,000)	-	(1,500,000)
Loans to subsidiaries		-	(192,485)	(3,327,022)	(192,485)
Dividends paid		-	(366,136)	-	-
Net cash provided by (used in) financing activities		<u>563,119</u>	<u>(1,986,136)</u>	<u>(3,327,022)</u>	<u>(1,692,485)</u>
Net increase (decrease) in cash held		1,407,844	391,598	1,161,243	402,971
Cash held at beginning of year		<u>4,326,344</u>	<u>3,934,746</u>	<u>3,867,343</u>	<u>3,464,372</u>
Cash held at end of year	2	<u><u>5,734,188</u></u>	<u><u>4,326,344</u></u>	<u><u>5,028,586</u></u>	<u><u>3,867,343</u></u>

NOTES TO THE FINANCIAL STATEMENTS

30 June 2011

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The Financial Statements are General Purpose Financial Statements that have been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board, the Corporations Act 2001 and the Life Insurance Act 1995.

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

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

- a Presentation of Financial Statements:** Prior to 31 December 2007 APRA Prudential Rule No 47 required that "regulatory financial statements", separate to the General Purpose Financial Report, be prepared and submitted to APRA. From 1 January 2008 Prudential Rule No 47 was replaced by Life Reporting Standards which apply the same requirement of "annual audited returns", separate to the General Purpose Financial Report, be prepared and submitted to APRA. Friendly Society Financial Statements for general purpose reporting have been aligned with the requirements of the Australian Accounting Standards as they apply to Life Companies.

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

Reporting Basis and Conventions: The Financial Report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

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

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

A list of controlled entities is contained in Note 4 to the Financial Statements.

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

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

The Parent Entity column represents the amounts that relate to KeyInvest Ltd and its members, the Statutory column represents the amounts in respect of the Life Investment Contract policyholders and the Non-Statutory column represents that component of the Parent Entity not related to its members, commonly referred to as the Management Fund.

Business Combinations: Business combinations occur where control over another business is obtained and results in the consolidation of its assets and liabilities. All business combinations, including those involving entities under common control, are accounted for by applying the purchase method.

The purchase method requires an acquirer of the business to be identified and for the cost of the acquisition and fair values of identifiable assets, liabilities and contingent liabilities to be determined as at acquisition date, being the date that control is obtained. Cost is determined as the aggregate of fair values of assets given, equity issued and liabilities assumed in exchange for control together with costs directly attributable to the business combination. Any deferred consideration payable is discounted to present value using the entity's incremental borrowing rate.

Goodwill is recognised initially at the excess of cost over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If the fair value of the acquirer's interest is greater than cost, the surplus is immediately recognised in profit or loss.

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

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

NOTES TO THE FINANCIAL STATEMENTS

30 June 2011

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont)

c Income Tax (cont):

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

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

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

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

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

e Retirement Villages: (Refer Note 8 b and Note 9) The Group is involved in the construction and management of Retirement Villages. During acquisition and construction, Retirement Villages will be recognised under Property, Plant and Equipment at cost and tested for impairment. Work in progress represents development and construction and will be held at cost. When units become available for occupancy, Retirement Villages will be reclassified as investment property and re-valued annually. Internal administrative costs are expensed in the year in which they are incurred.

The Retirement Villages are re-valued annually as at 30 June on the basis of a discounted cash flow evaluation of the Group's ongoing interest in the Retirement Villages. This valuation is carried out by a Certified Practising Valuer. The increment or decrement resulting from the valuation is added to or deducted from the Retirement Village asset account (Note 8 b). The Group's interest, net of residents' interests, is shown in Note 8 b and the movement in the total increment or decrement resulting from the revaluation is reflected in the Statement of Comprehensive Income.

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.

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

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

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

Depreciation of Property, Plant and Equipment: (Refer Note 9) All fixed assets, excluding freehold land, are depreciated at rates deemed to be appropriate to their useful lives to the Group commencing from the time the asset is held ready for use. These rates are:

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

Buildings held for investment purposes are not subject to depreciation.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2011

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont)

g Investment Property: Investment property comprises a freehold office complex and Retirement Villages. The office is held to generate long term rental yields and the Retirement Villages are held to provide long term yields from deferred management fees. 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.

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

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

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

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

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

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

Classification and Subsequent Measurement

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

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

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

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

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

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

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

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

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

Impairment: At each reporting date, the Group assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the Statement of Comprehensive Income in the period they arise.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2011

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont)

- j Impairment of Assets:** At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over the recoverable amount is immediately expensed to the Statement of Comprehensive Income.
- k Goodwill:** Goodwill is initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses.
- l Cash and Cash Equivalents:** Cash and cash equivalents include cash on hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within short term borrowing in current liabilities on the Statement of Financial Position.
- m Life Business - Disclosure:** The Financial Statements recognise the assets, liabilities, income and expenses of the life insurance business conducted by the Group in accordance with AASB 139: Financial Instruments: Recognition and Measurement and AASB 1038: Life Insurance Contracts which apply to investment contracts and assets backing insurance liabilities respectively. These amounts represent the total life business of the Group.

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

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

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

Contributions are made by the Group to employee superannuation funds and are charged as expenses when incurred.

Contributions are the percentage of employees' salaries required under the Superannuation Guarantee Levy Legislation. For 2011 these were 9% (2010: 9%).

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

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

30 June 2011

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont)

p Revenue Recognition (cont):

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

Retirement Village Unit and Apartment Sales: Revenue on sales of Retirement Village units and apartments are recognised on the execution of a loan contract and receipt of the loan proceeds (refer Note 1 e for more details).

q Borrowing Costs:

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

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

r Goods and Services Tax (GST):

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

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

s Comparative Figures:

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

t Critical Accounting Estimates and Judgements:

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

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

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

The carrying amount of goodwill at balance date was \$4,177,471, details of which are provided in Note 11.

u New Accounting Standards for Application in Future Periods

The following Australian Accounting Standards, amendments to Standards and Interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2011, but have not been applied in preparing this Financial Report.

AASB 9: Financial Instruments includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the project to replace AASB 139: Financial Instruments: Recognition and Measurement. AASB 9 will become mandatory for the Group's 30 June 2014 Financial Statements. Retrospective application is generally required, although there are exceptions, particularly if the entity adopts the Standard for the year ended 30 June 2012 or earlier. The Group has not yet determined the potential effect of the Standard.

AASB 124: Related Party Disclosures (revised December 2009) simplifies and clarifies the intended meaning of the definition of a related party and provides a partial exemption from the disclosure requirements for Government related entities. The amendments, which will become mandatory for the Group's 30 June 2012 Financial Statements, are not expected to have any impact on the Financial Statements.

AASB 112: Deferred Tax: Recovery of Underlying Assets (applies to periods beginning on or after 1 January 2012). The amendments brought in by this Standard introduce a more practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model under AASB 140: Investment Property. Under the current AASB 112, the measurement of deferred tax liabilities and deferred tax assets depends on whether an entity expects to recover an asset by using it or by selling it. The amendments introduce a presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The Group has not yet determined the potential effect of the Standard.

