FULL YEAR REPORT

ASX Appendix 4E Preliminary Final Report
Directors' Report
Auditor's Independence Declaration
Financial Report
Audit Report

30 JUNE 2017

ASX Codes: KBC and KBCPA

Keybridge Capital Limited
A.B.N. 16 088 267 190

REGISTERED OFFICE:

Suite 614, Level 6
370 St Kilda Road
Melbourne, Victoria 3004

T | (03) 9686 7000
F | (08) 9214 9701

E | info@keybridge.com.au
W | www.keybridge.com.au

SHARE REGISTRY:
Registry Direct
Level 6, 2 Russell Street
Melbourne, Victoria 3000
PO Box 18366
Collins Street East, Victoria 8003
Local T | 1300 55 66 35
T | (03) 9909 9909
F | (03) 9111 5652
E | registry@registrydirect.com.au
W | www.registrydirect.com.au

COMPANY SECRETARIAL ENQUIRIES:

Level 2
23 Ventnor Avenue
West Perth, Western Australia 6005

T | (08) 9214 9767
F | (08) 9214 9701

E | cosec@keybridge.com.au

CONTENTS

CORPORATE DIRECTORY

BOARD

John D. Patton	Chairman
William M. Johnson	Non-Executive Director
Simon K. Cato	Non-Executive Director
Jeremy M. Kriewaldt	Non-Executive Director

COMPANY SECRETARY
Victor P. H. Ho

REGISTERED AND PRINCIPAL OFFICE
Suite 614, Level 6
370 St Kilda Road
Melbourne, Victoria 3004
Telephone: (03) 9686 7000
Facsimile: (08) 9214 9701
Email: info@keybridge.com.au
Website: www.keybridge.com.au

COMPANY SECRETARIAL ENQUIRIES
Level 2
23 Ventnor Avenue
West Perth, Western Australia 6005
Telephone: (08) 9214 9767
Facsimile: (08) 9214 9701
Email: cosec@keybridge.com.au

AUDITORS
Deloitte Touche Tohmatsu
Grosvenor Place
225 George Street
Sydney, New South Wales 2000
Telephone: (02) 9322 7000
Website: www.deloitte.com.au

STOCK EXCHANGE
Australian Securities Exchange
Sydney, New South Wales
Website: www.asx.com.au

ASX CODES
KBC (Shares)
KBCPA (Convertible Redeemable Preference Notes)

SHARE REGISTRY
Registry Direct
Level 6
2 Russell Street
Melbourne, Victoria 3000
Local Telephone: 1300 55 66 35
Telephone: (03) 9909 9909
Facsimile: (03) 9111 5652
Email: registry@registrydirect.com.au
Website: www.registrydirect.com.au

Results for Announcement to the Market

Current Reporting Period:	Financial year ended year ended 30 June 2017
Previous Corresponding Period	Financial year ended year ended 30 June 2016
Balance Date:	30 June 2017
Company:	Keybridge Capital Limited (**KBC** or the **Company**)
Consolidated Entity:	KBC and controlled entities (**Keybridge**)

RESULTS FOR ANNOUNCEMENT TO THE MARKET

CONSOLIDATED	June 2017 $'000	June 2016 $'000	% Change	Up / Down
Fees income	202	121	67%	Up
Unrealised gain on financial assets at fair value through profit or loss	-	639	N/A	N/A
Gain on revaluation of foreign currency assets	-	53	N/A	N/A
Unrealised gain on derivative liabilities	62	198	69%	Down
Realised gain on disposal of financial assets at fair value through profit or loss	1,808	378	378%	Up
Share of Associate entity's profit	-	361	100%	Down
Interest	747	992	25%	Down
Dividend	281	516	46%	Down
Other income	268	3,884	93%	Down
Total revenue	**3,368**	**7,142**	53%	Down
Share of Associate entity's loss	(299)	-	N/A	N/A
Unrealised loss on financial assets at fair value through profit or loss	(534)	-	N/A	N/A
Loss on revaluation of foreign currency assets	(354)	-	N/A	N/A
Impairment expenses	(6,036)	(376)	1505%	Up
Personnel expenses	(646)	(1,488)	57%	Down
Corporate expenses	(1,111)	(1,597)	30%	Down
Administration expenses	(406)	(346)	17%	Up
Other expenses	(120)	(244)	51%	Down
Total expenses	**(9,506)**	**(4,051)**	135%	Up
Finance expenses	(308)	(312)	1%	Down
Profit/(Loss) before tax	**(6,446)**	**2,779**	332%	Down
Income tax benefit/(expense)	-	-		
Loss from discontinued operations	-	(5,270)	N/A	N/A
Loss after tax attributable to members	**(6,446)**	**(2,491)**	159%	Up
Basic and diluted loss per share (cents)	(4.06)	(1.42)	186%	Up
Pre-Tax Net Asset Backing per share (cents)	14.92	18.72	20%	Down
Post-Tax Net Asset Backing per share (cents)	14.92	18.72	20%	Down
Based on total issued capital	158,812,327	158,812,327		

Results for Announcement to the Market

BRIEF EXPLANATION OF RESULTS
AND COMMENTARY ON RESULTS AND OTHER SIGNIFICANT INFORMATION

Keybridge's principal activities during the year were management of its portfolio of listed and unlisted investments/loan assets.

Keybridge's $6.446 million net loss position for the year was caused principally by:

- a $5.996 million provision for impairment in respect of the Private Equity Loan Receivable – the Directors reduced the carrying value of the loan from US$5.01 million to US$0.394 million in light of an assessment of the underlying value of the security provided for the loan; and
- the $0.308 million interest distributions (2016: $0.312 million) paid to Convertible Redeemable Promissory Note (CRPN) holders, which is recognised as an expense

The Private Equity Loan Receivable relates to a US$4.3m limited recourse promissory note (**Note**) issued by RPE I Investor LLC (**RPE Investor**) (a subsidiary of Republic Financial Corporation (**RPC**)) secured (via collateral pledged) over RPE Investor's interest in a private equity fund with investments in US-based manufacturing/distribution businesses (**RPE Fund**). The Note arose out of a restructure in April 2013 where, as part of arrangements to exit legacy aviation investments (made whilst Keybridge was known as Mariner Bridge Investments Limited in 2006/2007) for US$29.7 million cash, Keybridge sold its interest in the RPE Fund for US$4.3 million fully funded by a Keybridge loan with recourse only to that asset sold (i.e. the Note).[1]

On 24 August 2017, Keybridge received the RPE Fund's 30 June 2017 Quarterly Report (unaudited) (**June 2017 RPE Accounts**) which disclosed a significant reduction in the RPE Fund's gross asset position as well as notice from an RPC Executive (**Republic**) advising that it is 'highly unlikely that the Note will be satisfied on or before its scheduled maturity' (on 29 December 2017) and proposing a 3-year extension of the Note term or a 'buy-out' (retirement) of the Note for US$0.394 million.

In light of these matters, the Board reduced the carrying value of the Note (receivable) to US$0.394 million (A$0.511 million) as at 30 June 2017, which also resulted in Keybridge recognising a US$4.611 million (A$5.996 million) provision for impairment expense for the financial year ending 30 June 2017.

This was advised in KBC's ASX announcement dated 25 August 2017: Update – Private Equity Loan Receivable, which contains further details concerning the June 2017 RPE Accounts and Republic's correspondence. Keybridge is reviewing the matter and its position under the terms of the Note.

Keybridge generated a total net realised and unrealised gain of $1.274 million (pre- and post-tax) for the year from its securities investment and trading activities, comprising:

(a) Unrealised gains during the year of $1.073 million, which includes:

  (i) $0.899 million unrealised gain attributable to Molopo Energy Limited (ASX:MPO);

  (ii) $0.376 million unrealised gain attributable to PTB Group Limited (ASX:PTB);

  (iii) $0.248 million unrealised gain attributable to Metgasco Limited (ASX:MEL); and

  (iv) $0.464 million unrealised loss attributable to Copper Strike Limited (ASX:CSE).

(b) Realised gains of $1.808 million (from cost), which includes:

  (i) $1.286 million realised gain on the sale of shares in PTB Group Limited (ASX:PTB);

  (ii) $0.322 million realised gain on the sale of shares in Copper Strike Limited (ASX:CSE); and

  (iii) $0.178 million realised gain on the sale of options (ASX:NACO) in NAOS Absolute Opportunities Company Limited (ASX:NAC).

(c) The accounting reversal of prior year unrealised gain/loss on investments sold during the year of $1.607 million (which is offset against the unrealised gain of $1.073 million (in (a) above) to arrive at the $0.534 million unrealised loss on financial assets at fair value through profit or loss shown in the Operating Results).

---

1 Refer KBC's ASX Announcements dated 1 May 2013: Sale of Aircraft and Full Repayment of Corporate Debt Facility and 10 April 2013: Quarterly Update – January to March 2013

Results for Announcement to the Market

Keybridge has also achieved a significant reduction in corporate and administration expenses from $3.431 million to $2.163 million, including:

- A 57% reduction in Personnel expenses from $1.488 million to $0.646 million;
- A 30% reduction in Corporate expenses from $1.597 million to $1.111 million;
- An 81% reduction in Legal expenses (part of corporate expenses) from $1.263 million to $0.244 million.

Please refer to the Directors' Report and financial statements and notes thereto for further information on a review of Keybridge's operations and financial position and performance for the year ended 30 June 2017.

DIVIDENDS

The Directors have not declared payment of a dividend.

As at 30 June 2017, the Company had:

- $2.466 million in its Profits Reserve account, which is available to fund the payment of dividends to shareholders in the future; and
- $7.835 million Franking Credits, which is sufficient to fund the payment of fully franked (at Keybridge's applicable 27.5% company tax rate) dividends totalling $20.656 million.

CRPN DISTRIBUTIONS

During the financial year, the Company paid interest distributions to holders of its Convertible Redeemable Promissory Notes (ASX:KBCPA) (**CRPN**) as follows:

Distribution Rate	Record Date	Payment Date	Franking[2]
1.75 cent per note	13 June 2017	20 June 2017	100% franked
1.75 cent per note	22 March 2017	23 March 2017	100% franked
1.75 cent per note	20 December 2016	21 December 2016	100% franked
1.75 cent per note	20 September 2016	21 September 2016	100% franked

CONTROLLED ENTITIES and ASSOCIATES and JOINT VENTURE ENTITIES

The Company has accounted for the following share investment at Balance Date as an investment in an Associate entity (on an equity accounting basis):

- 26.46% interest (22,646,973 units) in HHY Fund (ASX:HHY) (30 June 2016: 21.62%; 20,646,973 shares).

Keybridge has a 50% interest in BIC Infrastructure Capital Pty Limited (**BIC**) (30 June 2016: 50%), which is regarded as a jointly controlled company. BIC has been accounted under the equity method but the investment has been previously impaired to a nil carrying value. BIC ultimately owns the Totana Solar Park asset in Spain, which development was funded by debt finance provided by Keybridge.

On 15 November 2016, the Company sold its shareholding (100%) in Keybridge Funds Management Pty Limited, a dormant company, to an entity associated with former Director, Antony Sormann (who had resigned on 13 October 2016).

2 A fixed interest rate of 7% per annum is generally payable in arrears on or about 20 March, 20 June, 20 September and 20 December of each year. CRPNs are regarded as an 'equity interest' under Australian tax law with interest payments regarded as a 'non-share dividend'. Interest payments will be fully franked (where possible) or grossed up with additional cash payments to compensate for any unfranked component. 'Qualified' Australian resident holders will have access to franking credits in this regard. Further details are in Note 9 of the accompanying financial statements and in the CRPN Prospectus (dated 17 June 2015) and ATO Class Ruling CR 2015/54.

Results for Announcement to the Market

ANNUAL GENERAL MEETING (AGM)

Pursuant to the ASX Listing Rules, the Company gives notice that its 2017 AGM is expected to be held on or about 22 November 2017.

For and on behalf of the Directors,

Date: 31 August 2017

Victor Ho
Company Secretary

Telephone: (08) 9214 9767

Email: cosec@keybridge.com.au

DIRECTORS' REPORT

The Directors present their Directors' Report on Keybridge Capital Limited ABN 16 088 267 190 (**Company** or **KBC**) and its controlled entities (the **Consolidated Entity** or **Keybridge**) for the financial year ended 30 June 2017 (**Balance Date**).

Keybridge is a company limited by shares that was incorporated in New South Wales in June 1999 and has been listed on the Australian Securities Exchange (**ASX**) since December 1999 (ASX Code:KBC).

The Company has prepared a consolidated financial report incorporating the entities that it controlled during the financial year, being wholly owned subsidiaries.

PRINCIPAL ACTIVITIES

Keybridge is an investment and financial services group with a diversified portfolio of listed and unlisted investments/loan assets including in the solar (Spain), private equity (US), life insurance (New Zealand), property and funds management sectors and strategic holdings in HHY Fund (ASX:HHY), Molopo Energy Limited (ASX:MPO) and Metgasco Limited (ASX: MEL). Keybridge is also the Investment Manager of the HHY Fund.

NET ASSET BACKING

CONSOLIDATED	June 2017 $'000	June 2016 $'000
Gross assets	28,199	35,008
Less: Liabilities	(4,501)	(5,270)
Net assets	23,698	29,738
Pre-tax Net Asset Backing per share (cents)	**14.92**	**18.72**
Less: Net deferred tax asset/liabilities /tax provision	-	-
Net assets (after tax)	23,698	29,738
Post-tax Net Asset Backing per share (cents)	**14.92**	**18.72**
Based on total issued shares	158,812,327	158,812,327

FINANCIAL POSITION

CONSOLIDATED	June 2017 $'000	June 2016 $'000
Cash	1,414	1,665
Investments	11,836	13,095
Loans and receivables	11,835	17,222
Investment in Associate entity	2,584	2,662
Other assets	530	364
Gross Assets	**28,199**	**35,008**
Convertible redeemable promissory notes liability	(4,141)	(4,203)
Other liabilities	(360)	(1,067)
Total Liabilities	**(4,501)**	**(5,270)**
Net deferred tax asset / liabilities	-	-
Net Assets	**23,698**	**29,738**
Issued capital	253,717	253,717
Share-based payments reserve	693	287
Profits reserve	2,466	1,526
Accumulated losses	(233,178)	(225,792)
Total Equity	**23,698**	**29,738**

DIRECTORS' REPORT

OPERATING RESULTS

CONSOLIDATED	June 2017 $'000	June 2016 $'000
Fees income	202	121
Unrealised gain on financial assets at fair value through profit or loss	-	639
Gain on revaluation of foreign currency assets	-	53
Unrealised gain on derivative liabilities	62	198
Realised gain on disposal of financial assets at fair value through profit or loss	1,808	378
Share of Associate entity's profit	-	361
Interest	747	992
Dividend	281	516
Other income	268	3,884
Total revenue	**3,368**	**7,142**
Share of Associate entity's loss	(299)	-
Unrealised loss on financial assets at fair value through profit or loss	(534)	-
Loss on revaluation of foreign currency assets	(354)	-
Impairment expenses	(6,036)	(376)
Personnel expenses	(646)	(1,488)
Corporate expenses	(1,111)	(1,597)
Administration expenses	(406)	(346)
Other expenses	(120)	(244)
Total expenses	**(9,506)**	**(4,051)**
Finance expenses	(308)	(312)
Profit/(Loss) before tax	**(6,446)**	**2,779**
Income tax benefit/(expense)	-	-
Loss from discontinued operations	-	(5,270)
Loss after tax attributable to members	**(6,446)**	**(2,491)**

Keybridge's $6.446 million net loss position for the year was caused principally by:

- a $5.996 million provision for impairment in respect of the Private Equity Loan Receivable – the Directors reduced the carrying value of the loan from US$5.01 million to US$0.394 million in light of an assessment of the underlying value of the security provided for the loan – further details are outlined in Loan Receivables - Private Equity below; and
- the $0.308 million interest distributions (2016: $0.312 million) paid to Convertible Redeemable Promissory Note (CRPN) holders, which is recognised as an expense.

Keybridge generated a total net realised and unrealised gain of $1.274 million (pre- and post-tax) for the year from its securities investment and trading activities, comprising:

(a) Unrealised gains during the year of $1.073 million, which includes:

(i) $0.899 million unrealised gain attributable to Molopo Energy Limited (ASX:MPO);

(ii) $0.376 million unrealised gain attributable to PTB Group Limited (ASX:PTB);

(iii) $0.248 million unrealised gain attributable to Metgasco Limited (ASX:MEL); and

(iv) $0.464 million unrealised loss attributable to Copper Strike Limited (ASX:CSE).

(b) Realised gains of $1.808 million (from cost), which includes:

(i) $1.286 million realised gain on the sale of shares in PTB Group Limited (ASX:PTB);

(ii) $0.322 million realised gain on the sale of shares in Copper Strike Limited (ASX:CSE); and

(iii) $0.178 million realised gain on the sale of options (ASX:NACO) in NAOS Absolute Opportunities Company Limited (ASX:NAC).

DIRECTORS' REPORT

(c) The accounting reversal of prior year unrealised gain/loss on investments sold during the year of $1.607 million (which is offset against the unrealised gain of $1.073 million (in (a) above) to arrive at the $0.534 million net unrealised loss on financial assets at fair value through profit or loss shown in the Operating Results).

Keybridge has also achieved a significant reduction in corporate and administration expenses from $3.431 million to $2.163 million, including:

- A 57% reduction in Personnel expenses from $1.488 million to $0.646 million;
- A 30% reduction in Corporate expenses from $1.597 million to $1.111 million;
- An 81% reduction in Legal expenses (part of corporate expenses) from $1.263 million to $0.244 million.

LOSS PER SHARE

CONSOLIDATED	June 2017 cents	June 2016 cents
Loss per share (cents)	(1.92)	(1.42)[3]

DIVIDENDS

The Company has not paid any dividends during the financial year.

As at 30 June 2017, the Company had:

- $2.466 million in its Profits Reserve account, which is available to fund the payment of dividends to shareholders in the future; and
- $7.835 million Franking Credits, which is sufficient to fund the payment of fully franked (at Keybridge's applicable 27.5% company tax rate) dividends totalling $20.656 million.

CRPN DISTRIBUTIONS

During the financial year, the Company paid interest distributions to holders of its Convertible Redeemable Promissory Notes (ASX:KBCPA) (**CRPN**) as follows:

Distribution Rate	Record Date	Payment Date	Franking[4]
1.75 cent per note	13 June 2017	20 June 2017	100% franked
1.75 cent per note	22 March 2017	23 March 2017	100% franked
1.75 cent per note	20 December 2016	21 December 2016	100% franked
1.75 cent per note	20 September 2016	21 September 2016	100% franked

3 Net of a 3.17 cent loss per share attributable to Discontinued Operations

4 A fixed interest rate of 7% per annum is generally payable in arrears on 20 March, 20 June, 20 September and 20 December of each year. CRPNs are regarded as an 'equity interest' under Australian tax law with interest payments regarded as a 'non-share dividend'. Interest payments will be fully franked (where possible) or grossed up with additional cash payments to compensate for any unfranked component. 'Qualified' Australian resident holders will have access to franking credits in this regard. Further details are in Note 9 of the accompanying financial statements and in the CRPN Prospectus (dated 17 June 2015) and ATO Class Ruling CR 2015/54.