The Group has not early adopted the above reporting requirements and does not expect these requirements to have any material effect on the Group's Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2011

	Consolidated Group		Parent Entity	
	2011	2010	2011	2010
	\$	\$	\$	\$
NOTE 2: CASH AND CASH EQUIVALENTS				
Cash at bank and in hand	537,852	438,991	175,942	48,990
Short term money market	5,196,336	3,887,353	4,852,644	3,818,353
	5,734,188	4,326,344	5,028,586	3,867,343
Maturity Analysis				
0-3 months	5,734,188	4,326,344	5,028,586	3,867,343

NOTE 3: OTHER FINANCIAL ASSETS

Available for sale financial assets	1,218,391	2,258,421	1,218,391	2,258,421
Held to maturity financial assets	553,232	535,718	553,232	535,718
Other investments	-	-	2,576,936	2,576,936
	1,771,623	2,794,139	4,348,559	5,371,075

a Available for Sale Financial Assets Comprise

Listed investments at fair value				
- shares in listed corporations	-	1,104,217	-	1,104,217
Unlisted investments at fair value				
- units in unit trusts	1,218,391	1,154,204	1,218,391	1,154,204
Total available for sale financial assets	1,218,391	2,258,421	1,218,391	2,258,421

Available for sale financial assets comprise investments in the ordinary issued capital of various entities and units in unit trusts. There are no fixed returns or fixed maturity dates attached to these investments. No intention to dispose of any unlisted available for sale financial assets existed at 30 June 2011.

b Held to Maturity Investments Comprise

- term deposits	553,232	535,718	553,232	535,718
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c Other Investments

Unlisted investments at cost - shares in controlled entities	-	-	2,576,936	2,576,936
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Maturity Analysis

0-3 months	1,771,623	2,794,139	4,348,559	5,371,075
3-12 months	-	-	-	-
1-5 years	-	-	-	-
	1,771,623	2,794,139	4,348,559	5,371,075

NOTES TO THE FINANCIAL STATEMENTS

30 June 2011

NOTE 4: CONTROLLED ENTITIES	Country of Incorporation	Percentage Owned (%)*	
		2011	2010
Controlled Entities Consolidated			
Subsidiaries of KeyInvest Ltd:			
IOOF Financial Planning Services Pty Ltd	Australia	100	100
Life Events Bond Pty Ltd	Australia	100	100
KeyInvest Retirement Living Pty Ltd	Australia	100	100
KeyInvest Gables Pty Ltd	Australia	100	100
KeyInvest Horsham Pty Ltd	Australia	100	100
KeyInvest Winzor Pty Ltd	Australia	100	100
KeyInvest Property Loans Pty Ltd	Australia	51.1	51.1
Australian Associated Advisers Pty Ltd	Australia	51.1	51.1
KeyInvest Lending Pty Ltd	Australia	37.7	-
Money Advisers QLD Pty Ltd	Australia	37.7	-
Money Advisers Pty Ltd	Australia	51.1	51.1
Aussie Unit Trust	Australia	51.1	51.1

* Percentage of voting power is in proportion to ownership

NOTE 5: INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

Associated Companies

Money Advisers QLD Pty Ltd (principal activity, mortgage loan broking)	Australia	-	50
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	Consolidated Group		Parent Entity	
	2011	2010	2011	2010
	\$	\$	\$	\$
a Movements during the year in equity accounted investments in associated company				
Balance at beginning of the financial year	(26,932)	-	-	-
Add: New investments during the year	-	99,813	-	-
Less: Disposals during the year	26,932	-	-	-
Share of associate's profit (loss) after income tax	-	(13,466)	-	-
Balance at end of the financial year	<u>-</u>	<u>86,347</u>	<u>-</u>	<u>-</u>
b Equity accounted associate profits are broken down as follows:				
Share of associate's loss before income tax expense	-	(15,941)	-	-
Share of associate's income tax benefit	-	2,475	-	-
Share of associate's profit after income tax	<u>-</u>	<u>(13,466)</u>	<u>-</u>	<u>-</u>
c Summarised presentation of aggregate assets, liabilities and performance of the associate				
Current assets	-	32,476	-	-
Non-current assets	-	620	-	-
Total assets	-	33,096	-	-
Current liabilities	-	(59,928)	-	-
Net assets	<u>-</u>	<u>(26,832)</u>	<u>-</u>	<u>-</u>
Revenues	-	419,218	-	-
Profit (loss) after income tax of associate	<u>-</u>	<u>(26,932)</u>	<u>-</u>	<u>-</u>

Money Advisers QLD Pty Ltd shares were purchased by KeyInvest Lending Pty Ltd during the year and ceased to be an associated company.

NOTE 6: RECEIVABLES

Loans to controlled entities - unsecured	-	-	8,675,736	5,348,714
Fees owing from Benefit Funds	555,218	574,763	555,218	574,763
Interest receivable	35,336	25,884	35,336	25,884
Prepayments	105,386	56,215	99,456	51,169
Other	1,455,956	318,925	1,200,969	230,760
Current receivables	<u>2,151,896</u>	<u>975,787</u>	<u>10,566,715</u>	<u>6,231,290</u>

NOTES TO THE FINANCIAL STATEMENTS

30 June 2011

	Consolidated Group		Parent Entity	
	2011	2010	2011	2010
	\$	\$	\$	\$
NOTE 7: INCOME TAX				
a Current Tax Assets	<u>1,102,148</u>	<u>590,766</u>	<u>1,051,552</u>	<u>560,973</u>
b Current Tax Liabilities	<u>100,488</u>	<u>173,328</u>	<u>-</u>	<u>-</u>
		Opening Balance	Charged to Income	Closing Balance
		\$	\$	\$
c Deferred Tax Assets and Deferred Tax Liabilities Details				
Consolidated Group				
Deferred Tax Asset				
Fair value loss		362,248	(31,323)	330,925
Retirement Villages revaluation loss		285,720	(145,070)	140,650
Employee benefit and payables movement		127,763	(20,084)	107,679
Balance at 30 June 2010		<u>775,731</u>	<u>(196,477)</u>	<u>579,254</u>
Fair value loss		330,925	(116,970)	213,955
Retirement Villages revaluation loss		140,650	(97,258)	43,392
Employee benefit and payables movement		107,679	10,083	117,762
Balance at 30 June 2011		<u>579,254</u>	<u>(204,145)</u>	<u>375,109</u>
Parent Entity				
Deferred Tax Asset				
Fair value loss		326,551	(31,323)	295,228
Retirement Villages revaluation loss		145,070	(145,070)	-
Employee benefit and payables movement		121,428	18,224	139,652
Balance at 30 June 2010		<u>593,049</u>	<u>(158,169)</u>	<u>434,880</u>
Fair value loss		295,228	(116,970)	178,258
Retirement Villages revaluation loss		-	-	-
Employee benefit and payables movement		139,652	-	139,652
Balance at 30 June 2011		<u>434,880</u>	<u>(116,970)</u>	<u>317,910</u>

NOTES TO THE FINANCIAL STATEMENTS

30 June 2011

	Opening Balance \$	Charged to Income \$	Closing Balance \$
NOTE 7: INCOME TAX (cont)			
c Deferred Tax Assets and Deferred Tax Liabilities Details (cont)			
Consolidated Group			
Deferred Tax Liability			
Fair value gain	-	(31,323)	(31,323)
Retirement Village revaluation gain	2,287,769	662,434	2,950,203
Balance at 30 June 2010	2,287,769	631,111	2,918,880
Fair value gain	(31,323)	-	(31,323)
Retirement Villages revaluation gain	2,950,203	1,577,683	4,527,886
Balance at 30 June 2011	2,918,880	1,577,683	4,496,563
Parent Entity			
Deferred Tax Liability			
Fair value gain	-	(31,323)	(31,323)
Retirement Village revaluation gain	2,287,769	662,434	2,950,203
Balance at 30 June 2010	2,287,769	631,111	2,918,880
Fair value gain	(31,323)	-	(31,323)
Retirement Villages revaluation gain	2,950,203	1,541,173	4,491,376
Balance at 30 June 2011	2,918,880	1,541,173	4,460,053

Deferred tax assets not brought to account, the benefits of which will only be realised if the conditions for deductibility set out in Note 1 c occur 2011: nil (2010: nil).