DIRECTORS' REPORT

SECURITIES ON ISSUE

Class of Security	30 June 2017 Quoted on ASX	30 June 2017 Unlisted	30 June 2016 Quoted on ASX	30 June 2016 Unlisted
Fully paid ordinary shares (ASX:KBC)	158,812,237	-	158,812,237	-
Executive Share Plan shares[5]	-	15,000,000	-	15,000,000
Convertible Redeemable Promissory Notes (ASX:KBCPA)[6]	4,401,047	-	4,401,047	-

ON-MARKET BUY BACKS

The Company's 12 month on-market buy-back programmes in respect of its shares (announced on 23 November 2015) and CRPNs (announced on 6 October 2015) were completed during the year:

- No shares were bought-back (as announced on 23 December 2016); and
- During the 2015/16 year, 24,885 CRPNs were bought-back (between a range of $0.98 to $1.00 per note) at a total cost of $24,662 (as announced on 21 December 2016). No trades occurred during the 2016/17 year.

On 18 January 2017, Keybridge announced an intention to undertake an on-market buy-back of up to 14,293,109 shares (being ~9% of 158,812,327 total shares on issue) on or before 15 December 2017.

Also on 18 January 2017, Keybridge announced an intention to undertake an on-market buy-back of up to 440,104 CRPNs (being ~10% of 4,401,047 total notes on issue) on or before 17 January 2018.

No shares or CRPNs have been bought-back during the year and as at the date of this report.

REVIEW OF OPERATIONS

Net Assets Weightings

A summary of Keybridge's net asset weighting (by value and as a percentage of net assets) is:

	30 June 2017 $'m	30 June 2017 % Net Assets	31 December 2016 $'m	31 December 2016 % Net Assets	30 June 2016 $'m	30 June 2016 % Net Assets
Cash	1.414	6%	2.060	7%	1.665	6%
Investment in Associated entity	2.584	11%	2.859	9%	2.662	9%
Other Listed Securities	11.501	49%	12.612	41%	13.091	44%
Managed Funds	0.232	1%	0.285	1%	0.004	<1%
Loan Receivables:						
• Private Equity	0.511	2%	6.917	22%	6.740	23%
• Infrastructure	6.432	27%	6.074	20%	6.319	21%
• Insurance	3.250	14%	3.142	10%	3.278	11%
• Property	0.885	4%	0.885	3%	0.885	3%
• Other	0.757	3%	0.661	2%	-	-
Other Assets	0.633	2%	0.518	2%	0.364	1%
Convertible Redeemable Promissory Notes	(4.141)	(17%)	(4.260)	(14%)	(4.203)	(14%)
Provision for tax	-	-%	-	-%	-	-%
Other Liabilities	(0.360)	(2%)	(0.770)	(3%)	(1.067)	(4%)
Net Assets	**23.698**	100%	**30.983**	100%	**29.738**	100%

5 Issued on 10 December 2014 (refer KBC ASX Announcement dated 19 December 2014: Appendix 3B and Further Detail Regarding Issuance of Loan Funded Shares) after receipt of shareholder approval at an annual general meeting held on 28 November 2014 (refer KBC Notice of AGM released on ASX on 30 October 2014 and KBC ASX announcement dated 1 December 2014: Results of AGM).

6 Keybridge issued Convertible Redeemable Promissory Notes on 30 June 2015 (refer KBC ASX Announcement dated 18 June 2015: Appendix 3B) after receipt of shareholder approval on 28 November 2014 (refer KBC Notice of AGM released on ASX on 30 October 2014 and KBC ASX announcement dated 1 December 2014: Results of AGM). The notes have a face value of $1.00, pays interest at 7% pa and matures on 31 July 2020 (unless redeemed or bought-back by Keybridge earlier. Further details are in Note 9 of the accompanying financial statements and in the CRPN Prospectus (dated 17 June 2015) and ATO Class Ruling CR 2015/54.

DIRECTORS' REPORT

Currency Exposure

A summary of Keybridge's exposure to foreign currencies (based on net assets held) is:

% of Net Assets	30 June 2017	31 December 2016	30 June 2016
Australian Dollars	54%	46%	43%
Euros	29%	21%	23%
US Dollars	2%	22%	23%
New Zealand Dollars	15%	11%	11%

Major Investment Holdings

A summary of Keybridge's major investment holdings (by value and as a percentage of net assets) is:

Security	ASX Code	Industry Sector	30 June 2017 $'m	30 June 2017 % Net Assets	31 December 2016 $'m	31 December 2016 % Net Assets	30 June 2016 $'m	30 June 2016 % Net Assets
Molopo Energy Limited	MPO	Energy	7.204	30%	7.155	23%	5.752	19%
PTB Group Limited	PTB	Capital goods	2.947	12%	3.837	12%	3.991	13%
HHY Fund	HHY	Financials	2.584	11%	2.859	9%	2.662	9%
Metgasco Limited	MEL	Energy	0.928	4%	1.044	3%	1.209	4%
Copper Strike Limited	CSE	Materials	0.312	1%	0.430	1%	1.971	7%
Other managed funds	-	-	0.232	1%	0.285	1%	0.004	<1%
Other listed securities	-	-	0.110	<1%	0.146	<1%	0.168	1%
Other unlisted securities	-	-	0.103	<1%	-	-	-	

Major Loan Receivable Holdings

A summary of Keybridge's major loan receivable holdings is:

Loan Exposure to Industry Sector	30 June 2017 ($'m) Gross Value	30 June 2017 ($'m) Impairment	30 June 2017 ($'m) Carrying Value	31 December 2016 ($'m) Gross Value	31 December 2016 ($'m) Impairment	31 December 2016 ($'m) Carrying Value	30 June 2016 ($'m) Gross Value	30 June 2016 ($'m) Impairment	30 June 2016 ($'m) Carrying Value
Private Equity	6.507	(5.996)	0.511	6.917	-	6.917	6.740	-	6.740
Infrastructure	12.514	(6.082)	6.432	12.156	(6.082)	6.074	12.400	(6.082)	6.319
Insurance	3.250	-	3.250	3.142	-	3.142	3.279	-	3.279
Property	4.189	(3.304)	0.885	4.189	(3.304)	0.885	4.189	(3.304)	0.885
Other	0.883	(0.126)	0.757	0.743	(0.082)	0.661	0.105	(0.105)	-
Total	**27.343**	**(15.508)**	**11.835**	**27.147**	**(9.468)**	**17.679**	**26.713**	**(9.491)**	**17.222**

Investment in HHY Fund (ASX:HHY)

Keybridge is the largest shareholder in the HHY Fund with 23,963,729 units (28%) held currently (30 June 2017: 22,646,973 units (26.46%); 30 June 2016: 20,646,973 units (~21.62%)), which were acquired at an average cost of $0.112 per unit.

HHY is regarded as an Associated Entity (i.e. an entity in which the Company has a greater than 20% interest and is considered to have 'significant influence' over) and is accounted for under the equity method in the Keybridge consolidated financial statements. Under the equity method, the carrying amount of such investment is cost plus a share of the Associate Entity's net profit or loss (after tax) as provided to the Company by such Associated Entity (refer Note 20 (Investment in Associate Entity – Accounting Policy) of the accompanying financial statements.

As at 30 June 2017, Keybridge's investment in HHY had a carrying value of $0.1141 per unit ($2.584 million); this compares with HHY's last bid price on the ASX of $0.10 per unit ($2.265 million) and HHY's after-tax net tangible asset (**NTA**) backing of $0.1141 per unit ($2.584 million) as at 30 June 2017.

DIRECTORS' REPORT

During the year, HHY units traded on the ASX within a range of $0.092 to $0.13 with a closing price of $0.105 (and $8.986 million market capitalisation) as at 30 June 2017 and a current closing price of $0.10 (as at 30 August 2017).

Aurora Funds Management Limited (**AFML**) is the Responsible Entity of HHY and Keybridge was appointed Investment Manager of HHY on 30 June 2016.

During the year, the Company earned $75,331 investment management fees income in respect of HHY.

HHY is currently predominately invested in listed equities but its investment strategy includes investments in listed and unlisted Australian and international equities, options, convertible securities and other derivative securities.

AFML (as Responsible Entity of the Aurora Global Income Trust (ASX:AIB)) launched a scrip takeover bid for HHY on 29 September 2016, which bid formally opened on 28 November 2016 and is currently scheduled to close on 29 September 2017 (after having been extended a number of times during the year). Further details about the bid are contained in:

- AIB's Bidder's Statement, which was released on the ASX on 18 November 2016;
- HHY's Target Statement, which was released on the ASX on 13 December 2016;
- AIB's First Supplementary Bidder's Statement, which was released on the ASX on 19 January 2017;
- HHY's First Supplementary Target's Statement, which was released on the ASX on 29 June 2017;
- AIB's ASX Announcement dated 14 July 2017: Off-Market Takeover Bid for All Units in the HHY Fund – Notice of Extension of Offer Period.

Based on AIB's latest substantial holder notice lodged on the ASX, AIB has received acceptances under the bid totally 10,423,540 units (representing an interest of 12.18%) (as at 29 May 2017).

Information concerning HHY may be viewed on its website: http://www.aurorafunds.com.au/investment-funds/hastings_high_yield_fund/

HHY's market announcements may also be viewed from the ASX website (www.asx.com.au) under ASX code "HHY".

Investment in Molopo Energy Limited (ASX:MPO)

As at 30 June 2017, Keybridge is the second largest shareholder in Molopo with 49,683,828 shares (19.95%) (30 June 2016: 46,017,543 shares and 18.48%), which were acquired at an average cost of $0.15 per share.

During the year, MPO shares traded on the ASX within a range of $0.115 to $0.175 with a closing (last bid) price of $0.145 (and $36.11 million market capitalisation) as at 26 May 2017 (the day prior to its suspension on the ASX on 29 May 2017). MPO shares resumed trading on ASX on 4 July but was suspended again on 25 July 2017 with a closing price of $0.14 as at 21 July 2017, the date of the last trade on the ASX prior to its suspension.

The Molopo investment generated a $0.899 million unrealised gain for the year (based on the appreciation in the Molopo closing (last bid) share price from $0.125 on 30 June 2016).

Molopo has significant cash reserves ($66.16 million as at 30 June 2017) having disposed of a number of oil and gas exploration/development/production assets in the United States (Texas), Canada (Saskatchewan) and South Africa a number of years ago. Molopo has advised that it continues to assess investment opportunities in the oil and gas sector (in low political and economic risk environments) and manage a series of legal actions in Canada relating to the sale of Molopo's interests in various oil and gas assets in 2011.[7]

MPO has a ~A$0.23 cash backing per share (net of a C$8.4 million (A$8.4 million) provision for legal claims) as at 30 June 2017.[7]

7 Refer MPO's June 2017 Quarterly Report dated and lodged on the ASX on 31 July 2017 and 2016 Annual Report lodged on the ASX on 31 March 2017; based on the following exchange rate: AUD$1.00 = CAD$1.00

DIRECTORS' REPORT

Molopo shares have been suspended from trading on the ASX since 25 July 2017 (at the request of Molopo) pending the release of an announcement on the technical and commercial components of a completed strategic investment transaction.[8] On 22 August 2017, Molopo announced the following matters:

- The details of a US$7 million ($8.75 million[9]) investment to acquire a 50% shareholding in Orient FRC Ltd, which has a 50% working (earn-in) interest in an exploration and development oil and gas lease prospect (covering ~15,000 net acres and expiring on 26 May 2019) in South Florida, USA – refer MPO's ASX announcement dated 22 August 2017: Molopo Acquires Interest in US Oil and Gas Project; and
- Molopo's continued suspension on the ASX due to a failure to demonstrate a level of oil and gas operations sufficient, in the ASX's opinion, to warrant the continued quotation of MPO's shares (with the ASX advising that the above Orient investment does not satisfy the ASX's requirement in this regard) – refer MPO's ASX announcement dated 22 August 2017: Voluntary suspension extension.

Former Keybridge Director, Antony Sormann, was appointed to the Molopo Board on 29 December 2014 (as a Keybridge nominee) but resigned on 1 December 2016 shortly after his resignation from Keybridge (on 13 October 2016). As a major shareholder of Molopo, Keybridge has sought but has not secured (to date) representation on the Board of Molopo.

On 7 July 2017, 3,666,285 shares in MPO were vested in the Commonwealth (on trust for Keybridge) under the declaration and orders of the Takeovers Panel in the matter of Molopo Energy Limited 03R, 04R & 05R.[10,] These shares will be sold by ASIC (via an appointed investment bank or stock broker within 6 months from their engagement) with the proceeds of sale accounted to Keybridge (net of the costs, fees and expenses of the sale and any costs, fees and expenses incurred by ASIC and the Commonwealth (if any)). Keybridge remains the second largest shareholder in MPO with 46,017,543 shares (18.478%)[11]. As these vested 3.67 million MPO shares are held on trust for Keybridge pending sale by ASIC, Keybridge continues to recognise the shares as company assets at the same carrying value per share as its holding of 46 million MPO shares, less an estimate in respect of selling costs.

On 27 July 2017, the unlisted Aurora Fortitude Absolute Return Fund (**AFARF**) announced an intention to make a takeover bid for Molopo for 100% of the shares of Molopo at $0.18 per share, to be satisfied by cash (capped at $5 million in total) and or the equivalent value in AFARF units, which may be redeemed off-market at the prevailing net asset value based redemption price in accordance with AFARF's constitution and fund updates.

Aurora Absolute Return Fund (ASX:ABW) is fully invested in AFARF and Aurora Funds Management Limited (AFML) is the Responsible Entity of both ABW and AFARF.

The proposed bid would be subject to a range of defeating conditions, which are summarised in ABW's ASX announcement dated 27 July 2017: Aurora Fortitude Absolute Return Fund (AFARF) announces cash and/or scrip takeover bid for Molopo Energy Limited (ASX:MPO).

Refer also ABW's ASX announcements dated:

- 27 July 2017: Strategic Investment by Molopo Energy Limited;
- 31 July 2017: Takeover Bid for Molopo Energy Limited Correction;
- 3 August 2017: Aurora Fortitude Absolute Return Fund - Liquidity Management; and
- 24 August 2017: Aurora Fortitude Absolute Return Fund - Molopo Energy Limited Takeover Bid Update.

Information concerning Molopo may be viewed on its website: www.molopoenergy.com.

Molopo's market announcements may also be viewed from the ASX website (www.asx.com.au) under ASX code "MPO".

---

8 Refer MPO's ASX Announcements dated 2 August 2017: Holding Statement – Voluntary Suspension; 27 July 2017: Suspension from Official Quotation; 25 July 2017: Trading Halt

9 Based on the following exchange rate: AUD$1.00 = US$0.80

10 Refer Takeovers Panel Reasons for Decision dated 22 August 2017: Molopo Energy Limited 03R, 04R & 05R [2017] ATP 12; Takeovers Panel Media Release No. TP17/37 dated 10 July 2017: Molopo Energy Limited 03R, 04R & 05R - Orders; Takeovers Panel Media Release No. TP17/34 dated 30 June 2017: Molopo Energy Limited 03R, 04R & 05R – Declaration of Unacceptable Circumstances

11 Refer KBC's ASX Announcement 11 July 2017: Change of Substantial Holder Notice for MPO

DIRECTORS' REPORT

Investment in Metgasco Limited (ASX:MEL)

Keybridge is the second largest shareholder in Metgasco with 24,044,591 shares (6.03%) held currently (30 June 2017: 23,194,591 shares (5.82%); 30 June 2016: 22,382,523 shares and 5.58%), which were acquired at an average cost of 3.26 cents per share (adjusted for the 2.5 cents per share ($0.58 million) return of capital received on 16 November 2016).

Keybridge notes that HHY is also a major shareholder in Metgasco with 19,085,580 shares (4.79%) as at 30 June 2017 (30 June 2016: 18,273,521 shares and 4.56%).

During the year, MEL shares traded on the ASX within a range of 3.2 to 6.4 cents (adjusted for the 2.5 cents return of capital) with a closing price of 4 cents (and $15.94 million market capitalisation) as at 30 June 2017 and a current closing price of 4.2 cents (as at 30 August 2017).

The Metgasco investment generated a $0.248 million unrealised gain for the year.

Metgasco has significant cash reserves ($10.197 million representing a cash backing of ~2.56 cents per share as at 30 June 2017) and a $8 million convertible note issued to Byron Energy Limited (ASX:BYE) secured over Byron's assets (principally located in the Gulf of Mexico) (with quarterly repayments of ~$1 million to commence in October 2017). Metgasco is reviewing opportunities in the oil and gas sector (with the potential to deliver short-term reliable returns, long growth opportunities and an appropriate risk/reward balance), has a farm-in (10% working) interest in Byron's Bivouac Peak Littoral Louisiana Oil & Gas Project and has secured petroleum and gas exploration rights (Authority to Prospect ATP's 2020 and 2021) in the Cooper and Eromanga basins in Queensland.[12] On 14 August 2017, MEL announced that it had participated in a $26.5 million BYE capital raising, subscribing for 27.897 million shares at a total cost of $2.653 million, which will make MEL a substantial shareholder in BYE with 5.77%[13]. The BYE capital raising is subject to BYE shareholder approval expected to be held in September 2017.[14]

Keybridge's Chairman, John Patton, was appointed to the Metgasco Board on 19 September 2016.

Information concerning Metgasco may be viewed on its website: www.metgasco.com.au.

Metgasco's market announcements may also be viewed from the ASX website (www.asx.com.au) under ASX code "MEL".

Investment in PTB Group Limited (ASX:PTB)

As at 30 June 2017, Keybridge was the second largest shareholder in PTB with 6,076,874 shares (10.04%) (30 June 2016: 9,502,664 shares (~19.84%)), which were acquired at an average cost of $0.236 per share.

During the year, Keybridge sold 4,056,316 PTB shares realising a gain on sale of $0.312 million for the year ($1.286 million gain from cost).

The balance of the PTB investment generated a $0.376 million unrealised gain for the year.

During the year, PTB shares traded on the ASX within a range of $0.375 to $0.625 with a closing price of $0.485 (and $29.35 million market capitalisation) as at 30 June 2017.

PTB is a Brisbane-based global aviation parts and services supply organisation with operations in turbine engine repair and overhaul, trading in aircraft airframes, turbine engines and related parts, financing (to customers) and the lease, rental or hire of aircraft and turbine engines to customers.

Former Keybridge Director, Antony Sormann, was appointed to the PTB Board on 2 December 2015 (as a Keybridge nominee) and resigned on 13 October 2016 upon his resignation from Keybridge.

---

12 Refer MEL's June 2017 Quarterly Cashflow Report and Quarterly Activities Report both dated and lodged on ASX on 31 July 2017 and December 2016 Half Year Report lodged on the ASX on 8 March 2017

13 Refer MEL's ASX Announcement dated 14 August 2017: Metgasco Elects to Participate in Byron Energy Equity Issuance

14 Refer BYE's ASX Announcements dated 14 August 2017: Byron Completes A$26.5 Million Equity Raising and 14 August 2017: Capital Raising Presentation

DIRECTORS' REPORT

Information concerning PTB may be viewed on its website: www.pacificturbine.com.au

PTB's market announcements may also be viewed from the ASX website (www.asx.com.au) under ASX code "PTB".

In July 2017, Keybridge sold its remaining shareholding in PTB on-market, realising gross proceeds of $2.95 million and generating a gain on disposal of $1.154 million from historical cost (there was no net gain/loss in respect of the 2017/2018 financial year as the sale price of $0.485 per share was the same as the closing (last bid) price as at 30 June 2017).

Loan Receivables – Infrastructure

In 2007/2008, Keybridge financed the development and construction of the Totana 1.05MWp Solar Photovoltaic Park in the Murcia region in southern Spain (at a cost of ~€9.6 million).

Under Spanish Royal Decree, Spanish energy supplier, Iberdrola, (which has a 25 year (plus two 5 year extensions) purchase off-take arrangement) is required to purchase all electricity produced by Totana at Government mandated feed-in tariff prices plus (since July 2013 under Royal Decree) additional compensation payments (which are intended to provide a reasonable return on operations and capital invested for renewable energy sources and is subject to review every 3 years).

The Totana loan (which currently accrues interest at 7.25% pa) is repayable on maturity on or about December 2038. During the year, Keybridge received €0.215 million (A$0.319 million) in cash loan repayments. In July 2017, Keybridge received €0.27m (A$0.392m) in cash loan repayments.

As at 30 June 2017, the Totana loan was carried at Directors' valuation (net of impairments) of €4.33 million (A$6.432 million) (30 June 2016: €4.23 million (A$6.319 million)) against the accrued gross value of €8.40 million (A$12.486 million) (30 June 2016: €8.31 million (A$12.400 million)).

Loan Receivables - Private Equity

Keybridge holds a US$4.3 million limited recourse promissory note (**Note**) issued by RPE I Investor LLC (**RPE Investor**) (a subsidiary of Republic Financial Corporation (**RPC**)), a US private investment company) secured (via collateral pledged) over RPE Investor's ~50% Limited Partners' (contributed capital) interest in the Republic Private Equity I Limited Liability Limited Partnership, a private equity fund (managed by a related party to RPC) with investments in US-based manufacturing/distribution businesses (**RPE Fund**).

By way of background, the Note arose out of a restructure in April 2013 where, as part of arrangements to exit legacy aviation investments[15], Keybridge restructured its participation in a US closed-end private equity fund which was managed by RPC, which also managed the aviation investment.[16]

Under the April 2013 restructure:

- Keybridge received US$29.7 million cash from the sale of the Company's remaining aircraft investments; and
- Keybridge sold its private equity asset to RPC for US$4.3 million fully funded by a Keybridge loan with recourse only to the asset sold (ie. the Note) - no cash was derived from this transaction.

Keybridge notes that none of the current Board members were involved in the above RPC related restructure.

The principal and accrued interest (at 14.5% pa) under the Note is repayable on maturity on 29 December 2017 (which is subject to extension/re-finance by mutual agreement of the parties).

15 Made whilst Keybridge was known as Mariner Bridge Investments Limited in 2006/2007 - refer 2007 Annual Report released on 24 October 2007

16 Refer KBC's ASX Announcements dated 1 May 2013: Sale of Aircraft and Full Repayment of Corporate Debt Facility and 10 April 2013: Quarterly Update – January to March 2013

DIRECTORS' REPORT

Keybridge suspended recognition of accrued interest on the Note in March 2014 – the loan balance (principal and accrued interest) at this time was US$5.005 million, which had been recognised as the carrying value up to the most recently lodged 31 December 2016 half year report.

On 24 August 2017, Keybridge received the RPE Fund's 30 June 2017 Quarterly Report (unaudited) (**June 2017 RPE Accounts**) which disclosed a significant reduction in the RPE Fund's gross asset position as well as notice from an RPC Executive (**Republic**) advising that it is 'highly unlikely that the Note will be satisfied on or before its scheduled maturity' (on 29 December 2017) and proposing a 3-year extension of the Note term or a 'buy-out' (retirement) of the Note for US$0.394 million.

In light of these matters, the Board reduced the carrying value of the Note (receivable) to US$0.394 million (A$0.511 million) as at 30 June 2017, which also resulted in Keybridge recognising a US$4.611 million (A$5.996 million) provision for impairment expense for the financial year ending 30 June 2017. This was advised in KBC's ASX announcement dated 25 August 2017: Update – Private Equity Loan Receivable.

Further particulars received from the RPE Fund and Republic in this regard are summarised below:

- In the June 2017 RPE Accounts, the RPE Fund's net assets had reduced to US$2.156 million principally as a result of investments in two businesses being impaired to a total of US$6.336 million - this value represented only one of the businesses (**Business A**), which was impaired from US$11.887 million, with the other business impaired from US$3.649 million to nil (compared with the RPE Fund's Quarterly Report for March 2017);
- The RPE Fund advised that based on an illustrative realisation of Business A at its gross carrying value (at the enterprise level) and after deducting costs/fees associated with the sale, repayment of liabilities (at the enterprise level), payment of applicable taxes (at the RPE Investor ownership level) and repayment of creditors and liabilities (at the RPE Fund level), only US$0.899 million would be available for distribution (to the Limited Partners as a whole);
- RPC proposes a 'buy-out' of all the Limited Partners' interest in the RPE Fund for a total consideration of US$0.899 million, with RPE Investor's allocation being US$0.394 million (**Buy-Out**);
- If an actual sale of Business A was able to be completed at a higher price, the Buy-Out price would be increased accordingly;
- The Buy-Out is subject to acceptance by at least 80% of the Limited Partners with completion expected prior to 31 October 2017;
- If the Buy-Out proceeds, those Limited Partners who did not agree to the same will receive a pro-rata distribution of RPE Fund's equity interests in the 2 businesses as well as a pro-rata assumption of RPE Fund's liabilities;
- If the Buy-Out does not proceed, the current RPE Fund structure will 'likely stay in place';
- The Limited Partners' position in respect of the Buy-Out is sought by 15 September 2017;
- As Keybridge has a collateral/security interest in the RPE Fund's Limited Partner's interest in the RPE Fund, Keybridge's position on the Buy-Out has also been sought;
- Republic has also sought Keybridge's position in relation to whether to:
  - (a) Extend the Note term by 3 years to mature on 29 December 2020; or
  - (b) Accept RPE Fund's offer to retire the Note debt for US$0.394 million (in line with the Buy-Out allocation amount to RPE Investor as above).

Keybridge is reviewing Republic's correspondence and its position under the terms of the Note and has sought further information from Republic to confirm, amongst other matters, the asset valuation expectations and liabilities exposure outlined by Republic.

DIRECTORS' REPORT

Loan Receivables and Equity – Insurance

In September 2014, Keybridge invested NZ$3.8 million (A$3.4 million) (via NZ$0.109 million (10.13%) equity and NZ$3.691 million notes) into Foundation Life to finance Foundation's acquisition of Tower Limited's life insurance business in New Zealand.

Interest of 9% pa is payable under the note, which is redeemable by noteholders in 10 years (May 2024) or by Foundation (from time to time).

Keybridge received a NZ$0.109 million equity (A$0.105 million) return of capital distribution in March 2015, which (for accounting purposes) reduced the carrying value of this 10.13% equity component to nil. With effect as at 30 June 2017, the Directors have revalued this equity investment at cost of NZ$0.109 million equity (A$0.103 million), which is supported by the underlying value of Foundation Life.

During the year, Keybridge received NZ$0.289 million (A$0.275 million) interest income and NZ$24k (A$23k) redemption proceeds from Foundation.

As at 30 June 2017, the loan balance was NZ$3.412 million (A$3.250 million) (30 June 2016: NZ$3.426 million and A$3.279 million) and Keybridge retains its 10.13% equity interest in Foundation Life valued at A$0.103 million.

Loan Receivables – Property

In September 2014, Keybridge took direct control of loans that were held in a fund (where Keybridge was the remaining sole lender) which invested in first ranking mortgage loans over commercial properties. One property was sold and the loan ($1.2 million) repaid in October 2015.

Keybridge has registered mortgages over strata title lots comprising Conference Facilities at a Hotel located in Manly, Sydney as security for the remaining loans, which are owed by private companies (which are in liquidation).

As at 30 June 2017, the loan was carried at Directors' valuation (net of impairments) of $0.885 million (30 June 2016: $0.885 million) – this was based on an independent valuation received in respect of the lots in May 2016.

Other Loans and Receivables

Keybridge has a number of legacy loan receivables due from various Australian and overseas entities (some of which are in liquidation or another form administration). These loans have previously been impaired to nil and are not generally reflected in the Loans and Receivables table (above) and in Note 10 (Loans and Receivables) of the accompanying financial statements.

As such, Keybridge has not historically commented on these Loans and Receivables unless there has been a material development such as the receipt of a material distribution/repayment or a settlement of a dispute with relevant parties.

Keybridge continues to manage and monitor these Loans and Receivables as potential 'assets' in this regard.

DIRECTORS' REPORT

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of Keybridge that occurred during the financial year not otherwise disclosed in this Directors' Report or the financial statements.

FUTURE DEVELOPMENTS

Keybridge intends to continue its investment activities in future years. The results of these investment activities depend upon the performance of the underlying investee entities/loan counterparties and securities in which Keybridge invests. The investments' performances depend on many economic factors and also industry and investee/counterparty-specific issues. In the opinion of the Directors, it is not possible or appropriate to make a prediction on the future course of markets, the performance of Keybridge's investments or forecast the likely results of Keybridge's activities.

ENVIRONMENTAL REGULATION

Keybridge is not subject to any particular or significant environmental regulation under Australian Commonwealth or State legislation.

DIRECTORS

Board Changes

At a general meeting held on 29 July 2016, shareholders approved[17]:

- the appointment of William Johnson and Simon Cato as Directors; and
- the removal of Andrew Moffat (B.Bus (*Curtin*)) (who was then Chairman) (appointed Director on 7 March 2014) as a Director.

On 10 August 2016:

- William (Bill) Brown (B.Ec, ANU, LLB (*Melbourne*)) (who was then Chairman) (appointed Director 9 October 2012) resigned as a Director[18]; and
- John Patton was appointed a Director.[19]

On 13 October 2016[20]:

- John Patton was appointed Chairman and also a Company Executive on material terms outlined in the Company's ASX announcement dated 13 October 2016: Board and Corporate Changes;
- Jeremy Kriewaldt was appointed a Director; and
- Executive Director, Antony Sormann (LLB, B.Ec (*Monash*)) (appointed 6 March 2014), resigned as a Director.

The experience, qualifications and special responsibilities of former Directors, Messrs Andrew Moffat, William (Bill) Brown and Anthony Sormann are also set out in the Company's 2016 Annual Report (released on ASX on 3 October 2016).

---

17 Refer KBC's Notice of General Meeting dated 7 June 2016 and ASX announcement dated 29 July 2016: Results of General Meeting and Board Changed

18 Refer KBC's ASX announcement dated 10 August 2016: Resignation of Director

19 Refer KBC's ASX announcement dated 10 August 2016: Board Changes

20 Refer KBC's ASX announcement dated 13 October 2016: Board and Corporate Changes

DIRECTORS' REPORT

Current Directors

JOHN D. PATTON	**Chairman**
Appointed	10 August 2016; Chairman since 13 October 2016; re-elected at AGM on 23 November 2016
Qualifications	B.Ec (*Monash*), CA (ICAA), F Fin
Experience	John Patton is a senior executive with extensive finance experience in the corporate and professional services sectors. Mr Patton was previously a Partner with Ernst & Young in the Transactions Advisory Services division. With over 25 years of professional services and industry experience, Mr Patton has extensive corporate finance credentials, having been involved in over 150 corporate transactions, including mergers & acquisitions (lead advisory), structuring, debt and equity raisings, IPO's, management buy-outs, valuations (including Independent Expert Reports), due diligence, financial modelling, restructuring and corporate advisory. In addition, Mr Patton held the positions of CFO, acting CEO and alternate director of the Epic Energy group, a major infrastructure owner of high-pressure gas transmission pipelines in Australia. This business was the core asset within the ASX-listed Hastings Diversified Utilities Fund. As a result, Mr Patton has solid hands-on operational experience with, and a strong appreciation of, the regulatory, commercial, financial, capital structure and external stakeholder management issues and requirements associated with major assets within an ASX-listed environment in Australia.
Relevant interest in securities	150,000 – KBC shares[21] 4,166 – KBCPA Convertible Redeemable Preference Notes
Special Responsibilities	Member of Investment Committee Member of Audit, Finance and Risk Committee
Other current directorships in listed entities	Non-Executive Director of Metgasco Limited (ASX:MEL) (appointed 19 September 2016)
Former directorships in other listed entities in past 3 years	None

WILLIAM M. JOHNSON	**Non-Executive Director**
Appointed	29 July 2016 (elected by shareholders at a general meeting)
Qualifications	MA (*Oxon*), MBA, MAICD
Experience	William Johnson holds a Masters degree in engineering science from Oxford University, England and an MBA from Victoria University, New Zealand. His 30 year business career spans multiple industries and countries, with executive/CEO experience in oil and gas exploration (North Africa and Australia), mineral exploration and investment (Australia, Peru, Chile, Saudi Arabia, Oman and Indonesia), telecommunications infrastructure investment (New Zealand, India, Thailand and Malaysia) and information technology and Internet ventures (New Zealand, Philippines and Australia). Mr Johnson is a highly experienced public company director and has considerable depth of experience in business strategy, investment analysis, finance and execution.
Relevant interest in securities	None
Special Responsibilities	Member of Investment Committee Member of Remuneration and Nomination Committee
Other current directorships in listed entities	(1) Managing Director of Strike Resources Limited (ASX:SRK) (since 25 March 2013; Director since 14 July 2006). (2) Executive Director of Bentley Capital Limited (ASX:BEL) (since 1 January 2016; Director since 13 March 2009)
Former directorships in other listed entities in past 3 years	None

21 Refer John Patton's Initial Director's Interest Notice dated 10 August 2016

DIRECTORS' REPORT

SIMON K. CATO	**Non-Executive Director**
Appointed	29 July 2016 (elected by shareholders at a general meeting)
Qualifications	B.A. (*Sydney*)
Experience	Simon Cato has had over 30 years capital markets experience in broking, regulatory roles and as a director of listed companies. He was initially employed by the ASX in Sydney and then in Perth. From 1991 until 2006 he was an executive director and/or responsible executive of three stockbroking firms and in those roles he has been involved in many aspects of broking including management issues such as credit control and reporting to regulatory bodies in the securities industry. As a broker he was also involved in the underwriting of a number of IPOs and has been through the process of IPO listing in the dual role of broker and director. Currently he holds a number of non-executive roles with other listed companies in Australia.
Relevant interest in securities	None
Special Responsibilities	Chairman of Audit, Finance and Risk Committee Member of Remuneration and Nomination Committee
Other current directorships in listed entities	(1) Non-Executive Chairman of Advanced Share Registry Limited (ASX:ASW) (since 22 August 2007). (2) Non-Executive Director of Greenland Minerals and Energy Limited (ASX:GGG) (since 21 February 2006). (3) Non-Executive Director of Bentley Capital Limited (ASX:BEL) (since 7 January 2015; also February 2004 to April 2010).
Former directorships in other listed entities in past 3 years	None

JEREMY M. KRIEWALDT	**Non-Executive Director**
Appointed	13 October 2016; re-elected at AGM on 23 November 2016
Qualifications	BA (Hons), LLM (Hons) (*Sydney*)
Experience	Jeremy Kriewaldt is a Partner at boutique corporate, finance and taxation firm Atanaskovic Hartnell. Mr Kriewaldt specialises in corporate and commercial law, including mergers and acquisitions, capital raisings and foreign investment, financial product development and securities markets. Mr Kriewaldt was previously a partner of Blake Dawson Waldron (now Ashurst) (1990 - 2003) and served as Counsel of the Takeovers Panel in 2003 - 2004. Further details concerning Mr Kriewaldt's experience are also available on the Atanaskovic Hartnell website: http://www.ah.com.au/default.aspx?page=18
Relevant interest in securities	5,000 – KBC shares[22] 1,138 – KBCPA Convertible Redeemable Preference Notes
Special Responsibilities	Chairman of Remuneration and Nomination Committee Member of Audit, Finance and Risk Committee
Other current directorships in listed entities	None
Former directorships in other listed entities in past 3 years	None

At the Company's 2016 Annual General Meeting (**AGM**)[23]:

- John Patton retired as a Director (having been appointed by the Board to fill a casual vacancy) pursuant to the Company's Constitution and was re-elected a Director at that AGM; and
- Jeremy Kriewaldt retired as a Director (having been appointed by the Board to fill a casual vacancy) pursuant to the Company's Constitution and was re-elected a Director at that AGM.

22 Refer Jeremy Kriewaldt's Initial Director's Interest Notice dated 13 October 2016

23 Refer KBC's Notice of AGM released on ASX on 21 October 2016 and ASX announcement dated 23 November 2016: Results of Annual General Meeting

DIRECTORS' REPORT

COMPANY SECRETARY

Corporate Changes

On 13 October 2016[24], Victor Ho was appointed Co-Company Secretary.

On 16 December 2016[25],

- Ian Pamensky (appointed 29 February 2016) resigned as Company Secretary and CFO;
- The Company and its Australian subsidiaries changed their Registered Office and Principal Place of Business address from Sydney to Melbourne.

VICTOR P. H. HO	**Company Secretary**
Appointed	13 October 2016
Qualifications	BCom, LLB (*Western Australia*), CTA
Experience	Victor Ho has been in Executive roles with a number of ASX-listed companies across the investments, resources and technology sectors over the past 17+ years. Mr Ho is a Chartered Tax Adviser (CTA) and previously had 9 years' experience in the taxation profession with the Australian Tax Office (ATO) and in a specialist tax law firm. Mr Ho has been actively involved in the investment management of listed investment companies (as an Executive Director and/or a member of the Investment Committee), the structuring and execution of a number of corporate, M&A and international joint venture (in South America, Indonesia and the Middle East) transactions, capital raisings and capital management initiatives and has extensive experience in public company administration, corporations' law and stock exchange compliance and investor/shareholder relations.
Relevant interest in securities	None
Other current positions in listed entities	Executive Director and Company Secretary of: (1) Orion Equities Limited (ASX:OEQ) (Secretary since 2 August 2000 and Director since 4 July 2003). (2) Queste Communications Ltd (ASX:QUE) (Secretary since 30 August 2000 and Director since 3 April 2013). (3) Strike Resources Limited (ASX:SRK) (Director since 24 January 2014 and Company Secretary since 1 October 2015). Company Secretary of Bentley Capital Limited (ASX:BEL) (since 5 February 2004).
Former position in other listed entities in past 3 years	Company Secretary of Alara Resources Limited (ASX:AUQ) (4 April 2007 to 31 August 2015).