NOTES TO THE FINANCIAL STATEMENTS

30 June 2011

	Consolidated Group 2011 \$	Parent Entity 2011 \$	Non-Statutory 2011 \$	Statutory 2011 \$
NOTE 7: INCOME TAX (cont)				
d Income Tax Expense				
The components of tax expense comprise:				
Current tax	645,270	477,516	(875,328)	1,352,844
Deferred tax	1,929,015	1,805,330	1,658,143	147,187
Under (over) provided prior year	(128)	(128)	(128)	-
	<u>2,574,157</u>	<u>2,282,718</u>	<u>782,687</u>	<u>1,500,031</u>
e The prima facie tax on profit from before income tax is reconciled to the income tax as follows:				
Profit from operations before income tax expense	3,346,450	2,424,209	621,563	1,802,646
Inter-group transactions eliminated on consolidation	-	-	(3,631,064)	3,631,064
Less:				
(Surplus) deficit from revaluation of investment properties	(310,075)	139,924	139,924	-
Net capital losses allowed	(10,000)	(10,000)	(10,000)	-
Loss (profit) on initial sale of Retirement Village units	(507,924)	(507,924)	(507,924)	-
Retirement Village licence and construction cost deductions	(2,420,229)	(2,420,229)	(2,420,229)	-
Net occupancy and business capital cost deductions	(159,750)	(151,729)	(151,729)	-
Allowable deductions of Life Investment Contracts (net)	(3,116,697)	(3,116,697)	-	(3,116,697)
Non-assessable and exempt income from Life Investment Contracts (net)	(2,712,486)	(2,712,486)	(10,687)	(2,701,799)
Add:				
Non-deductible expenses	8,430,761	8,358,527	2,787,912	5,570,615
Surplus from Life Investment Contracts assessable	107,020	107,020	107,020	-
Retirement Village Residents' Long Term Maintenance (Sinking Fund) surplus	(7,290)	7,701	7,701	-
Tax deferred expense (income) from Retirement Villages	5,587,242	5,137,243	5,137,243	-
Other tax deferred expense (income)	36,086	36,086	36,086	-
Other non-allowable items	628,403	628,403	628,403	-
Taxable income	<u>8,891,511</u>	<u>7,920,048</u>	<u>2,734,219</u>	<u>5,185,829</u>
Tax expense (credit) @ 30%	2,667,454	2,376,015	820,266	1,555,749
Imputation credits	(93,425)	(93,425)	(37,707)	(55,718)
Withheld no TFN	-	-	-	-
Under (over) provided prior year	128	128	128	-
Income tax expense (credit)	<u>2,574,157</u>	<u>2,282,718</u>	<u>782,687</u>	<u>1,500,031</u>

NOTES TO THE FINANCIAL STATEMENTS

30 June 2011

	Consolidated Group 2010 \$	Parent Entity 2010 \$	Non-Statutory 2010 \$	Statutory 2010 \$
NOTE 7: INCOME TAX (cont)				
d Income Tax Expense				
The components of tax expense comprise:				
Current tax	971,096	701,556	(474,504)	1,176,060
Deferred tax	1,322,598	1,284,290	789,280	495,010
Under (over) provided prior year	789	(839)	(1,441)	602
	<u>2,294,483</u>	<u>1,985,007</u>	<u>313,335</u>	<u>1,671,672</u>
e The prima facie tax on profit from before income tax is reconciled to the income tax as follows:				
Profit from operations before income tax expense	4,087,220	3,703,048	2,039,708	1,663,340
Inter-group transactions eliminated on consolidation	128,584	-	(3,450,556)	3,450,556
Less:				
(Surplus) deficit from revaluation of investment properties	(1,355,370)	(1,205,370)	(1,205,370)	-
Net capital losses allowed	461,411	43,066	43,066	-
Loss (profit) on initial sale of Retirement Village units	(628,025)	(628,025)	(628,025)	-
Retirement Village licence and construction cost deductions	(1,514,130)	(1,514,130)	(1,514,130)	-
Net occupancy and business capital cost deductions	(112,623)	(117,191)	(117,191)	-
Allowable deductions of Life Investment Contracts (net)	(2,295,616)	(2,295,616)	-	(2,295,616)
Non-assessable and exempt income from Life Investment Contracts (net)	(3,611,566)	(3,611,566)	(797)	(3,610,769)
Add:				
Non-deductible expenses	9,159,356	9,135,691	2,605,523	6,530,168
Surplus from Life Investment Contracts assessable	129,993	129,993	129,993	-
Retirement Village Residents' Long Term Maintenance (Sinking Fund) surplus	70,567	(7,110)	(7,110)	-
Tax deferred expense (income) from Retirement Villages	2,737,270	2,587,270	2,587,270	-
Other tax deferred expense (income)	113,939	113,939	113,939	-
Other non-allowable items	825,382	825,382	825,382	-
Taxable income	<u>8,196,392</u>	<u>7,159,381</u>	<u>1,421,702</u>	<u>5,737,679</u>
Tax expense (credit) @ 30%	2,458,918	2,147,814	426,511	1,721,304
Imputation credits	(163,646)	(163,646)	(114,616)	(49,030)
Withheld no TFN	-	-	-	-
Under (over) provided prior year	(789)	839	1,441	(602)
Income tax expense (credit)	<u>2,294,483</u>	<u>1,985,007</u>	<u>313,336</u>	<u>1,671,672</u>

NOTES TO THE FINANCIAL STATEMENTS

30 June 2011

	Consolidated Group		Parent Entity	
	2011	2010	2011	2010
	\$	\$	\$	\$
NOTE 8: INVESTMENT PROPERTY				
a Land and Buildings				
Opening balance	4,500,000	3,975,000	4,500,000	3,975,000
Acquisitions	-	-	-	-
Additions	235,453	102,023	235,453	102,023
Fair value adjustments	64,547	422,977	64,547	422,977
	<u>4,800,000</u>	<u>4,500,000</u>	<u>4,800,000</u>	<u>4,500,000</u>
Closing balance	4,800,000	4,500,000	4,800,000	4,500,000
b Retirement Villages				
Investments in Retirement Villages as at 30 June were:				
Development and acquisition costs	73,157,134	57,827,569	40,426,582	37,941,952
Add: Revaluation				
- Group interests	463,582	3,348,552	3,462,915	3,667,385
- Residents' interests	8,823,780	7,031,304	3,481,276	4,724,738
	<u>82,444,496</u>	<u>68,207,425</u>	<u>47,370,773</u>	<u>46,334,075</u>
Less: Residents' interests	(69,272,431)	(54,371,062)	(40,537,506)	(36,347,712)
	<u>13,172,065</u>	<u>13,836,363</u>	<u>6,833,267</u>	<u>9,986,363</u>
Total Net Investment	13,172,065	13,836,363	6,833,267	9,986,363
Total Investment Property	<u>17,972,065</u>	<u>18,336,363</u>	<u>11,633,267</u>	<u>14,486,363</u>

The 2011 valuations were conducted by independent valuers, Colliers International Consultancy and Valuations Pty Limited. The fair value model is applied to all investment property. Values are based on an active liquid market. Retirement Village valuations are carried out using discounted cash flow methodology.

NOTE 9: PROPERTY, PLANT AND EQUIPMENT

a Land and Buildings				
Freehold land and buildings	4,469,705	4,400,928	1,702,608	1,633,831
Less: Accumulated depreciation	(39,000)	(26,000)	-	-
Less: Accumulated impairment losses	-	-	-	-
	<u>4,430,705</u>	<u>4,374,928</u>	<u>1,702,608</u>	<u>1,633,831</u>
b Work-in-Progress				
Development at cost	2,548,409	1,385,225	729,044	639,306
c Furniture, Equipment and Software				
At cost	1,699,173	1,578,357	1,607,524	1,492,282
Less: Accumulated depreciation	(1,208,049)	(1,163,157)	(1,175,866)	(1,142,790)
Less: Accumulated impairment losses	-	-	-	-
	<u>491,124</u>	<u>415,200</u>	<u>431,658</u>	<u>349,492</u>
d Motor Vehicles				
At cost	143,124	119,648	46,466	22,990
Less: Accumulated depreciation	(61,412)	(43,344)	(9,747)	(4,742)
Less: Accumulated impairment losses	-	-	-	-
	<u>81,712</u>	<u>76,304</u>	<u>36,719</u>	<u>18,248</u>
Total Property, Plant and Equipment	<u>7,551,950</u>	<u>6,251,657</u>	<u>2,900,029</u>	<u>2,640,877</u>

NOTES TO THE FINANCIAL STATEMENTS

30 June 2011

NOTE 9: PROPERTY, PLANT AND EQUIPMENT (cont)

Movements in carrying amounts for each class of property, plant and equipment during the financial year:

Movement in Carrying Amounts	Land and Buildings	Work-in- Progress	Furniture, Equipment and Software	Motor Vehicles	Total
	\$	\$	\$	\$	\$
Consolidated Group					
Balance at 30 June 2009	4,978,225	2,209,942	397,859	107,546	7,693,572
Acquisitions	-	-	173,564	22,990	196,554
Reclassified as Investment Property on completion of development	(594,830)	(4,132,290)	-	-	(4,727,120)
Additions	173,036	3,307,573	-	-	3,480,609
Disposals	-	-	410	(32,635)	(32,225)
Valuation movement	(155,503)	-	-	-	(155,503)
Depreciation expense	(26,000)	-	(156,633)	(21,597)	(204,230)
Balance at 30 June 2010	4,374,928	1,385,225	415,200	76,304	6,251,657
Acquisitions	-	-	245,955	23,476	269,431
Reclassified as Investment Property on completion of development	-	-	-	-	-
Additions	68,777	1,163,184	-	-	1,231,961
Disposals	-	-	(7,543)	-	(7,543)
Valuation movement	-	-	-	-	-
Depreciation expense	(13,000)	-	(162,488)	(18,068)	(193,556)
Balance at 30 June 2011	4,430,705	2,548,409	491,124	81,712	7,551,950
Parent Entity					
Balance at 30 June 2009	2,228,661	1,825,286	325,442	-	4,379,389
Acquisitions	-	-	169,004	22,990	191,994
Reclassified as Investment Property on completion of development	(594,830)	(4,132,290)	-	-	(4,727,120)
Additions	155,503	2,946,310	-	-	3,101,813
Disposals	-	-	-	-	-
Valuation movement	(155,503)	-	-	-	(155,503)
Depreciation expense	-	-	(144,954)	(4,742)	(149,696)
Balance at 30 June 2010	1,633,831	639,306	349,492	18,248	2,640,877
Acquisitions	-	-	238,571	23,476	262,047
Reclassified as Investment Property on completion of development	-	-	-	-	-
Additions	68,777	89,738	-	-	158,515
Disposals	-	-	(6,851)	-	(6,851)
Valuation movement	-	-	-	-	-
Depreciation expense	-	-	(149,554)	(5,005)	(154,559)
Balance at 30 June 2011	1,702,608	729,044	431,658	36,719	2,900,029

NOTES TO THE FINANCIAL STATEMENTS

30 June 2011

	Consolidated Group		Parent Entity	
	2011	2010	2011	2010
	\$	\$	\$	\$
NOTE 10: LIFE INVESTMENT CONTRACTS				
Supersaver Bond Fund	51,980,312	54,005,005	51,980,312	54,005,005
Life Events Bond Fund	2,615,120	2,463,591	2,615,120	2,463,591
Pre-Arranged Funeral Fund	55,129,818	58,723,505	55,129,818	58,723,505
KeyInvest Funeral Bond	56,967,360	52,008,731	56,967,360	52,008,731
Income Security Fund	7,491,941	8,633,936	7,491,941	8,633,936
	<u>174,184,551</u>	<u>175,834,768</u>	<u>174,184,551</u>	<u>175,834,768</u>
Policyholder balances and unallocated benefits				
Other policyholder liabilities	1,452,568	4,776,982	1,452,568	4,776,982
	<u>175,637,119</u>	<u>180,611,750</u>	<u>175,637,119</u>	<u>180,611,750</u>
Total policyholder liabilities	<u>175,637,119</u>	<u>180,611,750</u>	<u>175,637,119</u>	<u>180,611,750</u>

NOTES TO THE FINANCIAL STATEMENTS

30 June 2011

NOTE 10: LIFE INVESTMENT CONTRACTS (cont)

Policyholder assets and liabilities 2011

	Supersaver Bond Fund	Life Events Bond Fund	Pre- Arranged Funeral	KeyInvest Funeral Fund	Income Security Fund	Total Life Investment Contracts
	\$	\$	\$	\$	\$	\$
Cash and cash equivalents	1,117,730	997,970	3,636,444	923,382	453,819	7,129,345
Financial assets	51,232,956	1,553,560	51,687,291	55,960,581	7,026,540	167,460,928
Loans and advances	90,720	-	-	-	-	90,720
Receivables	256,656	42,461	274,519	268,857	29,463	871,956
Current tax assets	-	-	-	-	-	-
Deferred tax assets	-	45,126	-	38,430	614	84,170
Total assets	52,698,062	2,639,117	55,598,254	57,191,250	7,510,436	175,637,119
Payables	100,634	3,231	406,874	102,502	14,942	628,183
Current tax liability	487,545	9,014	3,726	121,388	3,553	625,226
Deferred tax liability	129,571	11,752	57,836	-	-	199,159
Policyholder liabilities	50,296,669	2,615,120	53,943,080	56,210,530	7,365,563	170,430,962
Unallocated policyholder benefits	1,683,643	-	1,186,738	756,830	126,378	3,753,589
Total liabilities	52,698,062	2,639,117	55,598,254	57,191,250	7,510,436	175,637,119
Net assets	-	-	-	-	-	-

Solvency requirements for the Life Investment Contracts were met at all times during the financial year. As at 30 June 2011 the Life Investment Contracts had investment assets in excess of policyholder liabilities of \$3,753,589 (2010: \$3,450,977).

Policyholder income and expenses 2011

	Supersaver Bond Fund	Life Events Bond Fund	Pre- Arranged Funeral	KeyInvest Funeral Fund	Income Security Fund	Total Life Investment Contracts
	\$	\$	\$	\$	\$	\$
Investment income	3,489,150	156,521	3,765,516	3,500,752	393,479	11,305,418
Investment expenses	(103,981)	-	(100,167)	(79,741)	(17,207)	(301,096)
Management fees	(930,902)	(29,959)	(1,570,992)	(960,647)	(138,563)	(3,631,063)
Allocated to policyholders	(1,613,850)	(98,760)	(1,889,857)	(1,724,648)	(243,500)	(5,570,615)
Profit (loss) before tax	840,417	27,802	204,500	735,716	(5,791)	1,802,644
Income tax benefit (expense)	(916,415)	(27,802)	(123,622)	(431,807)	(386)	(1,500,032)
Profit (loss) after tax	(75,998)	-	80,878	303,909	(6,177)	302,612
Transfer from (to) other funds	-	-	-	-	-	-
Unallocated policyholder benefits at beginning of the year	1,759,641	-	1,105,860	452,921	132,555	3,450,977
Unallocated policyholder benefits at end of the year	1,683,643	-	1,186,738	756,830	126,378	3,753,589

Movement of policyholder liabilities 2011

Value of policyholder liabilities at beginning of the year	52,245,365	2,463,591	57,617,645	51,555,843	8,501,381	172,383,825
Deposits	814,788	256,799	62,968	5,762,014	5,283	6,901,852
Allocation to policyholders	1,613,850	98,760	1,889,857	1,724,648	243,500	5,570,615
Withdrawals	(4,377,334)	(204,030)	(5,627,390)	(2,831,975)	(1,384,601)	(14,425,330)
Transfer from (to) other funds	-	-	-	-	-	-
Value of policyholder liabilities at end of the year	50,296,669	2,615,120	53,943,080	56,210,530	7,365,563	170,430,962

Policyholder liabilities and unallocated benefits 2011

Policyholder liabilities and unallocated benefits	51,980,312	2,615,120	55,129,818	56,967,360	7,491,941	174,184,551
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NOTES TO THE FINANCIAL STATEMENTS

30 June 2011

NOTE 10: LIFE INVESTMENT CONTRACTS (cont)

Policyholder assets and liabilities 2010

	Supersaver Bond Fund	Life Events Bond Fund	Pre- Arranged Funeral	KeyInvest Funeral Fund	Income Security Fund	Total Life Investment Contracts
	\$	\$	\$	\$	\$	\$
Cash and cash equivalents	1,145,841	1,060,172	3,624,483	1,127,846	511,675	7,470,017
Financial assets	53,237,522	1,345,301	55,406,447	50,827,527	8,095,796	168,912,593
Loans and advances	140,320	-	-	-	-	140,320
Receivables	1,865,401	22,248	262,309	1,749,929	38,213	3,938,100
Current tax assets	-	-	-	-	7,781	7,781
Deferred tax assets	-	50,140	-	92,799	-	142,939
Total assets	56,389,084	2,477,861	59,293,239	53,798,101	8,653,465	180,611,750
Payables	1,701,665	3,554	498,700	1,593,325	16,976	3,814,220
Current tax liability	601,883	4,044	50,048	196,045	-	852,020
Deferred tax liability	80,531	6,672	20,986	-	2,553	110,742
Policyholder liabilities	52,245,384	2,463,591	57,617,645	51,555,810	8,501,381	172,383,811
Unallocated policyholder benefits	1,759,621	-	1,105,860	452,921	132,555	3,450,957
Total liabilities	56,389,084	2,477,861	59,293,239	53,798,101	8,653,465	180,611,750
Net assets	-	-	-	-	-	-

Solvency requirements for the Life Investment Contracts were met at all times during the financial year. As at 30 June 2010 the Life Investment Contracts had investment assets in excess of policyholder liabilities of \$3,450,957 (2009: \$3,459,289).