24 Refer KBC's ASX announcement dated 13 October 2016: Board and Corporate Changes

25 Refer KBC's ASX announcement dated 16 December 2016: Corporate Changes

DIRECTORS' REPORT

DIRECTORS' MEETINGS

The following table sets out the numbers of meetings of the Company's Directors held during the year (excluding Directors' circulatory resolutions) and the numbers of meetings attended by each Director of the Company:

Name of Director	Date Appointed / Ceased	Board		Audit, Risk and Finance Committee		Remuneration and Nomination Committee	
		Attended	Max. Possible Meetings	Attended	Max. Possible Meetings	Attended	Max. Possible Meetings
John Patton	Appointed 10 August 2016[(a)]	9[(b)]	9[(c)]	1	1	-	-
William Johnson	Elected 29 July 2016	14[(b)]	14	-	-	-	-
Simon Cato	Elected 29 July 2016	14[(b)]	14	1	1	-	-
Jeremy Kriewaldt	Appointed 13 October 2016[(a)]	10	10	1	1	-	-
Antony Sormann	Resigned 13 October 2016	7[(b)]	7	-	-	-	-
William (Bill) Brown	Resigned 10 August 2016	3	3	-	-	-	-
Andrew Moffat	Removed 29 July 2016	3	3	-	-	-	-

Notes:

(a) Re-elected as Director at the Company's AGM held on 23 November 2016

(b) One scheduled ARFC meeting was conducted as a full Board meeting as the ARFC had not yet been re-composed following recent Board transitions

(c) John Patton did not attend 4 Board meetings during the year due to a matter of conflict/exclusion

Audit, Risk and Finance Committee (ARFC)

The current composition of the ARFC is Simon Cato (as Chairman), Jeremy Kriewaldt and John Patton.

Former members of the ARFC during the year were:

- Andrew Moffat - until his removal as a Director on 29 July 2016; and
- William (Bill) Brown (as Chairman) - until his resignation as a Director on 10 August 2016.

The ARFC has a formal charter to prescribe its objectives, responsibilities (in the areas of external financial reporting, risk management and control, external audit, code of conduct, insurances, complaints handling and related party transactions), composition, access and other administrative matters.

A copy of the ARFC Charter may be downloaded from the Company's website: http://keybridge.com.au/corporate_governance.php

Remuneration and Nomination Committee (RNC)

The current composition of the RNC is Jeremy Kriewaldt (as Chairman), Simon Cato and William Johnson.

Former members of the RNC during the year were:

- Andrew Moffat - until his removal as a Director on 29 July 2016; and
- William (Bill) Brown - until his resignation as a Director on 10 August 2016.

A copy of the RNC Charter may also be downloaded from the Company's website.

REMUNERATION REPORT

This Remuneration Report details the nature and amount of remuneration for each Director and Company Executive (being a company secretary or senior manager) (**Key Management Personnel)** of the Company**.**

The information provided under headings (1) to (8) below has been audited for compliance with section 300A of the *Corporations Act 2001 (Cth)* as required under section 308(3C).

(1) Key Management Personnel (KMP)

Name	Position	Tenure
John Patton	Chairman and Company Executive	Appointed Director on 10 August 2016; appointed Chairman on 13 October 2016; re-elected at AGM on 23 November 2016
William Johnson	Non-Executive Director	Elected at general meeting on 29 July 2016
Simon Cato	Non-Executive Director	Elected at general meeting on 29 July 2016
Jeremy Kriewaldt	Non-Executive Director	Appointed 13 October 2016; re-elected at AGM on 23 November 2016
Antony Sormann	Managing Director	Resigned 13 October 2016; appointed acting Managing Director 18 December 2015; appointed Director 6 March 2014
William (Bill) Brown	Chairman/Non-Executive Director	Resigned 10 August 2016; appointed Chairman on 29 July 2016; appointed Director on 9 October 2012
Andrew Moffat	Chairman	Removed at general meeting on 29 July 2016; appointed Director on 7 March 2014
Victor Ho	Company Secretary	Appointed 13 October 2016
Ian Pamensky	Company Secretary and CFO	Resigned 16 December 2016; appointed 29 February 2016

(2) Remuneration Policy

The Board (with guidance from the Remuneration and Nomination Committee) determines the remuneration structure of all Key Management Personnel having regard to Keybridge's strategic objectives, scale and scope of operations and other relevant factors, including experience and qualifications, length of service, market practice (including available data concerning remuneration paid by other listed companies and in particular, companies of comparable size and nature), the frequency of Board meetings, the duties and accountability of Key Management Personnel and the objective of maintaining a balanced Board which has appropriate expertise and experience, at a reasonable cost to the Company.

The Remuneration and Nomination Committee (RNC): The RNC has a formal charter to prescribe its objectives, the Company's remuneration and nomination policies and practices, responsibilities (in the areas of executive, senior management and non-executive director remuneration, recruitment and termination, policy and procedure for appointing new directors, performance and education of directors), composition, access and other administrative matters. The objectives of the RNC include assisting the Board to adopt and implement a remuneration system that has coherent remuneration policies and practices to attract and retain executives and directors who will preserve value for shareholders and that fairly and responsibly rewards executives having regard to the performance of Keybridge, the performance of the executives and the general pay environment. The RNC's key responsibilities in relation to remuneration include:

- reviewing, approving and recommending to the board for adoption executive remuneration and incentive policies and practices;
- annually considering, approving and recommending to the board each executive director's total remuneration (including base pay, incentive awards, equity awards, retirement rights and terms of engagement) having regard to executive remuneration and incentive policies
- reviewing and approving, on the recommendation of the managing director, the total remuneration (including incentive awards, equity awards, retirement and termination rights), terms of engagement and changes to the total remuneration and terms of employment of direct reports to the managing director and other senior executives;
- recommending to the board for approval changes to the remuneration or terms of engagement of executive directors before implementation;

REMUNERATION REPORT

- reviewing, approving and recommending to the board for adoption the design of any executive incentive/equity based plans, the total proposed payments from any executive incentive/equity based plans, the proposed award to each executive under the rules of any plan and the performance hurdles for any equity based plan;
- reviewing the remuneration of non-executive directors for serving on the board or any committee (both individually and in total) and recommending to the board the remuneration and retirement policies for non-executive directors having regard to market trends and shareholder interests;
- annually reviewing the performance of the managing director and executive directors; and
- establishing processes for evaluating (and annually evaluating) the performance of the board, both collectively and individually.

A copy of the RNC Charter may also be downloaded from the Company's website:
http://keybridge.com.au/corporate_governance.php

Corporate Governance Principles: The Company's Corporate Governance Statement (**CGS**) also addresses matters pertaining to the Board, Senior Management and Remuneration. The latest version of the CGS may be downloaded from the Company's website:
http://keybridge.com.au/corporate_governance.php

Fixed Cash Short-term Employment Benefits: The Key Management Personnel of the Company are paid a fixed amount per annum plus applicable employer superannuation contributions. The Non-Executive Directors of the Company are paid a maximum aggregate base remuneration of $525,000[26] per annum inclusive of employer superannuation contributions where applicable, to be divided as the Board determines appropriate.

The Board has determined the following fixed cash remuneration for current Key Management Personnel during the year as follows:

Executive Director

(1) Mr John Patton (Chairman and Company Executive) – a base salary of $175,000 per annum plus employer superannuation contributions; and

Non-Executive Directors

(2) Mr Simon Cato - a base fee of $60,000 per annum plus employer superannuation contributions;

(3) Mr William Johnson - a base fee of $60,000 per annum plus employer superannuation contributions.

(4) Mr Jeremy Kriewaldt - a base fee of $60,000 per annum plus employer superannuation contributions.

Company Executive/Senior Manager

(5) Mr Victor Ho (Company Secretary) - a base fee of $150,000 per annum (excluding GST).

Special Exertions and Reimbursements: Pursuant to the Company's Constitution, each Director is also entitled to receive:

(a) Payment for reimbursement of all travelling and other expenses incurred by a Director in attending to the Company's affairs, including attending to meetings of the Company and the Board or Committees; and

(b) Payment for the performance of extra services or the making of special exertions for the benefit of the Company (with the concurrence of the Board).

Short-Term Benefits: The Company does not have any short-term incentive (**STI**) cash bonus schemes (or equivalent) in place for Key Management Personnel.

Long-Term Benefits: The Company does not have any long-term incentive (**LTI**) cash bonus schemes (or equivalent) in place for Key Management Personnel.

---

26 As approved by shareholders at the Annual General Meeting held on 28 November 2007; refer KBC's ASX announcement dated 24 October 2007: Notice of Annual General Meeting and KBC's ASX announcement dated 28 November 2007: Results of Annual General Meeting

REMUNERATION REPORT

Equity-Based Benefits: Save for the Executive Share Plan (**ESP**) outlined below, the Company does not presently have any equity (shares or options) based remuneration arrangements for Key Management Personnel pursuant to any executive or employee share or option plan or otherwise.

Post-Employment Benefits: The Company does not presently provide retirement benefits to Key Management Personnel. Other than early termination benefits disclosed in 'Employment Agreement' below, Key Management Personnel also have no right to termination payments save for payment of accrued unused annual and long service leave (where applicable) (these accrued employee entitlements are not applicable in respect of Non-Executive Directors). The Company notes that shareholder approval is required where a Company proposes to make a "termination payment" (for example, a payment in lieu of notice, a payment for a post-employment restraint and payments made as a result of the automatic or accelerated vesting of share based payments) in excess of one year's "base salary" (defined as the average base salary over the previous 3 years) to a director or any person who holds a managerial or executive office.

Performance-Related Benefits and Financial Performance of Company: The current remuneration of Key Management Personnel is fixed, is not dependent on the satisfaction of a performance condition and is unrelated to the Company's performance.

In considering the Company's performance and its effects on shareholder wealth, Directors have had regard to the data set out below for the latest financial year and the previous four financial years:

	2017	2016	2015	2014	2013
Profit/(Loss) Before Income Tax ($'000)	(6,446)	2,779	1,140	(2,791)	(8,152)
Profit/(Loss) After Income Tax ($'000)	(6,446)	(2,491)	968	(2,942)	(3,794)
Basic Earnings/(Loss) per share (cents)	(4.06)	(1.42)	0.61	(1.74)	(2.21)
Total Dividends Paid ($'000)	-	795	434	-	-
Dividends Paid (cent per share)	-	0.5	0.25	-	-
Total Capital Returns Paid ($'000)	-	-	4,426	-	-
Capital Returns Paid (cents per share)	-	-	2.78	-	-
VWAP Share Price on ASX for financial year ($)	0.14	0.174	0.184	0.175	0.159
Closing (Last Bid) Share Price on ASX as at 30 June ($)	0.10	0.155	0.175	0.18	0.14

(3) Details of Remuneration of Key Management Personnel

Details of the nature and amount of each element of remuneration of each Key Management Personnel paid or payable by the Company during the financial year are as follows:

2017		Short-term Benefits		Post-Employment Benefits	Other Long-term Benefits	Equity-Based	
Key Management Personnel[(a)]	Performance-related %	Cash salary and fees $	Non-cash benefit $	Superannuation $	Long service leave $	Shares & options $	Total $
Directors:							
John Patton	-	136,105	-	12,930	-	-	149,035
William Johnson	-	55,425	-	5,265	-	-	60,690
Simon Cato	-	55,425	-	5,265	-	-	60,690
Jeremy Kriewaldt	-	43,123	-	4,097	-	-	47,220
Antony Sormann	-	203,490[(b)]	-	9,808	-	14,269	227,567
William (Bill) Brown		22,192	-	2,108	-	-	24,300
Andrew Moffat		29,414	-	-	-	-	29,414
Company Secretary:							
Victor Ho	-	107,661	-	-	-	-	107,661
Ian Pamensky		136,480	-	-	-	-	136,480

REMUNERATION REPORT

2016 Key Management Personnel	Performance-related %	Short-term Benefits Cash salary and fees $	Short-term Benefits Non-cash benefit $	Post-Employment Benefits Superannuation $	Other Long-term Benefits Long service leave $	Equity-Based Shares & options $	Total $
Directors:							
Andrew Moffat	-	100,219	-	-	-	-	100,219
Nicholas Bolton[(c)]	-	185,608	-	9,654	-	99,162	294,424
Antony Sormann[(d)]	-	295,381	-	19,308	-	66,108	380,797
William (Bill) Brown	-	80,000	-	5,700	-	-	85,700
Craig Coleman	-	52,890	-	-	-	-	52,890
Senior Executives:							
Simon Lindsay[(e)]	-	364,858[(f)]	-	19,308	-	-	384,166
John Corr[(g)]	-	193,569[(h)]	-	19,308	-	-	212,877
Company Secretary:							
Adrian Martin[(i)]	-	165,815	-	12,876	-	-	178,691
Ian Pamensky[(j)]	-	87,300	-	-	-	-	87,300

Notes to 2017 and 2016 tables:

(a) Refer (1) above for the dates of tenure of each of the above Key Management Personnel
(b) Includes leave entitlements and termination benefits (totalling $106,375)
(c) Resigned as Managing Director on 17 December 2015
(d) Transitioned from Executive Director to Acting Managing Director on 18 December 2015
(e) Resigned as Managing Director of Aurora Funds Management Limited on 14 June 2016
(f) Includes leave entitlements and termination benefits
(g) Resigned as Chief Investment Officer of Aurora Funds Management Limited on 27 June 2016
(h) Includes leave entitlements and termination benefits
(i) Resigned as Company Secretary and CFO on 29 February 2016
(j) Commenced 8 February 2016; appointed Company Secretary and CFO on 29 February 2016

(4) Executive Share Plan (ESP)

The Company has an ESP which was approved by shareholders at the 2014 Annual General Meeting (**AGM**) held on 28 November 2014[27]. The ESP was developed to serve as the Company's principal vehicle to grant long term incentive awards and form a key element of the Company's total remuneration strategy for directors and selected senior management.

The primary objectives of the ESP are to:

(a) assist with the attraction, motivation and retention of directors and senior management and more closely align the interest of directors and senior management with shareholders by matching rewards with the long-term performance of the Company, and accordingly drive the Company's improved performance;

(b) align the incentives provided to participants with current market practice; and

(c) provide the Company with flexibility to accommodate changes in the Company's circumstances and shifts in regulatory and market practice from time to time.

The ESP involves the Company providing interest-bearing limited-recourse loans to eligible participants to purchase ordinary shares in the capital of the Company. As part of the loan arrangements, the Company will take security over those ordinary shares to secure repayment of the loans. Interest will be charged on the loans at a fixed rate of 6.45% per annum for the term of the loans, capitalised monthly. The term of the loans will be 3 years and 3 months. The interest will be recourse to the participant. The loans may be repaid early in certain circumstances, however participants in the ESP remain liable for the entire amount of interest applicable over the loan term.

Further details about the ESP are set out in the Company's Notice of AGM and Explanatory Statement dated 29 October 2014.

27 Refer KBC's Notice of AGM released on ASX on 30 October 2014 and KBC's ASX announcement dated 1 December 2014: Results of AGM

REMUNERATION REPORT

The Company has issued shares to and entered into loan arrangements with previous Key Management Personnel pursuant to the ESP. Further details are set out in:

- Keybridge's ASX Announcement dated 19 December 2014: Appendix 3B and Further Detail Regarding Issuance of Loan Funded Shares);
- Keybridge's ASX Announcement dated 28 April 2015: Appendix 3B; and
- Note 15 (Share-Based Payments) in the accompanying financial statements.

The Company has not issued shares to and entered into loan arrangements with Key Management Personnel pursuant to the ESP during the financial year.

The number of unlisted ESP shares in the Company held by Key Management Personnel is set below:

Key Management Personnel	Balance at commencement/ 30 June 2016	Granted / Issued	Lapsed / Forfeited /Cancelled	Disposals	Balance at cessation /30 June 2017	Vested During Year	Balance Vested at cessation / 30 June 2017
Directors:							
John Patton	-	-	-	-	-	-	-
William Johnson	-	-	-	-	-	-	-
Simon Cato	-	-	-	-	-	-	-
Jeremy Kriewaldt	-	-	-	-	-	-	-
Antony Sormann	6,000,000	-	-	-	6,000,000	2,000,000	4,000,000
William (Bill) Brown	-	-	-	-	-	-	-
Andrew Moffat	-	-	-	-	-	-	-
Company Secretary:							
Victor Ho	-	-	-	-	-	-	-
Ian Pamensky	-	-	-	-	-	-	-

As a consequence of Antony Sormann's resignation as a Director on 16 October 2016, the status of his 6 million ESP shares and outstanding accompanying limited-recourse ESP loan (comprising $907,333 principal and $139,060 accrued interest to date of resignation) is as follows:

- The principal amount due under the ESP loan (being the limited-recourse component) is cancellable against the cancellation of his (vested and unvested) ESP shares;
- The accrued interest on the loan (up to 16 October 2016) (being the full recourse component) is payable on the repayment date (being generally 31 December 2017, unless the parties agree to an earlier date); and
- The Company intends to seek shareholder approval at the 2017 annual general meeting (or an earlier general meeting, at the Company's discretion) to release Mr Sormann from liability to pay the accrued interest under the ESP loan, pursuant to the Corporations Act.

REMUNERATION REPORT

(5) Formal Terms of Employment/Engagement

Details of the material terms of formal agreements entered by the Company with Key Management Personnel are as follows:

KMP and Position(s) Held	Relevant Date(s)	Base Salary/Fees per annum	Other Terms
John Patton (Company Executive)	22 December 2016 (date of employment agreement) 13 October 2016 (date of commencement)	$175,000 base salary per annum plus employer superannuation contributions (currently 9.5% of base salary) plus additional wages (at an agreed day or hourly rate) in respect of approved/agreed excess hours	• The agreement has no fixed term or fixed rolling terms of service. • Commitment to a minimum 16 hours per week over the course of a 5 day working week (averaged out over the course of a month) plus reasonable additional time required by the Company in order to satisfy Company business or operational requirements. • Standard annual leave (20 days) and personal/sick leave (10 days paid) entitlements. • Three months' notice of termination by the Company and one month's notice of termination by the Company Executive. Immediate termination without notice if Company Executive commits any serious act of misconduct. • Not prohibited from also concurrently acting as a director of any company or providing similar services to any company, save that Board consent will be required if the Company Executive proposes to take up a position of employment or consultancy with Industry competitors of Keybridge.
Victor Ho (Company Secretary)	13 October 2016 (date of consultancy agreement and date of commencement)	$150,000 base retainer fees per annum (excluding GST) plus additional fees (at an agreed day or hourly rate) in respect of approved/agreed excess hours	• The agreement has no fixed term or fixed rolling terms of service. • Commitment to a minimum 16 hours per week over the course of a 5 day working week (averaged out over the course of a month) plus reasonable additional time required by the Company in order to satisfy Company business or operational requirements. • One month's notice of termination by the Company and one month's notice of termination by the Company Executive. Immediate termination without notice if consultant commits any serious act of misconduct. • May be entitled to performance related short and long-term incentive scheme benefits (including cash bonuses) as agreed with the Company from time to time – as at the date of this report, no such scheme has been established. • Not prohibited from also concurrently acting as a director or company secretary of any company or providing similar services to any company, save that Board consent will be required if the Company Executive proposes to take up a position of employment or consultancy with Industry competitors of Keybridge.

The Company does not presently have formal agreements with other Key Management Personnel.