Policyholder income and expenses 2010

	Supersaver Bond Fund	Life Events Bond Fund	Pre- Arranged Funeral	KeyInvest Funeral Fund	Income Security Fund	Total Life Investment Contracts
	\$	\$	\$	\$	\$	\$
Investment income	3,810,410	198,111	4,299,680	3,234,476	390,481	11,933,158
Investment expenses	(109,037)	-	(84,707)	(75,589)	(19,759)	(289,092)
Management fees	(942,968)	(31,477)	(1,441,156)	(877,201)	(157,756)	(3,450,558)
Allocated to policyholders	(1,955,875)	(138,765)	(2,506,528)	(1,711,144)	(217,856)	(6,530,168)
Profit (loss) before tax	802,530	27,869	267,289	570,542	(4,890)	1,663,340
Income tax benefit (expense)	(1,020,719)	(41,885)	(184,230)	(426,305)	1,467	(1,671,672)
Profit (loss) after tax	(218,189)	(14,016)	83,059	144,237	(3,423)	(8,332)
Transfer from (to) other funds	-	-	-	-	-	-
Unallocated policyholder benefits at beginning of the year	1,977,810	14,016	1,022,801	308,684	135,978	3,459,289
Unallocated policyholder benefits at end of the year	1,759,621	-	1,105,860	452,921	132,555	3,450,957

Movement of policyholder liabilities 2010

Value of policyholder liabilities at beginning of the year	55,725,357	1,854,757	60,461,511	48,103,497	9,534,351	175,679,473
Deposits	741,854	637,585	99,294	4,197,947	44,960	5,721,640
Allocation to policyholders	1,955,875	138,730	2,506,528	1,711,144	217,856	6,530,133
Withdrawals	(6,177,702)	(167,481)	(5,449,688)	(2,456,778)	(1,295,786)	(15,547,435)
Transfer from (to) other funds	-	-	-	-	-	-
Value of policyholder liabilities at end of the year	52,245,384	2,463,591	57,617,645	51,555,810	8,501,381	172,383,811

Policyholder liabilities and unallocated benefits 2010

Policyholder liabilities and unallocated benefits	54,005,005	2,463,591	58,723,505	52,008,731	8,633,936	175,834,768
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NOTES TO THE FINANCIAL STATEMENTS

30 June 2011

	Consolidated Group		Parent Entity	
	2011	2010	2011	2010
	\$	\$	\$	\$
NOTE 11: INTANGIBLE ASSETS				
Goodwill	4,595,816	3,334,787	-	-
Less: Accumulated impairment losses and disposals	(418,345)	(418,345)	-	-
Total intangibles	4,177,471	2,916,442	-	-
Reconciliation of Goodwill:				
Balance at the beginning of the year	2,916,442	3,314,412	-	-
Additions	1,261,029	20,375	-	-
Disposals	-	-	-	-
Less: Current year impairment losses	-	(418,345)	-	-
Closing carrying value at the end of the year	4,177,471	2,916,442	-	-
Goodwill is allocated to a cash generating unit which is based on the Company's lending services	4,177,471	2,916,442	-	-

Impairment tests for goodwill

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

Discount Rate

The discount rate applied to future cash flows for 2011 is 10.96% (2010: 13.75%). The discount rate reflects the lending service division's weighted average cost of capital, calculated on the time value of money and the risks specific to the CGU.

	Consolidated Group		Parent Entity	
	2011	2010	2011	2010
	\$	\$	\$	\$
NOTE 12: PAYABLES				
Accrued expenses	135,003	300,891	110,200	275,017
Trade creditors	1,281,369	903,817	989,170	805,858
Construction costs - Retirement Villages	-	-	-	-
Creditors and accrued expenses	227,398	106,647	173,922	76,034
Retirement Villages Residents' Long Term Maintenance Funds and Capital Replacement Funds liability	371,996	390,754	142,304	149,073
	2,015,766	1,702,109	1,415,596	1,305,982
Maturity Analysis				
Current	1,643,770	1,311,355	1,273,292	1,156,909
Non-current	371,996	390,754	142,304	149,073
	2,015,766	1,702,109	1,415,596	1,305,982

NOTES TO THE FINANCIAL STATEMENTS

30 June 2011

	Consolidated Group		Parent Entity	
	2011	2010	2011	2010
	\$	\$	\$	\$
NOTE 13: FINANCIAL LIABILITIES				
Bank loan - secured	563,119	-	-	-
Lease liability	173,098	137,639	101,409	53,889
	736,217	137,639	101,409	53,889
Maturity Analysis				
Current	602,952	29,177	26,620	17,116
Non-current	133,265	108,462	74,789	36,773
	736,217	137,639	101,409	53,889

The bank loan is secured by a registered first mortgage over freehold property and a registered charge over the assets and undertakings of a Subsidiary Company.

	Long Term Employee Benefits	Unearned Income	Dividends	Total
	\$	\$	\$	\$
NOTE 14: PROVISIONS				
Consolidated Group				
Balance at 30 June 2009	289,213	2,536,381	123,541	2,949,135
Additional provisions raised during the year	202,114	1,500,000	-	1,702,114
Amounts used	(141,434)	(674,618)	(108,883)	(924,935)
Balance at 30 June 2010	349,893	3,361,763	14,658	3,726,314
Additional provisions raised during the year	249,908	1,250,000	-	1,499,908
Amounts used	(128,570)	(621,599)	-	(750,169)
Balance at 30 June 2011	471,231	3,990,164	14,658	4,476,053
Parent Entity				
Balance at 30 June 2009	274,095	2,536,381	-	2,810,476
Additional provisions raised during the year	181,643	1,500,000	-	1,681,643
Amounts used	(127,433)	(674,618)	-	(802,051)
Balance at 30 June 2010	328,305	3,361,763	-	3,690,068
Additional provisions raised during the year	204,394	1,250,000	-	1,454,394
Amounts used	(116,164)	(621,599)	-	(737,763)
Balance at 30 June 2011	416,535	3,990,164	-	4,406,699

NOTES TO THE FINANCIAL STATEMENTS

30 June 2011

	Consolidated Group		Parent Entity	
	2011	2010	2011	2010
	\$	\$	\$	\$
NOTE 14: PROVISIONS (cont)				
Maturity analysis of total provisions				
Current	870,520	860,268	832,809	835,815
Non-current	3,605,533	2,866,046	3,573,890	2,854,253
	4,476,053	3,726,314	4,406,699	3,690,068
The number of employees at year end	37	31	31	28

NOTE 15: RESERVES

Company

Capital Replacement Reserve	300,000	300,000	300,000	300,000
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This reserve recognises amounts set aside for future capital replacement costs in the McLaren Vale Lodge.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2011

	Consolidated Group 2011 \$	Parent Entity 2011 \$	Non-Statutory 2011 \$	Statutory 2011 \$
NOTE 16: REVENUE				
Revenue				
Interest revenue	9,833,202	9,811,453	281,589	9,529,864
Distribution from non-related entities	342,400	342,400	41,170	301,230
Dividends from related entities	-	-	-	-
Dividends from non-related entities	49,635	49,635	49,635	-
Commission from lending activities	6,796,889	34,108	34,108	-
Deferred management fees and development profit on sale of Retirement Village loans and licences	1,579,855	1,344,675	1,344,675	-
Surplus from revaluation of investment properties	917,042	467,043	467,043	-
Management fees	3,631,063	3,631,063	3,631,063	-
	<u>23,150,086</u>	<u>15,680,377</u>	<u>5,849,283</u>	<u>9,831,094</u>
Other income				
Realised gains (losses) on investments	83,769	83,769	(503,064)	586,833
Unrealised gains (losses) on investments	2,220,236	1,367,381	479,887	887,494
Other	1,946,500	2,122,605	2,122,605	-
	<u>4,250,505</u>	<u>3,573,755</u>	<u>2,099,428</u>	<u>1,474,327</u>
	<u>27,400,591</u>	<u>19,254,132</u>	<u>7,948,711</u>	<u>11,305,421</u>
Expenses				
Auditor's remuneration:				
- Audit fees	72,485	62,345	62,345	-
- Taxation and advisory services	17,000	17,000	17,000	-
Actuarial fees	58,700	52,100	52,100	-
Depreciation	193,556	154,559	154,559	-
Regulatory supervision fees	13,017	13,017	13,017	-
Personnel costs:				
- Salaries, wages and on costs	2,754,196	1,911,088	1,911,088	-
- Employee benefits	253,144	212,120	212,120	-
- Superannuation contributions	263,857	206,116	206,116	-
Commissions	4,978,779	245,847	245,847	-
Impairment from revaluations	606,967	606,967	606,967	-
Goodwill impairment	-	-	-	-
Management fees	3,631,063	3,631,063	-	3,631,063
Investment management fees	301,097	301,097	-	301,097
Life Investment Contracts, distribution to policyholders	5,570,615	5,570,615	-	5,570,615
Other operating expenses	5,352,549	3,845,986	3,845,986	-
	<u>24,067,025</u>	<u>16,829,920</u>	<u>7,327,145</u>	<u>9,502,775</u>
Profit (loss) before tax	<u>3,333,566</u>	<u>2,424,212</u>	<u>621,566</u>	<u>1,802,646</u>

NOTES TO THE FINANCIAL STATEMENTS

30 June 2011

	Consolidated Group 2010 \$	Parent Entity 2010 \$	Non-Statutory 2010 \$	Statutory 2010 \$
NOTE 16: REVENUE (cont)				
Revenue				
Interest revenue	7,940,742	7,932,920	95,057	7,837,863
Distribution from non-related entities	251,308	251,308	33,306	218,002
Dividends from related entities	-	187,087	187,087	-
Dividends from non-related entities	72,409	72,409	45,247	27,162
Commission from lending activities	4,637,468	33,975	33,975	-
Deferred management fees and development profit on sale of Retirement Village loans and licences	1,528,826	1,070,025	1,070,025	-
Surplus from revaluation of investment properties	1,586,988	1,436,988	1,436,988	-
Management fees	3,450,558	3,450,558	3,450,558	-
	<u>19,468,299</u>	<u>14,435,270</u>	<u>6,352,243</u>	<u>8,083,027</u>
Other income				
Realised gains (losses) on investments	1,238,797	1,238,797	-	1,238,797
Unrealised gains (losses) on investments	2,715,743	2,715,743	104,409	2,611,334
Other	2,294,680	1,888,804	1,888,804	-
	<u>6,249,220</u>	<u>5,843,344</u>	<u>1,993,213</u>	<u>3,850,131</u>
	<u>25,717,519</u>	<u>20,278,614</u>	<u>8,345,456</u>	<u>11,933,158</u>
Expenses				
Auditor's remuneration:				
- Audit fees	77,135	68,674	68,674	-
- Taxation and advisory services	22,823	22,823	22,823	-
Actuarial fees	68,241	61,751	61,751	-
Depreciation	204,229	148,581	148,581	-
Regulatory supervision fees	19,785	19,785	19,785	-
Personnel costs:				
- Salaries, wages and on costs	2,389,377	1,611,504	1,611,504	-
- Employee benefits	218,232	188,000	188,000	-
- Superannuation contributions	216,081	182,074	182,074	-
Commissions	3,261,177	227,023	227,023	-
Impairment from revaluations	231,619	284,685	284,685	-
Goodwill impairment	418,345	-	-	-
Management fees	3,450,558	3,450,558	-	3,450,558
Investment management fees	289,092	289,092	-	289,092
Life Investment Contracts, distribution to policyholders	6,530,168	6,530,168	-	6,530,168
Other operating expenses	4,219,971	3,490,848	3,490,848	-
	<u>21,616,833</u>	<u>16,575,566</u>	<u>6,305,748</u>	<u>10,269,818</u>
Profit (loss) before tax and profit (loss) of associate	<u>4,100,686</u>	<u>3,703,048</u>	<u>2,039,708</u>	<u>1,663,340</u>

NOTES TO THE FINANCIAL STATEMENTS

30 June 2011

NOTE 17: RELATED PARTY DISCLOSURE

a Key Management Personnel Compensation

The key management personnel of the consolidated entity consisted of the following 15 (2010: 13) positions: Managing Director, Chief Financial Officer, Company Secretary, General Manager Business Services, General Manager Business Development, Manager Accounting Services, Chief Executive Officer (KeyInvest Property Loans Pty Ltd) and Non Executive Directors (8).

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

	Consolidated Group		Parent Entity	
	2011	2010	2011	2010
	\$	\$	\$	\$
Salary and fees	1,334,775	1,098,994	1,155,683	946,169
Performance related remuneration	34,500	30,000	34,500	30,000
Non-monetary benefits	8,019	19,056	139	2,925
Short term employee benefits	1,377,294	1,148,050	1,190,322	979,094
Superannuation benefits	129,386	110,793	115,114	103,351
Total Benefits	1,506,680	1,258,843	1,305,436	1,082,445

KeyInvest Ltd Director fees are set by members at the Annual General Meeting. Non Executive Directors receive annual fees of \$45,379, Chairman \$82,330 and the Deputy Chairman \$75,608. In recognition of the additional workload resulting from participating on various Board Committees, Non Executive Directors are paid \$5,500 annually for undertaking the role of Chairman of a Committee. Non Executive Directors of KeyInvest Property Loans Pty Ltd receive annual fees of \$18,349 and the Chairman \$22,936. Superannuation Guarantee Levy obligations for Non Executive Directors are additional to Directors' fees paid.

b Transactions with Related Parties

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

Key Management Personnel

Mr I J Campbell is a Director of a company that receives payments for information technology supplies provided to the Group.

87,459	100,980	87,459	100,980
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Mr D L Stillwell is a Director of a human resource management consultancy that receives fees for human resources services provided to the Group.

50,300	24,808	50,300	24,808
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Mr F Wilkie is a Director of business assets by KeyInvest Lending Pty Ltd.

356,165	-	-	-
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Other Related Parties

Project Requirements and Business Services Fees paid by Australian Associated Advisers Pty Ltd, a related party of KeyInvest Ltd.

95,176	54,211	95,176	54,211
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Project Requirements and Business Services Fees paid by KeyInvest Lending Pty Ltd, a related party of KeyInvest Ltd.

38,519	-	38,519	-
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Business Services Fees paid by Money Advisers QLD Pty Ltd, a related party of KeyInvest Ltd.

600	3,600	600	3,600
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Identification of Related Parties' Ultimate Parent Entity

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

NOTES TO THE FINANCIAL STATEMENTS

30 June 2011

NOTE 18: ECONOMIC DEPENDENCE

The Group has economic dependency on Corporate Information Management Pty Ltd for the provision of information technology services in relation to the Group's Benefit Fund membership system and on Pennley Pty Ltd as trustee for the Pennley Unit Trust trading as Choice Aggregation Services relating to aggregation systems provided for mortgage broking services.