REMUNERATION REPORT

(6) Other Benefits Provided to Key Management Personnel

Save as outlined below, no Key Management Personnel has during or since the end of the financial year, received or become entitled to receive a benefit, other than a remuneration benefit as disclosed above, by reason of a contract made by the Company or a related entity with the Director or with a firm of which he is a member, or with a Company in which he has a substantial interest:

- During the financial year, Keybridge incurred legal expenses totalling $60,147 (excluding GST) with Atanaskovic Hartnell Lawyers (**AH**). Non-Executive Director, Jeremy Kriewaldt (appointed 13 October 2016), is a Partner at AH and provided some of the legal services in this regard. Fees of $30,842 and $29,305 (excluding GST) have been charged by AH before and after Mr Kriewaldt's appointment as a Director, respectively. AH fees are charged by AH and paid by Keybridge on an arm's length commercial basis and Mr Kriewaldt is not involved in Keybridge's decisions concerning engagement of legal services provided by AH.
- On 23 November 2016, the Company entered into an agreement with Aurora Funds Management Limited (**AFML**) for an AFML employee to provide portfolio management services to the Company in respect of the Company's management of the investment portfolio of the HHY Fund (ASX: HHY) (pursuant to an Investment Management Agreement (**IMA**) (dated 30 June 2016) with AFML (as Responsible Entity/Trustee) for the Company to manage the investment portfolio of the HHY Fund). The Company's Chairman, John Patton (appointed a Director on 10 August 2016 and Chairman and Company Executive on 13 October 2016) is also the Managing Director and a beneficial owner of AFML. During the financial year, fees of $12,000 (excluding GST) have been incurred by the Company in this regard. The arrangement was negotiated and agreement reached on an arm's length commercial basis.

(7) Engagement of Remuneration Consultants

The Company has not engaged any remuneration consultants to provide remuneration recommendations in relation to Key Management Personnel during the year. The Board has established a policy for engaging external Key Management Personnel remuneration consultants which includes, inter alia, that the Non-Executive Directors on the RNC be responsible for approving all engagements of and executing contracts to engage remuneration consultants and for receiving remuneration recommendations from remuneration consultants regarding Key Management Personnel. Furthermore, the Company has a policy that remuneration advice provided by remuneration consultants be quarantined from Management where applicable.

(8) Securities in the Company Held by Key Management Personnel

The number of listed ordinary shares (ASX:KBC) in the Company held by Key Management Personnel is set below:

Key Management Personnel	Balance at commencement/ 30 June 2016	Additions	Received as part of remuneration	Disposals	Balance at cessation/ 30 June 2017
Directors:					
John Patton	150,000	-	-	-	150,000
William Johnson	-	-	-	-	-
Simon Cato	-	-	-	-	-
Jeremy Kriewaldt	5,000	-	-	-	5,000
Antony Sormann	1,215,697	-	-	-	1,215,697
William (Bill) Brown	245,000	-	-	-	245,000
Andrew Moffat	4,591,543	-	-	-	4,591,543
Company Secretary:					
Victor Ho	-	-	-	-	-
Ian Pamensky	-	-	-	-	-

REMUNERATION REPORT

The number of Convertible Redeemable Promissory Notes (ASX:KBCPA) in the Company held by Key Management Personnel is set below:

Key Management Personnel	Balance at commencement/ 30 June 2016	Additions	Received as part of remuneration	Disposals	Balance at cessation/ 30 June 2017
Directors:					
John Patton	4,166	-	-	-	4,166
William Johnson	-	-	-	-	-
Simon Cato	-	-	-	-	-
Jeremy Kriewaldt	1,138	-	-	-	1,138
Antony Sormann	33,768	-	-	-	33,768
William (Bill) Brown	6,805	-	-	-	6,805
Andrew Moffat	160,876	-	-	-	160,876
Company Secretary:					
Victor Ho	-	-	-	-	-
Ian Pamensky	-	-	-	-	-

Notes to tables:

(a) Refer (1) above for the dates of tenure of each of the above Key Management Personnel.

(b) The disclosures of security holdings above are in accordance with the accounting standards which require disclosure of shares held directly, indirectly or beneficially by each Key Management person, a close member of the family of that person, or an entity over which either of these persons have, directly or indirectly, control, joint control or significant influence (as defined under Accounting Standard AASB 124 Related Party Disclosures).

(9) Voting and Comments on the Remuneration Report at the 2016 AGM

At the Company's most recent (2016) AGM, a resolution to adopt the prior year (2016) Remuneration Report was put to a vote on a poll and was not carried.[28] This constitutes a "first strike" under the executive remuneration related provisions of the Corporations Act.[29] Comments made on the Remuneration Report were addressed by the Chairman at the AGM.

The Company notes that the current Board members were all elected/appointed Directors after the end of the 2016 financial year and were not involved in the matters outlined in the 2016 Remuneration Report. The current Board has reviewed the Company's remuneration policy and believes that the remuneration structure and practices are appropriate as detailed in this (2017) Remuneration Report.

This concludes the audited Remuneration Report.

28 Refer KBC's ASX announcement dated 23 November 2016: Results of Annual General Meeting

29 The Corporations Act was amended in June 2011 to introduce the so-called "two-strikes" rule - if at least 25% of the votes cast on the adoption of the remuneration report at two consecutive AGM's are against adopting the remuneration report, shareholders will have the opportunity to immediately vote on a "Board Spill Resolution" at the second AGM, as required by section 250V of the Corporations Act. If the Board Spill Resolution is approved, a further meeting of shareholders must be held within 90 days (the **Board Re-election Meeting**). The directors (save for a managing director, where applicable) of a company will cease to hold office prior to the Board Re-election Meeting but are eligible to stand for re-election at the same. Key Management Personnel and their Closely Related Parties" are restricted from voting on the adoption of the remuneration report or the Board Spill Resolution but are not restricted from voting at the Board Re-election Meeting

DIRECTORS' REPORT

DIRECTORS' AND OFFICERS' INSURANCE

The Company insures Directors and Officers against liability they may incur in respect of any wrongful acts or omissions made by them in such capacity (to the extent permitted by the *Corporations Act 2001 (Cth)*) (**D&O Policy**). Details of the amount of the premium paid in respect of the insurance policies are not disclosed as such disclosure is prohibited under the terms of the contract.

DIRECTORS' AND OFFICERS' DEEDS

In addition to the rights of indemnity provided under the Company's Constitution (to the extent permitted by the *Corporations Act 2001 (Cth)*), the Company has also entered into a deed with each of the Directors and the Company Secretary (**Officer**) to regulate certain matters between the Company and each Officer, both during the time the Officer holds office and after the Officer ceases to be an officer of the Company, including the following matters:

(a) The Company's obligation to indemnify an Officer for liabilities or legal costs incurred as an officer of the Company (to the extent permitted by the *Corporations Act 2001 (Cth)*); and

(b) Subject to the terms of the deed and the *Corporations Act 2001 (Cth)*, the Company may advance monies to the Officer to meet any costs or expenses of the Officer incurred in circumstances relating to the indemnities provided under the deed and prior to the outcome of any legal proceedings brought against the Officer.

During the year, the Company agreed to advance up to $400,000 as loan funds in respect of former Managing Director's (Nicholas Bolton[30]) legal costs incurred in circumstances where Mr Bolton's Director's Deed with the Company provides a procedure for the advancement of monies in this regard. As at 30 June 2017, $335,608 has been advanced via payments made to Mr Bolton's lawyers. The Board agreed to advance these funds in accordance with the relevant provision of Mr Bolton's Director's Deed and subject also to various terms and conditions agreed with Mr Bolton, including an initial $400,000 monetary cap (with any increase at the discretion of the Board), that advances would be provided only as payment of bills rendered by Mr Bolton's lawyers in relation to the relevant proceedings, that the Company needed to be satisfied that the amount of each legal bill was reasonable, that the Company would have access to Mr Bolton's lawyers to ensure that it was promptly informed of any material developments in relation to the proceedings and otherwise to enable the Company to assess the likely outcome of those proceedings, that Mr Bolton would be obliged to repay any amounts advanced in various circumstances specified in his Director's Deed including in any situation in which Mr Bolton is not entitled to be indemnified or advanced those costs, and a provision for review of the position once the outcome of the relevant proceeding is known, including the repayment of all or a portion of the advance (as appropriate).

LEGAL PROCEEDINGS ON BEHALF OF COMPANY

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

AUDITORS

The Company changed its Auditor from KPMG to Deloitte Touche Tohmatsu (**Deloitte**), with effect on 4 February 2016, to align the Company's Auditor with its then recently acquired subsidiary, Aurora Funds Management Limited.[31] Shareholders approved Deloitte's re-appointment and continuation as Auditor at the 2016 AGM.[32]

30 Who resigned as Managing Director on 17 December 2015

31 Refer KBC's ASX announcement dated 4 February 2016: Change of Auditor

32 Refer KBC's Notice of AGM released on ASX on 21 October 2016 and ASX announcement dated 23 November 2016: Results of Annual General Meeting

DIRECTORS' REPORT

Details of the amounts paid or payable to the Auditors for audit and non-audit services provided during the financial year are set out below:

Auditor	Audit & Review Fees $'000	Non-Audit Services $'000	Total $'000
Deloitte	289	19	308

The Board is satisfied that the provision of non-audit services by the Auditor during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001 (Cth).* The Board is satisfied that the nature of the non-audit services disclosed above did not compromise the general principles relating to auditor independence as set out in the Institute of Chartered Accountants in Australia and APES 110 Code of Ethics for Professional Accountants: Professional Independence, including reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as advocate for the Company or jointly sharing economic risk and rewards.

Deloitte continues in office in accordance with section 327 of the *Corporations Act 2001 (Cth)*.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001 (Cth)* forms part of this Directors Report and is set out on page 32. This relates to the Audit Report, where the Auditors state that they have issued an independence declaration.

EVENTS SUBSEQUENT TO BALANCE DATE

The Directors are not aware of any matters or circumstances at the date of this Directors' Report, other than those referred to in this Directors' Report (in particular, in the Review of Operations) or the accompanying financial statements or notes thereto (in particular Note 25 (Events occurring after the reporting period)), that have significantly affected or may significantly affect the operations, the results of operations or the state of affairs of the Company in subsequent financial years.

ROUNDING OFF

Keybridge is a company of a kind referred to in ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191 (dated 24 March 2016). In accordance with that instrument, amounts in the Directors' Report and Financial Report have been rounded to the nearest thousand, unless otherwise stated.

Signed for and on behalf of the Directors in accordance with a resolution of the Board,

John Patton
Chairman

Simon Cato
Non-Executive Director and
Chairman of Audit, Finance and Risk Committee

31 August 2017

Deloitte Touche Tohmatsu
ABN 74 490 121 060
Grosvenor Place
225 George Street
Sydney, NSW 2000
Australia

Phone: +61 2 9322 7000
www.deloitte.com.au

The Board of Directors
Keybridge Capital Limited
Suite 614, Level 6
370 St Kilda Road
Melbourne VIC 3000

31 August 2017

Dear Sirs,

Auditor's Independence Declaration to Keybridge Capital Limited

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the Directors of Keybridge Capital Limited.

As lead audit partner for the audit of the financial report of Keybridge Capital Limited for the year ended 30 June 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the audit
- any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Declan O'Callaghan

Declan O'Callaghan
Partner
Chartered Accountants

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 30 June 2017

	Note	2017	2016
Revenue and Income	**2**	**$'000**	**$'000**
Fees		202	121
Unrealised gain on financial assets at fair value through profit or loss		-	639
Gain on revaluation of foreign currency assets		-	53
Unrealised gain on derivative liabilities		62	198
Realised gain on disposal of financial assets at fair value through profit or loss		1,808	378
Share of Associate entity's profit		-	361
Interest revenue		747	992
Dividend revenue		281	516
Other income		268	3,884
Total Revenue and Income		**3,368**	**7,142**
Expenses	**3**		
Share of Associate entity's loss		(299)	-
Unrealised loss on financial assets at fair value through profit or loss		(534)	-
Loss on revaluation of foreign currency assets		(354)	-
Impairment expenses		(6,036)	(376)
Personnel expenses		(646)	(1,488)
Corporate expenses		(1,111)	(1,597)
Administration expenses		(406)	(346)
Other expenses		(120)	(244)
Results from operating activities		**(6,138)**	**3,091**
Finance expenses		(308)	(312)
Profit/(Loss) before Income Tax		**(6,446)**	**2,779**
Income tax benefit/(expense)	**5**	-	-
Profit/(Loss) from continuing operations		**(6,446)**	**2,779**
Loss from discontinued operations	**6**	-	(5,270)
Loss after income tax for the year		**(6,446)**	**(2,491)**
Other Comprehensive Income			
Other Comprehensive Income, net of tax		-	-
Total Comprehensive Loss for the year		**(6,446)**	**(2,491)**
Total Comprehensive Income for the year is attributable to:			
Continuing operations		(6,446)	3,005
Discontinued operations		-	(5,270)
Owners of Keybridge Capital Limited		**(6,446)**	**(2,265)**
Non-controlling interest - Discontinued operations		-	(226)
		(6,446)	**(2,491)**
Basic and diluted earnings/(loss) per share (cents) from continuing operations		(4.06)	1.75
Basic and diluted loss per share (cents) from discontinued operations		-	(3.17)
Basic and diluted loss per share (cents) attributable to the ordinary equity holders of the Company	**7**	**(4.06)**	**(1.42)**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 June 2017

	Note	2017 $'000	2016 $'000
Current Assets			
Cash and cash equivalents	8	1,414	1,665
Financial assets at fair value through profit or loss	9	11,836	13,095
Receivables		407	350
Other asset		121	-
Total Current Assets		**13,778**	**15,110**
Non-Current Assets			
Loans and receivables	10	11,835	17,222
Investment in Associate entity	20	2,584	2,662
Property, plant and equipment		2	14
Deferred tax asset	5	-	-
Total Non-Current Assets		**14,421**	**19,898**
Total Assets		**28,199**	**35,008**
Current Liabilities			
Payables		360	1,050
Financial liabilities at fair value through profit or loss	9	-	17
Total Current Liabilities		**360**	**1,067**
Non-Current Liabilities			
Financial liabilities at fair value through profit or loss	9	4,141	4,203
Deferred tax liability	5	-	-
Total Non-Current Liabilities		**4,141**	**4,203**
Total Liabilities		**4,501**	**5,270**
Net Assets		**23,698**	**29,738**
Equity			
Issued capital	13	253,717	253,717
Reserves	14	3,159	1,813
Accumulated losses		(233,178)	(225,792)
Total Equity		**23,698**	**29,738**

The accompanying notes form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2017

	Issued capital $'000	Reserves: Share-based payments $'000	Reserves: Profits reserve $'000	Accumulated losses $'000	Total $'000
Balance at 1 July 2015	**253,809**	**264**	**571**	**(221,777)**	**32,867**
Profit for the year	-	-	-	2,779	2,779
Loss from discontinued operations	-	-	-	(5,270)	(5,270)
Profits reserve transfer	-	-	1,750	(1,750)	-
Total comprehensive income for the year	**-**	**-**	**1,750**	**(4,241)**	**(2,491)**
Transactions with owners in their capacity as owners:					
Dividends paid	-	-	(795)	-	(795)
Share buy-back	(92)	-	-	-	(92)
Share based payment	-	23	-	-	23
Disposal of subsidiary	-	-	-	226	226
Balance at 30 June 2016	**253,717**	**287**	**1,526**	**(225,792)**	**29,738**
Balance at 1 July 2016	**253,717**	**287**	**1,526**	**(225,792)**	**29,738**
Loss for the year	-	-	-	(6,446)	(6,446)
Profits reserve transfer	-	-	940	(940)	-
Total comprehensive income for the year	**-**	**-**	**940**	**(7,386)**	**(6,446)**
Transactions with owners in their capacity as owners:					
Share-based payment	-	406	-	-	406
Balance at 30 June 2017	**253,717**	**693**	**2,466**	**(233,178)**	**23,698**

The accompanying notes form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 30 June 2017

	Note	2017 $'000	2016 $'000
Cash Flows from Operating Activities			
Fees received		75	1,991
Interest received		289	469
Other income received		1,089	3,885
Payments to suppliers and employees		(3,547)	(7,207)
Realised cash from foreign exchange		-	(420)
CRPN Interest payment		(308)	(332)
Net Cash used in Operating Activities	**8**	**(2,402)**	**(1,614)**
Cash Flows from Investing Activities			
Net proceeds/(payments) from/for financial assets at fair value through profit or loss		2,220	937
Dividends received		2	100
Proceeds from sale/repayment of loans and receivables		372	1,163
Disposal of discontinued operations (net of cash)		-	153
Investment in Associate entity		(240)	-
Proceeds from disposal of plant and equipment		2	-
Net Cash provided by Investing Activities		**2,356**	**2,353**
Cash Flows from Financing Activities			
Share buy-back		-	(92)
Dividends paid		-	(795)
Repayment of loans and borrowings		-	(1,020)
Net Cash used in Financing Activities		**-**	**(1,907)**
Net increase in cash held		(46)	(1,168)
Cash and cash equivalents at beginning of financial year		1,665	2,833
Effect of exchange rate fluctuations on cash held		(204)	-
Cash and Cash Equivalents at the end of period	**8**	**1,415**	**1,665**

The accompanying notes form part of these consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2017

1. ABOUT THIS FINANCIAL REPORT

1.1 Background

This financial report covers the consolidated financial statement of the consolidated entity consisting of Keybridge Capital Limited (the **Company**), its subsidiaries and investments in associates (the **Consolidated Entity** or **Keybridge**). The financial report is presented in the Australian currency.

Keybridge Capital Limited is a company limited by shares incorporated in Australia and whose shares are publicly traded on the Australian Securities Exchange (**ASX**).

These financial statements have been prepared on a streamlined basis where key information is grouped together for ease of understanding and readability. The notes include information which is required to understand the financial statements and is material and relevant to the operations, financial position and performance of the Consolidated Entity.

Information is considered material and relevant if, for example:

(a) the amount in question is significant because of its size or nature;

(b) it is important for understanding the results of the Consolidated Entity;

(c) it helps to explain the impact of significant changes in the Consolidated Entity's business; or

(d) it relates to an aspect of the Consolidated Entity's operations that may be important to its future performance.

The notes to the financial statements are organised into the following sections:

(a) **Key Performance**: Provides a breakdown of the key individual line items in the statement of comprehensive income that is most relevant to understanding performance and shareholder returns for the year:

Notes
- 2 Revenue and Income
- 3 Expenses
- 4 Segment information
- 5 Income tax
- 6 Discontinued operations
- 7 Loss per share

(b) **Financial Risk Managemen**t: Provides information about the Consolidated Entity's exposure and management of various financial risks and explains how these affect the Consolidated Entity's financial position and performance:

Notes
- 8 Cash and cash equivalents
- 9 Financial assets at fair value through profit or loss
- 10 Loans and receivables
- 11 Financial risk management

(c) **Other Assets and Liabilities**: Provides information on other balance sheet assets and liabilities that do not materially affect performance or give rise to material financial risk:

Notes
- 12 Fair value measurement of financial instruments

(d) **Capital Structure:** This section outlines how the Consolidated Entity manages its capital structure and related financing costs (where applicable), as well as capital adequacy and reserves. It also provides details on the dividends paid by the Company:

Notes
- 13 Issued capital
- 14 Reserves
- 15 Share-based payments
- 16 Dividends and CRPN interest payments
- 17 Capital risk management

(e) **Consolidated Entity Structure**: Provides details and disclosures relating to the parent entity of the Consolidated Entity, controlled entities, investments in associates and any acquisitions and/or disposals of businesses in the year. Disclosure on related parties is also provided in the section:

Notes
- 18 Parent entity information
- 19 Investment in controlled entities
- 20 Investment in associate entity
- 21 Related party transactions

(f) **Other:** Provides information on items which require disclosure to comply with Australian Accounting Standards and other regulatory pronouncements however, are not considered significant in understanding the financial performance or position of the Consolidated Entity:

Notes
- 22 Auditors' remuneration
- 23 Loan commitments
- 24 Contingencies
- 25 Events occurring after the reporting period

Significant and other accounting policies

Significant and other accounting policies that summarise the measurement basis used and presentation policies adopted that are relevant to an understanding of the financial statements are provided throughout the notes to the financial statements.