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

	Consolidated Group		Parent Entity	
	2011	2010	2011	2010
	\$	\$	\$	\$

NOTE 19: CASH FLOW INFORMATION

a Reconciliation of Cash Flow from Operations with Profit after Income Tax

Profit (loss) after income tax	456,794	1,801,069	(161,121)	1,726,373
Cash flows excluded from profit attributable to operating activities				
- Investing and financing activities	(1,593,223)	(966,460)	(1,620,156)	(1,133,331)
Non-cash flows in profit (loss)				
- Depreciation	193,556	204,229	154,559	148,581
- Impairment (revaluation) of investment property	(589,923)	(1,355,370)	(139,924)	(1,205,370)
- Impairment of property, plant and equipment	-	-	-	-
- Impairment of investment in subsidiary companies	-	-	-	53,066
- Impairment of goodwill	-	418,345	-	-
- Net (gain) loss on disposal of property, plant and equipment	8,663	1,540	8,663	-
- Unrealised (gain) loss on investments	-	(104,409)	-	(104,409)
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries				
- Decrease (increase) in debtors	(238,725)	221,394	(71,018)	4,667
- Increase (decrease) in creditors	313,663	(142,852)	109,615	(283,750)
- Increase (decrease) in current tax liability	(93,643)	(32,928)	-	-
- Decrease (increase) in current tax asset	(490,579)	(475,742)	(490,579)	(459,318)
- Increase (decrease) in deferred tax liability	1,577,683	631,111	1,541,173	631,111
- Decrease (increase) in deferred tax asset	204,145	196,477	116,970	158,169
- Increase (decrease) in provisions	121,338	60,680	88,230	54,210
- Increase (decrease) in unearned income	628,401	825,382	628,401	825,382
Cash flow from operations	498,150	1,282,466	164,813	415,381

b Non-cash Financing and Investing Activities

During the 2011 year the Consolidated Group acquired plant and equipment with an aggregate value of \$47,520 (2010: nil) by means of finance leases. These acquisitions are not reflected in the cash flow statement.

c Loan Facilities

Loan facilities	800,000	5,200,000	-	5,000,000
Amount utilised	(563,119)	-	-	-
	236,881	5,200,000	-	5,000,000

The loan facility is a \$800,000 line of credit facility. Interest rates are variable. The current rate is 7.40% (2010: 4.97%).

NOTES TO THE FINANCIAL STATEMENTS

30 June 2011

NOTE 20: FINANCIAL RISK MANAGEMENT

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

- a Financial Risk Management Policies:** The Group complies with the APRA Prudential Standard - Management Capital Standard (LPS 6.03) which prescribes specific reserves to be established to meet a range of adverse but reasonably possible conditions including the requirement that the Group be able to meet its obligations in respect of any business it carries on that is not life insurance business as those obligations fall due.

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

The main purpose of non-derivative financial instruments is to raise finance for Group operations. The Group does not have any derivative instruments at 30 June 2011.

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

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

The Chief Financial Officer and Manager Accounting Services operate under the policies approved by the Board of Directors and report regularly to the Board. Risk Management policies are approved and reviewed by the Board on a regular basis. These include liquidity, market and credit risk policies.

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

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

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

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

Price Risk - Equity: The Group's exposure to changes in the price and volatility of individual equities and equity indices affect the value of investments in financial assets held by the Group. This risk is primarily managed by investment diversification with different businesses within the Group operating across different markets. For further details on equity price risk refer to Note 20 d.

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 Group mitigates its exposure to interest rate risk by maintaining predominantly liquid financial assets and limited exposure to fixed interest loans. Interest rate risk also refers to the risk to earnings and capital arising from movements in interest rates in respect of borrowings. At 30 June 2011 the Group had borrowings of \$0.56 million (2010: nil). For further details on interest rate risk refer to Note 20 d.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2011

NOTE 20: FINANCIAL RISK MANAGEMENT (cont)

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

There are no amounts of collateral held as security at 30 June 2011.

The Group's credit risk arises from exposure to deposits with financial institutions. The Chief Financial Officer and Manager Accounting Services, who report to the Board, review credit risk regularly taking into account rating quality and liquidity of counterparties.

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

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

	Consolidated Group		Parent Entity	
	2011	2010	2011	2010
	\$	\$	\$	\$
Receivables				
AA rated counterparties	18,832	14,007	18,832	14,007
Counterparties not rated	1,577,846	387,017	1,316,929	293,806
Internal receivable from Benefit Funds	555,218	574,763	555,218	574,763
Total	2,151,896	975,787	1,890,979	882,576

NOTES TO THE FINANCIAL STATEMENTS

30 June 2011

NOTE 20: FINANCIAL RISK MANAGEMENT (cont)

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

Consolidated Group 2011						
Financial Instruments	Fixed interest rate 1 year or less \$	Fixed interest rate 1-5 years \$	Fixed interest rate 5 years \$	Variable interest rate \$	Non-interest bearing \$	Total \$
Financial Assets						
Cash assets	-	-	-	5,734,188	-	5,734,188
Term deposits	553,232	-	-	-	-	553,232
Unlisted share trusts	-	-	-	-	1,218,391	1,218,391
Receivables	-	-	-	-	2,151,896	2,151,896
Total Financial Assets	553,232	-	-	5,734,188	3,370,287	9,657,707
Financial Liabilities						
Payables	-	-	-	-	2,015,766	2,015,766
Bank loans secured	-	-	-	-	563,119	563,119
Lease liability	-	-	-	-	173,098	173,098
Total Financial Liabilities	-	-	-	-	2,751,983	2,751,983

Parent Entity 2011						
Financial Instruments	Fixed interest rate 1 year or less \$	Fixed interest rate 1-5 years \$	Fixed interest rate 5 years \$	Variable interest rate \$	Non-interest bearing \$	Total \$
Financial Assets						
Cash assets	-	-	-	5,028,586	-	5,028,586
Term deposits	553,232	-	-	-	-	553,232
Unlisted share trusts	-	-	-	-	1,218,391	1,218,391
Shares in controlled entities	-	-	-	-	2,576,936	2,576,936
Loans to controlled entities	-	-	-	-	8,675,736	8,675,736
Receivables	-	-	-	-	1,890,979	1,890,979
Total Financial Assets	553,232	-	-	5,028,586	14,362,042	19,943,860
Financial Liabilities						
Payables	-	-	-	-	1,415,596	1,415,596
Lease liability	-	-	-	-	101,409	101,409
Total Financial Liabilities	-	-	-	-	1,517,005	1,517,005

NOTES TO THE FINANCIAL STATEMENTS

30 June 2011

NOTE 20: FINANCIAL RISK MANAGEMENT (cont)

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

Consolidated Group 2010

Financial Instruments	Fixed interest rate 1 year or less \$	Fixed interest rate 1-5 years \$	Fixed interest rate 5 years \$	Variable interest rate \$	Non-interest bearing \$	Total \$
Financial Assets						
Cash assets	-	-	-	4,326,344	-	4,326,344
Term deposits	535,718	-	-	-	-	535,718
Listed shares	-	-	-	-	1,104,217	1,104,217
Unlisted share trusts	-	-	-	-	1,154,204	1,154,204
Receivables	-	-	-	-	975,787	975,787
Total Financial Assets	535,718	-	-	4,326,344	3,234,208	8,096,270
Financial Liabilities						
Payables	-	-	-	-	1,702,109	1,702,109
Lease liability	-	-	-	-	137,639	137,639
Total Financial Liabilities	-	-	-	-	1,839,748	1,839,748

Parent Entity 2010

Financial Instruments	Fixed interest rate 1 year or less \$	Fixed interest rate 1-5 years \$	Fixed interest rate 5 years \$	Variable interest rate \$	Non-interest bearing \$	Total \$
Financial Assets						
Cash assets	-	-	-	3,867,343	-	3,867,343
Term deposits	535,718	-	-	-	-	535,718
Listed shares	-	-	-	-	1,104,217	1,104,217
Unlisted share trusts	-	-	-	-	1,154,204	1,154,204
Shares in controlled entities	-	-	-	-	2,576,936	2,576,936
Loans to controlled entities	-	-	-	-	5,348,714	5,348,714
Receivables	-	-	-	-	882,576	882,576
Total Financial Assets	535,718	-	-	3,867,343	11,066,647	15,469,708
Financial Liabilities						
Payables	-	-	-	-	1,305,982	1,305,982
Lease liability	-	-	-	-	53,889	53,889
Total Financial Liabilities	-	-	-	-	1,359,871	1,359,871

NOTES TO THE FINANCIAL STATEMENTS

30 June 2011

NOTE 20: FINANCIAL RISK MANAGEMENT (cont)

c **Net Fair Values:** The net fair values of listed investments have been valued at the quoted market bid price at balance date adjusted for transaction costs expected to be incurred. For other assets and other liabilities the net fair value approximates their carrying value. No financial assets and financial liabilities are readily traded on organised markets in standardised form other than listed investments. Financial assets where the carrying amount exceeds net fair values in 2011: nil (2010: nil) have not been written-down as the Group intends to hold these assets to maturity.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the Statement of Financial Position and in the Notes to the Financial Statements. Aggregate net fair values and carrying amounts of financial assets and financial liabilities at balance date:

	2011		2010	
	\$		\$	
	Carrying Amount	Net Fair Value	Carrying Amount	Net Fair Value
	\$	\$	\$	\$
Consolidated Group				
Financial Assets				
Available for sale financial assets at fair value	1,218,391	1,218,391	2,258,421	2,258,421
Held to maturity financial assets	553,232	553,232	535,718	535,718
Receivables	2,151,896	2,151,896	975,787	975,787
Total Financial Assets	3,923,519	3,923,519	3,769,926	3,769,926
Financial Liabilities				
Payables	2,015,766	2,015,766	1,702,109	1,702,109
Bank loan secured	563,119	563,119	-	-
Lease liability	173,098	173,098	137,639	137,639
Total Financial Liabilities	2,751,983	2,751,983	1,839,748	1,839,748
Parent Entity				
Financial Assets				
Available for sale financial assets at fair value	1,218,391	1,218,391	2,258,421	2,258,421
Held to maturity financial assets	553,232	553,232	535,718	535,718
Receivables	1,890,979	1,890,979	882,576	882,576
Total Financial Assets	3,662,602	3,662,602	3,676,715	3,676,715
Financial Liabilities				
Payables	1,415,596	1,415,596	1,305,982	1,305,982
Bank loan secured	-	-	-	-
Lease liability	101,409	101,409	53,889	53,889
Total Financial Liabilities	1,517,005	1,517,005	1,359,871	1,359,871

NOTES TO THE FINANCIAL STATEMENTS

30 June 2011

NOTE 20: FINANCIAL RISK MANAGEMENT (cont)

d Sensitivity Analysis

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

	Movement in Equity Price %	Consolidated Group		Parent Entity	
		2011 \$	2010 \$	2011 \$	2010 \$
		Sensitivity			
		of Profit (before tax) and Fair Value of Equity Instrument			
Listed Australian	+10	-	110,422	-	110,422
Unlisted Australian	+10	121,839	115,420	121,839	115,420
Listed Australian	-10	-	(110,422)	-	(110,422)
Unlisted Australian	-10	(121,839)	(115,420)	(121,839)	(115,420)

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

	Change in Interest Rate %	Consolidated Group		Parent Entity	
		2011 \$	2010 \$	2011 \$	2010 \$
		Sensitivity of profit and equity (before tax)			
Financial Assets					
Cash at bank and in hand	+2	10,757	8,780	3,519	980
Short term money market	+2	103,927	77,747	97,053	76,367
Held to maturity financial assets	+2	11,065	10,714	11,065	10,714
Cash at bank and in hand	-2	(10,757)	(8,780)	(3,519)	(980)
Short term money market	-2	(103,927)	(77,747)	(97,053)	(76,367)
Held to maturity financial assets	-2	(11,065)	(10,714)	(11,065)	(10,714)
Financial Liabilities					
Bank loan secured	-2	11,262	-	-	-
Bank loan secured	+2	(11,262)	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

30 June 2011

NOTE 21: CAPITAL MANAGEMENT

KeyInvest Ltd is a public company, limited by shares and guarantee. No shares have been issued. The guarantee acts as both the means of membership of KeyInvest Ltd and the means of limiting the members' liability. The Group's debt and capital includes financial liabilities supported by financial assets.

Management effectively manages the Group's capital within the APRA Prudential Standard - Management Capital Standard (LPS 6.03) which prescribes specific reserves to be established to meet a range of adverse but reasonably possible conditions.

Management controls the capital of the Group in order to ensure that the Group can fund its operations and continue as a going concern. There have been no changes in the strategy adopted by management to control the capital of the Group since the prior year. At 30 June 2011 the Group had borrowings of \$0.56 million (2010: nil).

	Consolidated Group		Parent Entity	
	2011	2010	2011	2010
	\$	\$	\$	\$

NOTE 22: CAPITAL AND LEASING COMMITMENTS

a Capital Expenditure Commitments

Capital expenditure commitments contracted for

Construction of Retirement Villages	3,656,628	1,410,827	3,266,384	-
Renovation at 49 Gawler Place, Adelaide	-	56,783	-	56,783
	3,656,628	1,467,610	3,266,384	56,783

Payable

Not later than 12 months	3,656,628	1,467,610	3,266,384	56,783
Between 12 months and 5 years	-	-	-	-
Greater than 5 years	-	-	-	-
	3,656,628	1,467,610	3,266,384	56,783

b Finance Lease Commitments

Payable - minimum lease payments

Not later than 12 months	39,833	29,177	26,620	17,116
Between 12 months and 5 years	133,265	108,462	74,789	36,773
Greater than 5 years	-	-	-	-
	173,098	137,639	101,409	53,889

The Company's lease commitments are comprised of motor vehicle leasing commencing in 2008 for five years, computer equipment leases commencing 2009 for three years and office equipment leases commencing 2011 for 5 years. Lease payments are monthly in advance.

c Borrowing Commitments

The Group has executed registered first mortgages over certain freehold properties and a registered charge over the assets and undertakings of the Parent Entity, excluding Life Investment Contracts, which will form the security for a bank loan facility of \$2.5 million.

NOTE 23: SUBSEQUENT EVENT

On 1 July 2011, KeyInvest Retirement Living Pty Ltd (a wholly owned subsidiary) entered into an agreement with a South Australian based entity to jointly develop the Chiton Retirement Village at Victor Harbor, South Australia. Settlement under the transaction agreements took place on 29 July 2011 with a cash contribution of \$3 million for a 50% interest in a 4.7 hectare development site and the ongoing retirement village development project.

NOTE 24: COMPANY DETAILS

The registered office of the Company is KeyInvest Building, 49 Gawler Place, Adelaide South Australia 5000.
The principal place of business is KeyInvest Building, 49 Gawler Place, Adelaide South Australia 5000.

DIRECTORS' DECLARATION

In the Directors' opinion:

- a) the attached Financial Statements and Notes thereto are in accordance with the Corporations Act 2001 and Life Insurance Act 1995, and
 - i) comply with Accounting Standards and the Corporations Regulations 2001; and
 - ii) give a true and fair view of the financial position as at 30 June 2011 and of the performance for the year ended on that date of the Company;
- b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

On behalf of the Directors



Dr Roger N Sexton
Chairman

Date: 26 September 2011

AUDITOR'S REPORT



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KEYINVEST LTD

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KEYINVEST LTD

Report on the Financial Report

We have audited the accompanying financial report of KeyInvest Ltd ("the company"), which comprises the statement of financial position as at 30 June 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year and the annual financial report of the following Benefit Funds:

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

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

Opinion

In our opinion:

- (a) the financial report of KeyInvest Ltd is in accordance with the *Corporations Act 2001*, including:
 - i) giving a true and fair view of KeyInvest Ltd's and the consolidated entity's financial positions as at 30 June 2011 and of their performance for the year ended on that date; and
 - ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*;
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

In our opinion:

- (a) the financial report of the company and its Benefit Funds are in accordance with the *Life Insurance Act 1995*;
- (b) the records of the company and Benefit Funds on which the financial report are based record properly the affairs and transactions of the company and its Benefit Funds;
- (c) the financial report truly represent the financial position of the company and its Benefit Funds;
- (d) the apportionments made under Division 2 of Part 6 of the *Life Insurance Act 1995* have been made equitably and in accordance with generally accepted accounting principles; and
- (e) no part of the assets of the Benefit Funds have been applied directly or indirectly in contravention of the provisions of Division 1 of Part 4 and Division 4 of Part 2A of the *Life Insurance Act 1995*.

Edwards Marshall
Chartered Accountants

Jamie Dreckow
(Partner)

Adelaide
South Australia

Dated: 26 September 2011

COMPANY INFORMATION

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Appointed Actuary

Mercer (Australia) Pty Ltd ABN 32 005 315 917

Auditor

Edwards Marshall Chartered Accountants ABN 38 238 591 759



Our Commitment to You

We are Genuine, Responsive and Successful in everything we do. These core values define how we help our customers achieve their goals.

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

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

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



KEYINVEST

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