Critical accounting judgement and estimate

Information about the significant areas of estimation, uncertainties and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

Notes
- 5 Income tax
- 6 Discontinued operations
- 9 Financial assets at fair value through profit or loss
- 10 Loans and receivables

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2017

1.2 Basis of Preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (**AASB**), Australia Accounting Interpretations and the *Corporations Act 2001 (Cth)*. The Company is a for-profit entity for the purpose of preparing the financial statements.

Keybridge is of a kind referred to in ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191 dated 24 March 2016 and in accordance with that Corporations Instrument, all financial information presented in Australian Dollars has been rounded to the nearest thousand unless otherwise stated.

Compliance with International Financial Reporting Standards (IFRS)

The consolidated financial statements of the Consolidated Entity comply with International Financial Reporting Standards (**IFRS**) as issued by the International Accounting Standards Board (**IASB**).

Reporting Basis and Financial Statement Presentation

The financial report has been prepared on a going concern basis and is based on historical costs modified by the revaluation of financial assets and financial liabilities for which the fair value basis of accounting has been applied.

The principal accounting policies adopted in the preparation of these financial statements have been consistently applied to all the years presented, unless otherwise stated.

1.3 Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of the Company as at 30 June 2017 and the results of its subsidiaries for the year then ended. The Company and its subsidiaries are referred to in this financial report as Keybridge or the Consolidated Entity.

All inter-company balances and transactions between entities in the Consolidated Entity, including any unrealised profits or losses, have been eliminated on consolidation.

1.4 Comparative Figures

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

1.5 Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST. 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.

1.6 Impairment of Assets

At each reporting date, the Consolidated Entity reviews the carrying values of its tangible and intangible assets (where applicable) 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 its recoverable amount is expensed to the Statement of Profit or Loss and Other Comprehensive Income. Impairment testing is performed annually for goodwill and intangible assets (where applicable) with indefinite lives. Where it is not possible to estimate the recoverable amount of an individual asset, the Consolidated Entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

1.7 New, revised or amending Accounting Standards and Interpretations adopted

The Consolidated Entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the AASB that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not mandatory have not been early adopted.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2017

1.8 Summary of Accounting Standards Issued But Not Yet Effective

The following new Accounting Standards and Interpretations (which have been released but not yet adopted) have been considered and is expected to have limited material impact on the Consolidated Entity's financial statements or the associated notes therein.

AASB reference	Title and Affected Standard(s)	Nature of Change	Application date
AASB 9, and relevant amending standards	Financial Instruments	AASB 9 replaces AASB 139 *Financial Instruments: Recognition and Measurement*. Except for certain trade receivables, an entity initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Debt instruments are subsequently measured at fair value through profit or loss (**FVTPL**), amortised cost, or fair value through other comprehensive income (**FVOCI**), on the basis of their contractual cash flows and the business model under which the debt instruments are held. There is a fair value option (**FVO**) that allows financial assets on initial recognition to be designated as FVTPL if that eliminates or significantly reduces an accounting mismatch. Equity instruments are generally measured at FVTPL. However, entities have an irrevocable option on an instrument-by-instrument basis to present changes in the fair value of non-trading instruments in other comprehensive income (**OCI**) without subsequent reclassification to profit or loss. For financial liabilities designated as FVTPL using the FVO, the amount of change in the fair value of such financial liabilities that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation in OCI of the fair value change in respect of the liability's credit risk would create or enlarge an accounting mismatch in profit or loss. All other AASB 139 classification and measurement requirements for financial liabilities have been carried forward into AASB 9, including the embedded derivative separation rules and the criteria for using the FVO. The incurred credit loss model in AASB 139 has been replaced with an expected credit loss model in AASB 9. The requirements for hedge accounting have been amended to more closely align hedge accounting with risk management, establish a more principle-based approach to hedge accounting and address inconsistencies in the hedge accounting model in AASB 139.	Annual reporting periods beginning on or after 1 January 2018
AASB 2014-10	Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	The amendments clarify that a full gain or loss is recognised when a transfer to an associate or joint venture involves a business as defined in AASB 3 *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. AASB 2015-10 defers the mandatory effective date (application date) of AASB 2014-10 so that the amendments are required to be applied for annual reporting periods beginning on or after 1 January 2018 instead of 1 January 2016.	Annual reporting periods beginning on or after 1 January 2018

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2017

1.8 Summary of Accounting Standards Issued But Not Yet Effective (continued)

AASB reference	Title and Affected Standard(s)	Nature of Change	Application date
AASB 2016-5	Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions	This Standard amends AASB 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for: • The effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments • Share-based payment transactions with a net settlement feature for withholding tax obligations • A modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.	Annual reporting periods beginning on or after 1 January 2018
AASB 15, and relevant amending standards	Revenue from Contracts with Customers	AASB 15 replaces all existing revenue requirements in Australian Accounting Standards (AASB 111 Construction Contracts, AASB 118 Revenue, AASB Interpretation 13 Customer Loyalty Programmes, AASB Interpretation 15 Agreements for the Construction of Real Estate, AASB Interpretation 18 Transfers of Assets from Customers and AASB Interpretation 131 Revenue – Barter Transactions Involving Advertising Services) and applies to all revenue arising from contracts with customers, unless the contracts are in the scope of other standards, such as AASB 117 (or AASB 16 Leases, once applied). The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with the core principle by applying the following steps: • Step 1: Identify the contract(s) with a customer • Step 2: Identify the performance obligations in the contract • Step 3: Determine the transaction price • Step 4: Allocate the transaction price to the performance obligations in the contract • Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation	Annual reporting periods beginning on or after 1 January 2018
AASB 2017-1	Amendments to Australian Accounting Standards – Transfers of Investments Property, Annual Improvements 2014-2016 Cycle and Other Amendments	The amendments clarify certain requirements in: • AASB 1 First-time Adoption of Australian Accounting Standards – deletion of exemptions for first-time adopters and addition of an exemption arising from AASB Interpretation 22 Foreign Currency Transactions and Advance Consideration • AASB 12 Disclosure of Interests in Other Entities – clarification of scope • AASB 128 Investments in Associates and Joint Ventures – measuring an associate or joint venture at fair value • AASB 140 Investment Property – change in use.	Annual reporting periods beginning on or after 1 January 2018
AASB Interpretation 22	Foreign Currency Transactions and Advance Consideration	The Interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.	Annual reporting periods beginning on or after 1 January 2018

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2017

1.8 Summary of Accounting Standards Issued But Not Yet Effective (continued)

AASB reference	Title and Affected Standard(s)	Nature of Change	Application date
AASB 16	Leases	AASB 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under AASB 117 *Leases*. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (eg. personal computers) and short-term leases (ie. leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (ie. the lease liability) and an asset representing the right to use the underlying asset during the lease term (ie. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be required to remeasure the lease liability upon the occurrence of certain events (eg. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting is substantially unchanged from today's accounting under AASB 117. Lessors will continue to classify all leases using the same classification principle as in AASB 117 and distinguish between two types of leases: operating and finance leases.	Annual reporting periods beginning on or after 1 January 2019

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2017

2. REVENUE AND INCOME

The consolidated profit before income tax includes the following items of revenue:	2017 $'000	2016 $'000
Fees		
Investment management fees	181	-
Outside Directors' fees	21	101
Loan establishment fees	-	20
Unrealised gain on financial assets at fair value through profit or loss	-	639
Gain on revaluation of foreign currency assets	-	53
Unrealised gain on derivative liabilities	62	198
Realised gain on disposal of financial assets at fair value through profit or loss	1,808	378
Share of Associate entity's profit	-	361
Interest revenue	747	992
Dividend revenue	281	516
Other income		
Disposal of subsidiary	9	-
Deferred consideration on disposal of subsidiary	135	-
Litigation settlement	80	3,336
Unit trust distributions	43	83
Other income	1	465
	3,368	**7,142**

Accounting policy

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Consolidated Entity and the revenue can be reliably measured. All revenue is stated net of the amount of Goods and Services Tax (**GST**) except where the amount of GST incurred is not recoverable from the Australian Tax Office. The following specific recognition criteria must also be met before revenue is recognised:

(a) Sale of financial assets, goods and other assets

Revenue from the sale of financial assets, goods or other assets is recognised when the Consolidated Entity has passed control of the financial assets, goods or other assets to the buyer.

(b) Fees and interest revenue

Interest revenue is recognised in profit or loss using the effective interest method. The effective interest rate is the rate that discounts the estimated future cash payments and receipts through the expected life of the financial asset to the carrying amount of the financial asset. When calculating the effective interest rate, the Consolidated Entity estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

Where there are uncertainties in relation to the collectability of interest income, the Consolidated Entity will determine whether income is probable. Where it is not probable, the interest is accordingly not accrued.

The Consolidated Entity receives fees for such services as loan extensions or debt facility management. Fees that are integrated in the effective yield of the financial assets are included in the measurement of the effective interest rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2017

2. REVENUE AND INCOME (continued)

Accounting policy (continued)

(c) Dividend revenue

Dividend revenue is recognised when the right to receive a dividend has been established. The Consolidated Entity brings dividend revenue to account on the applicable ex-dividend entitlement date.

(d) Other revenues

Other revenues are recognised on a receipts basis.

3. EXPENSES

	2017 $'000	2016 $'000
The consolidated loss before income tax includes the following items of expenses:		
Share of Associate entity's loss	299	-
Unrealised loss on financial assets at fair value through profit or loss	534	-
Loss on revaluation of foreign currency assets	354	-
Impairment of associate entity	19	-
Impairment of loans and receivables	6,017	376
Personnel expenses		
Directors' fees	546	708
Salaries and wages	83	323
Executive Share Plan	(15)	150
Other	32	307
Corporate expenses		
Professional and consulting fees	564	116
Auditing, accounting and tax services	303	218
Legal fees	244	1,263
Administration expenses	406	346
Other expenses	120	244
	9,506	**4,051**

4. SEGMENT INFORMATION

	Investments			
2017	**Equity**	**Debt**	**Corporate**	**Total**
Segment profit and loss	**$'000**	**$'000**	**$'000**	**$'000**
Revenue and income	2,181	1,118	69	3,368
Expenses	(1,163)	(6,503)	(1,840)	(9,506)
Results from operating activities	1,018	(5,385)	(1,771)	(6,138)
Finance expenses	-	-	(308)	(308)
Profit/(Loss) before Income Tax	1,018	(5,385)	(2,079)	(6,446)
Income tax expense	-	-	-	-
Profit/(Loss) for the year	1,018	(5,385)	(2,079)	(6,446)
Segment assets	14,573	11,078	2,548	28,199
Segment liabilities	(13)	-	(4,488)	(4,501)
Net assets	14,560	11,078	(1,940)	23,698

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2017

4. SEGMENT INFORMATION (continued)

	Investments			
2016	**Equity**	**Debt**	**Corporate**	**Total**
Segment profit and loss	**$'000**	**$'000**	**$'000**	**$'000**
Revenue and income	1,996	3,937	1,209	7,142
Expenses	(192)	(1,277)	(2,582)	(4,051)
Results from operating activities	1,804	2,660	(1,373)	3,091
Finance expenses	-	-	(312)	(312)
Profit/(Loss) before Income Tax	1,804	2,660	(1,685)	2,779
Income tax expense	-	-	-	-
Profit from continuing operations	1,804	2,660	(1,685)	2,779
Loss from discontinued operations	-	-	(5,270)	(5,270)
Profit/(Loss) for the year	1,804	2,660	(6,955)	(2,491)
Segment assets	15,757	17,223	2,027	35,007
Segment liabilities	-	(17)	(5,253)	(5,270)
Net assets	15,757	17,206	(3,226)	29,737

Accounting policy

The Consolidated Entity operates principally in the Australian geographical area. An operating segment is a component of the Consolidated Entity that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Consolidated Entity's other components. All operating segments' operating results for which discrete financial information is available are regularly reviewed by the Company's Investment Committee (being the 'chief operating decision-maker' under ASAB 8 (Operating Segments)) to make decisions about resources to be allocated to the segment and to assess its performance.

Segment results that are reported to the Investment Committee include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The Consolidated Entity has two strategic business segments as described below:

(a) Equity Investments comprise investments in listed and unlisted equities with exposure to various sectors from time to time;

(b) Debt investments comprise loans advanced, debts secured via assignment and investments in debt instruments with exposure to a number of different sectors, as follows:

- Infrastructure: Loans advanced to finance the development and construction of a Solar Park in Spain.
- Private Equity: Promissory note issued by a US private investment company secured (via collateral pledged) over its interest in a private equity fund which has investments in US based manufacturing/distribution businesses.
- Insurance: Notes issued by the owner of a life insurance business in New Zealand.
- Property: Creditor of private companies (both in liquidation) with security held via registered mortgages over strata title lots comprising Conference Facilities at a Hotel located in Manly, Sydney.

An additional Corporate segment relates to corporate asset and operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2017

4. SEGMENT INFORMATION (continued)

Accounting policy (continued)
As at 30 June 2016, Debt Investments were reported as part of a Direct Investments segment along with a Funds Management segment. As a consequence of the sale of the Aurora Funds Management Limited subsidiary on 30 June 2016, the 2 new segments described and reported (above) have been adopted which more appropriately reflects the current operations of the Consolidated Entity, as assessed by the Company's Investment Committee.

5. INCOME TAX

	2017 $'000	2016 $'000
(a) The components of tax expense comprise:		
Current tax	-	-
Deferred tax	-	-
	-	-
(b) The prima facie tax on operating profit/(loss) before income tax is reconciled to the income tax as follows:		
Prima facie tax payable on operating profit/(loss) before income tax at 27.5% (2016: 30%)	(1,773)	834
Adjust tax effect of:		
Non-deductible expenses	99	-
Franking credits	34	-
Prior year losses for which no deferred tax was recognised	-	(834)
Current year tax losses not brought to account	1,640	-
Income tax attributable to entity	-	-

(c) Movement in Deferred taxes	Balance 2015 $'000	Annual movement recognised $'000	Balance 2016 $'000	Annual movement recognised $'000	Balance 2017 $'000
Deferred tax assets					
Loans and receivables	7,121	(4,305)	2,816	1,434	4,250
Other investments	(301)	669	368	(352)	16
Other	1,384	(1,207)	177	(105)	72
Tax losses	(8,204)	4,843	(3,361)	(687)	(4,048)
	-	-	-	290	290
Deferred tax liabilities					
Other investments	-	-	-	(219)	(219)
Financial liabilities	-	-	-	(71)	(71)
	-	**-**	**-**	**(290)**	**(290)**
Deferred tax	**-**	**-**	**-**	**-**	**-**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2017

5. INCOME TAX (continued)

	2017	2016
(d) Unrecognised deferred tax balances	**$'000**	**$'000**
Unrecognised deferred tax asset - revenue losses	43,502	53,597
Unrecognised deferred tax asset - capital losses	190	-
	43,692	**53,597**

Critical accounting judgement and estimate
The Consolidated Entity is subject to income taxes (and other similar taxes) in Australia. Judgement is required in determining the Consolidated Entity's provision for income taxes.

Deferred tax assets have not been recognised as, in the Directors' opinion, it is not probable that future taxable profit will be available against which the Consolidated Entity can utilise the benefits. The utilisation of revenue and capital tax losses are subject to compliance with taxation legislation.

Tax Consolidation
The head entity, Keybridge Capital Limited and its controlled entities have formed a tax consolidated group with effect from June 2013. The members of the tax consolidation group continue to account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, the Company also recognises the current tax liabilities (or assets) and the deferred tax assets (as appropriate) arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreements within the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Consolidated Entity.

Accounting policy
The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each taxing jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses (if applicable).

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each taxing jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. The amount of deferred tax assets 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 Consolidated Entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2017

5. INCOME TAX (continued)

Accounting policy (continued)
Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the Consolidated Entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

6. DISCONTINUED OPERATIONS

	Interest Held	Cessation Date	2017 $'000	2016 $'000
The following table summarises the losses from discontinued operations:				
Keybridge Funds Management Pty Limited (**KFM**)	100%	15-Nov-16	-	-
Ledcom International S.r.l (**Ledcom**)	70%	1-Jun-16	-	(874)
Aurora Funds Management Limited (**AFML**)	100%	30-Jun-16	-	(4,396)
			-	(5,270)
Non-controlling interest				226
			-	**(5,044)**

The operating loss from these discontinued operations are:	KFM 2016 $'000	AFML 2016 $'000	Ledcom 2016 $'000	Total 2016 $'000
Revenue	-	2,301	13	2,314
Expenses	-	(4,505)	(876)	(5,381)
Loss before income tax	**-**	**(2,204)**	**(863)**	**(3,067)**
Income tax expense	-	1,139	111	1,250
Loss after income tax	**-**	**(1,065)**	**(752)**	**(1,817)**
Loss on sale of discontinued operation	-	(3,331)	(122)	(3,453)
Loss for the period	**-**	**(4,396)**	**(874)**	**(5,270)**
Non-controlling interest	-	-	226	226
	-	**(4,396)**	**(648)**	**(5,044)**

The Cash Flows generated from these discontinued operations are as follows:			
Net cash used in operating activities	-	(1,617)	(719)
Net cash from investing activities	-	913	-
Net cash from financing activities	-	-	-
Effect on cash flows	**-**	**(704)**	**(719)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2017

6. DISCONTINUED OPERATIONS (continued)

Critical accounting judgement and estimate
Judgements have been made in the determination of consideration pertaining to assets sold during the financial year. In making these judgements, the Consolidated Entity has considered the conditions and probability of receipt pursuant to the relevant sale agreements.

Accounting policy
A discontinued operation is a component of the Consolidated Entity's business where the operations and cash flows can be clearly distinguished from the rest of the Consolidated Entity and which:

- represents a separate major line of business or geographical area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to re-sale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale. When an operation is classified as a discontinued operation, the comparative statement of profit or loss and other comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative year.

7. LOSS PER SHARE

	2017 cents	2016 cents
Basic and diluted earnings/(loss) per share		
From continuing operations attributable to ordinary equity holders of the Company	(4.06)	1.75
From discontinued operations	-	(3.17)
Total basic loss per share attributable to ordinary equity holders of the Company	(4.06)	(1.42)

The following represents the profit/(loss) and weighted average number of shares used in the loss per share calculations:	2017 $'000	2016 $'000
Comprehensive income from continuing operations	(6,446)	3,005
Comprehensive income from discontinued operations	-	(5,270)
Comprehensive loss for the year	(6,446)	(2,265)

	Number of shares '000	'000
Weighted average number of ordinary shares	158,812	158,941

The Company has 15 million (2016: 15 million) unlisted Executive Share Plan shares and 4,401,047 (2016: 4,401,047) listed Convertible Redeemable Promissory Notes (ASX:KBCPA) which have not been included in the calculation of the weighted average number of ordinary shares as they are considered to be 'anti-dilutive' pursuant to AASB 133 (Earnings per Share). That is, being unlikely to result in a reduction in loss per share resulting from their conversion into ordinary shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2017

7. LOSS PER SHARE (continued)

Accounting policy
Basic earnings/loss per share is determined by dividing the operating result after income tax by the weighted average number of ordinary shares on issue during the financial period.

Diluted earnings/loss per share adjusts the figures used in the determination of basic earnings/loss per share resulting from the assumption that convertible instruments are converted, that options or warrants are exercised, or that ordinary shares are issued upon the satisfaction of specified conditions.

8. CASH AND CASH EQUIVALENTS

	2017 $'000	2016 $'000
Cash at bank	1,414	1,665

Accounting policy
Cash and cash equivalents includes 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 (if any) are shown within short-term borrowings in current liabilities on the Statement of Financial Position.

Reconciliation of operating profit/(loss) after income tax to net cash provided by operating activities	**2017 $'000**	**2016 $'000**
Profit/(Loss) after income tax	**(6,446)**	**(2,491)**
Add non-cash items:		
Share of Associate entity's (gain)/loss	299	(361)
Unrealised loss/(gain) on financial assets at fair value through profit or loss	534	(639)
Loss/(Gain) on revaluation of foreign currency assets	354	(486)
Unrealised gain on derivative liabilities	(62)	-
Impairment expenses	6,036	376
Depreciation	5	6
Disposal of equipment	4	-
Executive Share Plan	(15)	150
Changes in interest accrued	-	(509)
Loss on discontinued operations	-	5,270
Income tax benefit from disposal of discontinued operations	-	1,139
Changes in assets and liabilities:		
Financial assets at fair value through profit or loss	(1,510)	(576)
Receivables	(65)	1,870
Other assets	(849)	(3,942)
Payables	(687)	(1,421)
	(2,402)	**(1,614)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2017

9. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017	2016
Financial assets at fair value through profit or loss	**$'000**	**$'000**
Shares in listed investments	11,733	13,095
Unlisted investments at fair value	103	-
	11,836	**13,095**
Financial liabilities at fair value through profit or loss		
Current		
Foreign Exchange futures	**-**	**17**
Non-Current		
Convertible redeemable promissory notes (**CRPN**)	**4,141**	**4,203**

Critical accounting judgement and estimate

Judgements have been made in the determination of the carrying value and fair value of financial assets held at fair value through profit or loss. In making these judgements, the Consolidated Entity has given additional consideration to adopting the most recent bid price (prior to the balance date) of listed investments suspended from trading on a securities exchange as at balance date and the underlying value of unlisted investments.

Accounting policy

Financial assets at fair value through profit or loss

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition, financial assets at fair value through profit and loss acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB 139: (Recognition and Measurement of Financial Instruments) will recognise its realised and unrealised gains and losses arising from changes in the fair value of these assets in the Statement of Profit or Loss and Other Comprehensive Income in the period in which they arise.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance sheet date which is the current bid price. The fair value of financial instruments that are not traded in an active market is determined using valuation techniques, including but not limited to recent arm's length transactions, reference to similar instruments and option pricing models. A variety of methods and assumptions may be utilised based on market conditions existing at each Balance Date. The Consolidated Entity's investment portfolio is accounted for as a “financial assets at fair value through profit and loss” and is carried at fair value.

Financial liabilities at fair value through profit or loss

The Consolidated Entity initially recognises other financial liabilities on the date that they are originated, which is the date the Consolidated Entity becomes a party to the contractual provisions of the instrument. The Consolidated Entity derecognises a financial liability when its contractual obligations are discharged or cancelled or expired.

The Consolidated Entity classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method. CRPNs are measured at fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2017

9. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

	2017	2016
Movement in CRPN	**$'000**	**$'000**
Opening balance	**4,203**	**4,426**
CRPN bought-back on-market	-	(25)
Unrealised loss/(gain) on revaluation	(62)	(198)
Closing balance	**4,141**	**4,203**

The listed CRPNs (ASX:KBCPA) are measured and recognised as a financial liability at fair value through profit or loss. The CRPNs were issued on 30 June 2015 on the following terms:

- face value of $1.00 each with maturity on 31 July 2020;
- fixed interest rate of 7% per annum generally payable in arrears on 20 March, 20 June, 20 September and 20 December each year;
- regarded as an 'equity interest' under Australian tax law with interest payments regarded as a 'non-share dividend';
- interest payments are fully franked (where possible) or grossed up with additional cash payments to compensate for any unfranked component and 'qualified' Australian resident holders will have access to franking credits in this regard;
- ranks ahead of ordinary shares with preferential right to payment of distributions and capital;
- at maturity, the holders have the ability to request a conversion of their CRPN to ordinary shares at a 2.5% discount of the volume weighted average price (**VWAP**) of the Company's listed shares (ASX:KBC) at the time. The Company may at that time either convert the CRPN into ordinary shares or redeem the CRPN for cash at face value;
- the Company may also elect to convert the CRPN to ordinary shares at a 5% discount to VWAP at the time or redeem the CRPN for cash on the occurrence of certain trigger events.

For further details, refer to the CRPN Prospectus (dated 17 June 2015) and ATO Class Ruling CR 2015/54.

10. LOANS AND RECEIVABLES

	2017			2016		
	Gross value	Impairment	Total	Gross value	Impairment	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Infrastructure	12,514	(6,082)	6,432	12,401	(6,082)	6,319
Private equity	6,507	(5,996)	511	6,740	-	6,740
Property	4,189	(3,304)	885	4,189	(3,304)	885
Insurance	3,250	-	3,250	3,278	-	3,278
Other	883	(126)	757	105	(105)	-
	27,343	**(15,508)**	**11,835**	**26,713**	**(9,491)**	**17,222**

Critical accounting judgement and estimate

Judgements have been made in the determination of the carrying value, fair value and recoverability of various loans and receivables. In making these judgements, the Consolidated Entity has given additional consideration to loans and receivables that have not been making interest and or principal repayments during the year as discussed below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2017

10. LOANS AND RECEIVABLES (continued)

Accounting policy
Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition Loans and Receivables are measured using the 'effective interest method', less any impairment losses.

The collectability of debts is assessed at reporting date and where required, specific provision is made for any doubtful debts or on a collective basis for a portfolio of loans considered collectively impaired.

Loans (and the related impairment allowance accounts) are normally written off, either partially or in full, when there is no realistic prospect of recovery of these amounts and, for collateralised loans, when the proceeds from the realisation of security have been received.

	2017	2016
Movement in impairment	**$'000**	**$'000**
Opening balance	**9,491**	**23,736**
Loans written off	-	(14,350)
Impairment	6,017	105
Closing balance	**15,508**	**9,491**

(a) **Loan Receivables – Infrastructure :** Keybridge has financed the development and construction of the Totana 1.05MWp Solar Photovoltaic Park in the Murcia region in southern Spain (via loans to Bridge Infrastructure Capital Pty Limited (regarded as an jointly controlled entity in which the Company has a 50% interest), which has in turn, advanced loans ultimately to Spanish subsidiary entities that owns and operates the Solar assets). Under Spanish Royal Decree, Spanish energy supplier, Iberdrola, (which has a 25 year (plus two 5 year extensions) purchase off-take arrangement) is required to purchase all electricity produced by Totana at Government mandated feed-in tariff prices plus (since July 2013 under Royal Decree) additional compensation payments (which are intended to provide a reasonable return on operations and capital invested for renewable energy sources and is subject to review every 3 years). The loan (which currently accrues interest at 7.25% pa) is repayable on maturity on or about December 2038. During the financial year, Keybridge received €0.215m (A$0.319m) in cash loan repayments. In July 2017, Keybridge received €0.27m (A$0.392m) in cash loan repayments. As at balance date, the loan was carried at €4.33m (A$6.43m) (2016: €4.23m (A$6.32m)) (based on the Directors' judgement) against the accrued face value of ~€8.4m (~A$12.5m) (2016: ~€8.31m (~A$12.40m)).

(b) **Loan Receivables - Private Equity:** Keybridge advanced ~US$4.3m to RPE I Investor LLC (**RPE Investor**) (a subsidiary of Republic Financial Corporation (**RPC**), a US private investment company) under a limited recourse promissory note (**Note**) secured (via collateral pledged) over RPE Investor's interest in the Republic Private Equity I Limited Liability Limited Partnership, a private equity fund (managed by a related party to RPC) with investments in US based manufacturing/distribution businesses (**RPE Fun**d). The principal and accrued interest (at 14.5% pa) under the note is repayable on maturity on 29 December 2017 (which is subject to extension/re-finance by mutual agreement of the parties). Keybridge suspended recognition of accrued interest on the Note in March 2014 – the loan balance (principal and accrued interest) at this time was US$5.005 million, which had been recognised as the carrying value up to the most recently lodged 31 December 2016 half year report.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2017

10. LOANS AND RECEIVABLES (continued)

(b) Loan Receivables - Private Equity (continued): On 24 August 2017, Keybridge received the RPE Fund's 30 June 2017 Quarterly Report (unaudited) (**June 2017 RPE Accounts**) which disclosed a significant reduction in the RPE Fund's gross asset position as well as notice from an RPC Executive (**Republic**) advising that it is 'highly unlikely that the Note will be satisfied on or before its scheduled maturity' (on 29 December 2017) and proposing a 3-year extension of the Note term or a 'buy-out' (retirement) of the Note for US$0.394 million.

In light of these matters, the Board reduced the carrying value of the Note (receivable) to US$0.394 million (A$0.511 million) as at 30 June 2017, which also resulted in Keybridge recognising a US$4.611 million (A$5.996 million) provision for impairment expense for the financial year ending 30 June 2017. This was advised in Keybridge's ASX announcement dated 25 August 2017: Update – Private Equity Loan Receivable.

Further particulars received from the RPE Fund and Republic in this regard are summarised below:

- In the June 2017 RPE Accounts, the RPE Fund's net assets had reduced to US$2.156 million principally as a result of investments in two businesses being impaired to a total of US$6.336 million - this value represented only one of the businesses (**Business A**), which was impaired from US$11.887 million, with the other business impaired from US$3.649 million to nil (compared with the RPE Fund's Quarterly Report for March 2017);
- The RPE Fund advised that based on an illustrative realisation of Business A at its gross carrying value (at the enterprise level) and after deducting costs/fees associated with the sale, repayment of liabilities (at the enterprise level), payment of applicable taxes (at the RPE Investor ownership level) and repayment of creditors and liabilities (at the RPE Fund level), only US$0.899 million would be available for distribution (to the Limited Partners as a whole);
- RPC proposes a 'buy-out' of all the Limited Partners' interest in the RPE Fund for a total consideration of US$0.899 million, with RPE Investor's allocation being US$0.394 million (**Buy-Out**);
- If an actual sale of Business A was able to be completed at a higher price, the Buy-Out price would be increased accordingly;
- The Buy-Out is subject to acceptance by at least 80% of the Limited Partners with completion expected prior to 31 October 2017;
- If the Buy-Out proceeds, those Limited Partners who did not agree to the same will receive a pro-rata distribution of RPE Fund's equity interests in the 2 businesses as well as a pro-rata assumption of RPE Fund's liabilities;
- If the Buy-Out does not proceed, the current RPE Fund structure will 'likely stay in place';
- The Limited Partners' position in respect of the Buy-Out is sought by 15 September 2017;
- As Keybridge has a collateral/security interest in the RPE Fund's Limited Partner's interest in the RPE Fund, Keybridge's position on the Buy-Out has also been sought;
- Republic has also sought Keybridge's position in relation to whether to:
  (i) Extend the Note term by 3 years to mature on 29 December 2020; or
  (ii) Accept RPE Fund's offer to retire the Note debt for US$0.394 million (in line with the Buy-Out allocation amount to RPE Investor as above).

Keybridge is reviewing Republic's correspondence and its position under the terms of the Note and has sought further information from Republic to confirm, amongst other matters, the asset valuation expectations and liabilities exposure outlined by Republic.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2017

10. LOANS AND RECEIVABLES (continued)

(c) Loan Receivables – Property: Keybridge has registered mortgages over strata title lots comprising Conference Facilities at a Hotel located in Manly, Sydney as security for loans to private companies (which are in liquidation). As at balance date, the loan was carried at $0.885m (2016: $0.885m) (based on the Directors' judgement) – by reference to an independent valuation received in respect of the lots in May 2016.

(d) Loan Receivables – Insurance: Keybridge has invested NZ$3.8m (A$3.4m) (via NZ$0.109m equity and NZ$3.691m notes) into Foundation Life, to finance Foundation's acquisition of Tower Limited's life insurance business in New Zealand in 2014. Interest of 9% pa is payable under the note, which is redeemable by noteholders in 10 years (May 2024) or by Foundation (from time to time). During the financial year, Keybridge received NZ$0.289m (A$0.275m) interest and NZ$24k (A$23k) redemption proceeds from Foundation. As at balance date, the loan balance is NZ$3.41m (A$3.25m) (2016: NZ$3.426m and A$3.279m).

(e) Loan Receivables - Other: Includes

(i) $0.42m accrued interest receivable in respect of Executive Share Plan (**ESP**) loans attributable to former Directors (Antony Sormann and Nicholas Bolton) - further details are in Notes 15, 21(b)(iii) and 21(d)(ii). As at the previous balance date (30 June 2016), $0.262m accrued interest in respect of the same were reversed out of receivables and posted to the Share-based Payments Reserve in Equity (based on the Board's intent, at that time, to provide a release to departing ESP participants). The Directors have reviewed the treatment of accrued interest under the ESP loan terms and have changed their intent in relation to providing such releases (having regard to, inter alia, regulatory requirements). The Directors have determined that it is appropriate to recognise accrued interest as a receivable and accordingly, the outstanding accrued interest in this regard as at balance date have now been recognised (with a $0.262m reversal out of the Share-based Payments Reserve); and

(ii) $0.336 million loan advance to a former Director (Nicholas Bolton) - further details are in Note 21(d)(iii).

11. FINANCIAL RISK MANAGEMENT

The Consolidated Entity seeks to minimise the effects of financial risks arising in the normal course of the Consolidated Entity's business.

Financial risk management is undertaken by Management/the Investment Committee (**IC**) under policies approved by the Board. During the year, Management/the IC continued to monitor the Consolidated Entity's policies and sought Board approval for any necessary changes to manage financial risks. The IC members are Directors, John Patton and William Johnson.

The Board is responsible for overseeing the implementation of, and ensuring there are adequate policies in relation to the Consolidated Entity's risk management, compliance and control systems. These systems require Management/the IC to be responsible for identifying and managing the Consolidated Entity's risks in this regard.

The Board has an Audit, Finance and Risk Committee (**AFRC**). The AFRC's responsibilities include assisting the Board to achieve the Board's oversight requirements in relation to financial risk management, internal control and risk management.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2017

11. FINANCIAL RISK MANAGEMENT (continued)

The Consolidated Entity's principal financial assets comprise cash and cash equivalents, trade and other receivables, loans and loan receivables, debt instruments/securities and investments in listed and unlisted securities. The Consolidated Entity's principal financial liabilities comprise the listed CRPN (which were issued as an in-specie return of capital effected in June 2015) and trade and other payables. The Consolidated Entity's activities expose it to a variety of direct and indirect financial risks comprising market risk, interest rate risk, credit risk, liquidity risk and foreign currency risk.

(a) Market risk

Market risk is the risk that changes in market prices, such as interest rates, equities and property prices will affect the Consolidated Entity's profitability. The objective of market risk management is to seek to manage and control risk exposures within acceptable parameters, while optimising expected returns.

(i) *Price risk*

The Consolidated Entity is exposed to equity securities price risk. This arises from investments held by the Consolidated Entity and classified in the Statement of Financial Position at fair value through profit or loss. The Consolidated Entity may also be indirectly exposed to commodity price risk in respect of its underlying investments.

The value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument, its issuer or factors affecting all instruments in the market. The Consolidated Entity will always be subject to market risk as it invests its capital in securities that are not risk free. This is reflected in the market price of these securities which can and will fluctuate. The Consolidated Entity may endeavour to manage this risk through entering into derivative contracts, futures, options or swaps (as applicable).

Equity price risk is also managed by ensuring that investment activities are undertaken in accordance with Board established mandate limits and investment strategies.

(ii) *Interest rate risk*

The Consolidated Entity is exposed to interest rate risk primarily in cash held in interest bearing instruments. The weighted average interest rate of the cash deposits for the year is 1.65%.

The Consolidated Entity's Loans and Receivables are generally at fixed rates and where applicable, asset-specific debt may be 'term matched' with fixed interest rates to endeavour to hedge those specific cash flows.

The Consolidated Entity's policy is to ensure that, where appropriate, all material interest rates in relation to non-recourse financing within an investment are fixed for the term of the non-recourse financing.

The Consolidated Entity may be entitled to receive a fixed rate of interest in relation to its financial assets. Interest income received as cash or, where there is a reasonable probability of receipt, accrued as income, are recognised in the profit and loss statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2017

11. FINANCIAL RISK MANAGEMENT (continued)

(ii) ***Interest rate risk (continued)***

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates throughout the reporting period would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates remain constant. The analysis is performed on the same basis for 2017. As at 30 June 2017 the Consolidated Entity is exposed to cash-on-hand deposit interest rates. Cash flow sensitivity analysis for variable rate instruments are as follows:

	Profit of loss		**Equity**	
	2017	**2016**	**2017**	**2016**
100bp increase	**$'000**	**$'000**	**$'000**	**$'000**
Variable rate instruments	14	17	-	-
Cash flow sensitivity (net)	14	17	-	-
100bp decrease				
Variable rate instruments	(14)	(17)	-	-
Cash flow sensitivity (net)	(14)	(17)	-	-

(b) Credit risk

The Consolidated Entity is exposed to credit risk in the event that a counterparty fails to meet its contractual obligations in relation to the Consolidated Entity's investments or deposits with banks and other financial institutions.

The Consolidated Entity manages ongoing credit risk by monitoring the performance of investments, the cyclical impact of the underlying asset class, and financial health of counterparties, banks and other financial institutions.

Trade receivables

The maximum exposure to credit risk is the carrying amount of assets, net of any provision for doubtful debts of those assets, as disclosed in the consolidated statement of financial position and notes to the financial statements. The Consolidated Entity does not have any material credit risk exposure to any single trade debtor.

Cash and cash equivalents

Credit risk for cash deposits is managed by holding all cash with major reputable Australian banks.

The carrying amount of the Consolidated Entity's financial assets represents its maximum credit exposure. The Consolidated Entity's credit risk exposure relates mainly to the following assets at the reporting date:

	2017	**2016**
	$'000	**$'000**
Cash and cash equivalents	1,414	1,665
Loans and receivables	11,835	17,222
Financial assets at fair value through profit or loss	11,836	13,095
Trade and other receivables	407	350
	25,492	**32,332**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2017

11. FINANCIAL RISK MANAGEMENT (continued)

(c) The Consolidated Entity's maximum exposure to credit and market risk at the reporting date by segment was:

	2017	2016
Market risk	**$'000**	**$'000**
Financial assets at fair value through profit or loss	11,836	13,095
Investment in Associate entity	2,584	2,662
	14,420	**15,757**
Credit risk		
Cash and cash equivalents	1,414	1,665
Loans and receivables		
Infrastructure	12,514	12,401
Private equity	6,507	6,740
Property	4,189	4,189
Insurance	3,250	3,278
Other	883	105
Impairment	(15,508)	(9,491)
Trade and other receivables	407	350
	13,656	**19,237**

The Consolidated Entity's most significant counterparty exposure relates to non-current Loans and Receivables totalling $11.835 million as at 30 June 2017 (2016: $17.222 million).

Within Infrastructure, there is exposure to electricity tariff compensation arrangements as mandated by the Spanish Government. These payment rates have changed significantly over the last 7 years and going forward, there may be further changes.

Within Private Equity, the Consolidated Entity has granted a loan which is secured by interests held in a private equity fund (which hold investments in US-domiciled manufacturing/distribution businesses). Investments made by the fund may have senior debt at the investment level and as such, the loan investment is indirectly impacted by changes in credit markets that may affect investments held by the fund.

(d) Liquidity risk

Liquidity risk is the risk that the Consolidated Entity may encounter difficulty in meeting obligations associated with financial liabilities. The Consolidated Entity has CRPNs on issue and otherwise has no borrowings. The Consolidated Entity's non-cash investments can be realised to meet payables arising in the normal course of business and to meet the quarterly interest payments to CRPN holders. The Company may elect to convert the CRPN into ordinary shares (at any time and at maturity). Refer Note 9 for further details in relation to the CRPN.

The current financial liabilities (ie. payables) have a maturity obligation of not more than 30 days. The non-current financial liabilities (ie. CRPN, inclusive of assumed accrued interest) have maturity obligations as follows:

	2017	2016
CRPN - expected cash outflow	**$'000**	**$'000**
Not more than 1 year	308	308
Longer than 1 year but not longer than 4 years	5,017	5,325
	5,325	5,633

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2017

11. FINANCIAL RISK MANAGEMENT (continued)

(e) Foreign currency risk

Foreign currency risk arises from assets and liabilities that are denominated in a currency that is not the Consolidated Entity's functional currency, being Australian dollars (**AUD**). The Consolidated Entity has significant loan receivables denominated in US dollars (**USD**) (Private Equity), Euros (Infrastructure) and New Zealand dollars (**NZD**) (Insurance) (refer Note 10) and a minor investment denominated in Singapore dollars (**SGD**).

The Consolidated Entity does not fully hedge its assets denominated in foreign currencies and is therefore exposed to foreign exchange (**FX**) movements when the value of such assets are translated into Australian dollars. Any loss or gain arising on translation is recorded in the profit or loss statement. The Consolidated Entity's exposure to foreign currency risk at balance date was as follows:

AUD equivalents	USD $'000	Euro $'000	NZD $'000	SGD $'000
2017				
Cash and cash equivalent	39	335	307	-
Financial assets at fair value through profit or loss	-	-	103	-
Loans and Receivables	512	6,432	3,250	-
Total asset exposure	**551**	**6,767**	**3,660**	**-**
2016				
Cash and cash equivalent	139	372	5	-
Loans and Receivables	6,740	6,318	3,279	-
Total asset exposure	**6,879**	**6,690**	**3,284**	**-**
FX Futures	(17)	-	-	-
Broker accounts	(41)	(1,411)	-	81
Net exposure at carrying value	**6,821**	**5,279**	**3,284**	**81**

Sensitivity analysis

The Consolidated Entity has performed a sensitivity analysis on its exposure to foreign currency risk. It demonstrates the gain/loss on translation in AUD terms if there was a 10% change in relevant foreign currency exchange rates, as follows:

2017	USD $'000	Euro $'000	NZD $'000	SGD $'000
10% increase	(55)	(677)	(366)	-
10% decrease	55	677	366	-
2016				
10% increase	(682)	(528)	(328)	(8)
10% decrease	682	528	328	8

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2017

12. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Fair value hierarchy

The following tables present the Consolidated Entity's financial assets and liabilities measured and recognised at fair value at balance date categorised by the following levels:

(i) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

(ii) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

(iii) Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

A listed investment was transferred from category Level 1 to Level 2 as the Consolidated Entity was required to make an assessment to utilise the last bid price prior to the balance date as the investment's securities were suspended from trading on a securities exchange (at the request of the company) as at balance date.

Level 3 fair value measurements

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

2017	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss:	**$'000**	**$'000**	**$'000**	**$'000**
Shares in listed investments	4,529	7,204	-	**11,733**
Unlisted investments at fair value	-	-	103	**103**
Total financial assets	4,529	7,204	103	**11,836**
Financial liabilities at fair value through profit or loss				
CRPN	4,141	-	-	**4,141**
Total financial liabilities	4,141	-	-	**4,141**
2016				
Financial assets at fair value through profit or loss:				
Shares in listed investments	13,095	-	-	**13,095**
Total financial assets	13,095	-	-	**13,095**
Financial liabilities at fair value through profit or loss				
Foreign exchange futures	17	-	-	**17**
CRPN	4,203	-	-	**4,203**
Total financial liabilities	4,220	-	-	**4,220**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2017

12. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

Accounting policy

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The fair value of financial instruments traded in active markets (such as publicly traded derivatives and trading and available-for-sale securities) is based on quoted market prices at balance date. The quoted market price used for financial assets held by the Consolidated Entity is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques including but not limited to recent arm's length transactions, reference to similar instruments and option pricing models. The Consolidated Entity may use a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Other techniques, such as estimated discounted cash flows, are used to determine fair value for other financial instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Consolidated Entity for similar financial instruments.

The Consolidated Entity's "financial assets at fair value through profit and loss" and "financial liabilities at fair value through profit and loss" is carried at fair value based on the quoted last bid prices at the reporting date (refer Note 9).

Valuation techniques

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques such as the use of quoted market prices or dealer quotes for similar instruments. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

At Level 3, the fair value of the units held in Foundation Life Holdings Trust as at balance date was assessed by the Directors having regard to, amongst other matters, the illiquid nature of the asset, the underlying net asset backing value of the asset and the recoverability in value of the asset. The unrealised gain on financial assets at fair value for the financial year of $103,401 has been recognised in the Income Statement. The significant unobservable input is the illiquid nature of the asset. A 10% change would increase or decrease the unit's fair value by approximately $10,300. There has been no unusual circumstances that may affect the value of the units.

Movement of Level 3 assets - unlisted investments	**2017 $'000**	**2016 $'000**
Opening balance	-	-
Revaluation based on fair value	103	-
Closing balance	**103**	**-**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2017

12. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

Fair values of other financial instruments	**2017**	**2016**
Financial assets	**$'000**	**$'000**
Cash and cash equivalents	1,414	1,665
Trade and other receivables	407	350
	1,821	**2,015**
Financial liabilities		
Payables	**(360)**	**(1,050)**

Due to their short-term nature, the carrying amounts of cash, current receivables and current payables are assumed to approximate their fair value.

13. ISSUED CAPITAL

	2017	**2016**
	$'000	**$'000**
158,812,327 (2016: 158,812,327) Fully paid ordinary shares	**253,717**	**253,717**

The Company also has on issue the listed CRPNs, which are convertible into fully paid ordinary shares (refer Note 9) and unlisted fully paid ordinary shares (subject to vesting conditions, escrow and dividend/voting restrictions) issued under the Executive Share Plan (refer Note 15).

Accounting policy
Ordinary shares are classified as equity. Fully paid ordinary shares carry one vote per share and the right to dividends.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

	Number	**Total**
Movement in ordinary shares	**of shares**	**$'000**
At 1 July 2015	**159,354,286**	**253,809**
Share buy-back	(541,959)	(92)
At 30 June 2016	**158,812,327**	**253,717**
	-	**-**
At 30 June 2017	**158,812,327**	**253,717**

Share buy-back
The Company did not buy back any shares during the financial year pursuant to on-market share buy-backs announced on 23 November 2015 (which terminated on or about 7 December 2016) and 18 January 2017 (which will terminate on or before 15 December 2017).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2017

14. RESERVES

	2017	2016
	$'000	$'000
Share-based payment reserve	693	287
Profits reserve	2,466	1,526
	3,159	**1,813**
Movements in Share-based payment reserve		
Opening balance	**287**	**264**
Recognition of Share-based payment reserve	406	150
Reversal of Share-based payment reserve	-	(127)
Closing balance	**693**	**287**
Movements in Profits reserve		
Opening balance	**1,526**	**571**
Profits reserve transfer	940	1,750
Dividends paid (Note 16)	-	(795)
Closing balance	**2,466**	**1,526**

Share-based payment reserve (Note 15)

This comprises the portion of the fair value of the Employee Share Plan shares recognised as an expense.

Profit reserve

This comprises the appropriation from net profits during a relevant period and characterises profits available for distribution as dividends in future years.

Accounting policy

An increase in the Profits Reserve will arise when the Company generates a net profit (after tax) for a relevant financial period (eg. half year or full year) which the Board determines to credit to the Company's Profits Reserve. Dividends may be paid out of (and debited from) the Company's Profits Reserve, from time to time.

15. SHARE-BASED PAYMENTS

The Consolidated Entity has the following share-based payment arrangements:

Grant date	Expiry date	Fair value at grant date ($)	Exercise price ($)	Opening balance	During the year Granted	During the year Exercised	During the year Cancelled	Closing balance	Vested and exercisable at year end
Financial year 2017									
19-Dec-14	31-Dec-17	0.04	0.23	10,000,000	-	-	-	10,000,000	6,666,666
19-Dec-14	31-Dec-17	0.02	0.35	5,000,000	-	-	-	5,000,000	3,333,334
				15,000,000	-	-	-	15,000,000	10,000,000
Weighted average exercise price				0.27				0.27	0.27
Financial year 2016									
19-Dec-14	31-Dec-17	0.04	0.23	10,000,000	-	-	-	10,000,000	3,333,334
19-Dec-14	31-Dec-17	0.02	0.35	5,000,000	-	-	-	5,000,000	1,666,666
28-Apr-15	30-Jun-18	0.05	0.24	1,306,666	-	-	(1,306,666)	-	-
28-Apr-15	30-Jun-18	0.05	0.24	1,306,667	-	-	(1,306,667)	-	-
28-Apr-15	30-Jun-18	0.05	0.24	1,306,667	-	-	(1,306,667)	-	-
				18,920,000	-	-	(3,920,000)	15,000,000	5,000,000
Weighted average exercise price				0.26				0.27	0.27

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2017

15. SHARE-BASED PAYMENTS (continued)

The weighted average remaining 'contractual life' of Executive Share Plan shares outstanding at the end of the financial year was 0.50 years.

On 28 November 2014, shareholders approved the Company's Executive Share Plan (**ESP**). For accounting purposes (under AASB 2 (Share-based Payment)), the ESP shares are treated as options over shares in the Company with the 'option' expiry date being the maturity date in respect of the ESP loans granted to holders to fund the cost of the ESP shares issued.

The ESP involves the Company providing interest-bearing limited-recourse loans to fund the cost of fully paid ordinary shares issued to eligible executives and employees, typically with vesting conditions. Under the ESP loan arrangements, the Company takes security over the relevant ESP shares, which are unlisted and held in escrow until repayment of the relevant loans. The applicable interest rate is 6.45% per annum, capitalised monthly. The loans are repayable on 31 December 2017 or earlier, in accordance with the terms of the ESP loan arrangements (including in the event the executive/employee cease employment with the Company). The principal amount of the ESP loan is with limited-recourse against the ESP shares issued and the accrued interest component is full-recourse.

As the ESP loans are created in respect of newly issued ESP shares (as opposed to being advanced to acquire existing shares on-market), shareholders are not exposed to any cash loss risk arising from non-repayment of such loans. Further details about the ESP are contained in the Company's ASX announcement dated 19 December 2014 (Appendix 3B and Further Detail Regarding Issuance of Loan Funded Shares) and in the Company's Notice of AGM released on ASX on 19 October 2014.

Accounting policy

Shared-based compensation benefits are provided to relevant Executive Directors (after receipt of shareholder approval) and other executives/employees under the Company's Executive Share Plan (**ESP**) (approved by shareholders on 28 November 2014). Shares issued under the ESP are treated as options over shares in the Company, in accordance with AASB 2 (Share-based Payment).

The fair value of performance rights granted is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted, which includes any market performance conditions and the impact of any non-vesting conditions but excludes the impact of any service and non-market performance vesting conditions.

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss with a corresponding adjustment to equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2017

16. DIVIDENDS AND CRPN INTEREST PAYMENTS

		2017	2016
Dividends paid during the financial year:	**Paid On**	**$'000**	**$'000**
0.25 cent per share fully franked dividend	01-Oct-15	-	398
0.25 cent per share fully franked dividend	15-Apr-16	-	397
		-	**795**
CRPN interest paid during the financial year:	**Paid On**		
CRPN interest payment (fully franked)	20-Sep-15	-	78
CRPN interest payment (fully franked)	21-Dec-15	-	86
CRPN interest payment (fully franked)	21-Mar-16	-	77
CRPN interest payment (fully franked)	21-Jun-16	-	77
CRPN interest payment (fully franked)	21-Sep-16	77	-
CRPN interest payment (fully franked)	21-Dec-16	77	-
CRPN interest payment (fully franked)	23-Mar-17	77	-
CRPN interest payment (fully franked)	20-Jun-17	77	-
		308	**318**
Franking credits			
Franking credits available for subsequent periods based on a tax rate of 27.5% (2016: 30%)		**7,835**	**7,983**

CRPNs are regarded as an 'equity interest' under Australian tax law with interest payments regarded as a 'non-share dividend'. Interest payments will be fully franked (where possible) or grossed up with additional cash payments to compensate for any unfranked component. 'Qualified' Australian resident holders will have access to franking credits in this regard. Further details are in the CRPN Prospectus (dated 17 June 2015) and ATO Class Ruling CR 2015/54.

Accounting policy

Provision is made for the amount of any dividend declared (being appropriately authorised and no longer at the discretion of the entity) on or before the end of the financial year but not distributed at the Balance Date.

The above amounts represent the balance of the franking account as at the end of the reporting period, adjusted for:

(a) Franking credits that will arise from the receipt of dividends recognised as receivables at balance date;

(b) Franking credits that will arise from the payment of the amount of the provision for income tax; and

(c) Franking debits that will arise from the payment of dividends and CRPN interest recognised as a liability at balance date.

The franking credits attributable to the Consolidated Entity include franking credits that would be available to the parent entity if distributable profits of subsidiaries were paid out as franked dividends.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2017

17. CAPITAL RISK MANAGEMENT

The Company's objectives when managing its capital are to safeguard its ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain a capital structure balancing the interests of all shareholders.

The Board will consider capital management initiatives as is appropriate and in the best interests of the Company and shareholders from time to time, including undertaking capital raisings, issues of CRPNs (or equivalents), CRPN and share buy-backs, capital returns/reductions and the payment of dividends.

The Consolidated Entity has no external borrowings (other than CRPNs). The Consolidated Entity's non-cash investments can be realised to meet accounts payable arising in the normal course of business and to meet the quarterly interest payments to CRPN holders. The Company may also elect to convert the CRPN into ordinary shares (at any time and at maturity). Refer Note 9 for further details in relation to the CRPN.

18. PARENT ENTITY INFORMATION

The following information provided relates to the Company, Keybridge Capital Limited, as at 30 June 2017:	**2017 $'000**	**2016 $'000**
Statement of profit or loss and other comprehensive income		
Profit for the year	218	2,043
Income tax	-	-
Total comprehensive income for the year	218	2,043
Statement of financial position		
Current assets	2,277	15,057
Non-current assets	25,551	13,300
Current liabilities	(360)	(1,015)
Non-current liabilities	(4,141)	(4,203)
Net assets	**23,327**	**23,139**
Issued capital	253,717	253,717
Reserves	2,982	1,813
Accumulated losses	(233,372)	(232,391)
Equity	**23,327**	**23,139**

19. INVESTMENT IN CONTROLLED ENTITIES

		Ownership interest	
Investment in controlled entities	**Incorporated**	**2017**	**2016**
Bridge Financial Pty Limited	Australia	100%	100%
Bridge Property Investments Pty Limited	Australia	100%	100%
KBC Telco Infrastructure Pty Limited	Australia	100%	100%
MB Finance Pty Limited	Australia	100%	100%
Keybridge Funds Management Pty Limited	Australia	-	100%
Pacific Bridge Cyprus Limited	Cyprus	100%	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2017

19. INVESTMENT IN CONTROLLED ENTITIES (continued)

Accounting policy
Subsidiaries are entities over which the Consolidated Entity has control. The Consolidated Entity controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is assumed by the Consolidated Entity and are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Consolidated Entity.

Australian controlled entities have a June financial year-end. All inter-company balances and transactions between entities in the Consolidated Entity, including any unrealised profits or losses, have been eliminated on consolidation.

20. INVESTMENT IN ASSOCIATE ENTITY

	Ownership Interest		2017	2016
	2017	**2016**	**$'000**	**$'000**
Associate entity incorporated in Australia:				
HHY Fund (ASX:HHY)	26.46%	21.62%	**2,584**	**2,662**

HHY is regarded as an Associated Entity as the Company has a greater than 20% interest and is considered to have ‘significant influence’ over HHY. Keybridge was also appointed the Investment Manager of HHY on 30 June 2016.

The Consolidated Entity also has a 50% interest in BIC Infrastructure Capital Pty Limited (**BIC**) (30 June 2016: 50%), which is regarded as a jointly controlled company. BIC has been accounted under the equity method but the investment has been previously impaired to a nil carrying value. BIC ultimately owns the Totana Solar Park asset in Spain, which development was funded by debt finance provided by the Consolidated Entity.

Accounting policy
Associate entities are entities over which the Consolidated Entity has significant influence but not control or joint control, generally accompanied by a holding of between approximately 20% and 50% of the voting rights in the same. An investment in an Associate entity in the consolidated financial statements is accounted for under the 'equity method' under AASB 128 (Investments in Associates). On initial recognition, an investment in an Associate entity is recognised at cost - for an investment which was classified as fair value through profit or loss, any gains or losses previously recognised are reversed through profit or loss. Under this method, the Consolidated Entity’s share of the post-acquisition profits or losses of an Associate entity is recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income and its share of post-acquisition movements in reserves is recognised in Other Comprehensive Income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

Dividends or trust distributions from an Associate entity are recognised in the Statement of Profit or Loss and Other Comprehensive Income and in the Statement of Financial Position, they reduce the carrying amount of the investment. When the Consolidated Entity’s share of losses in an Associate entity equals or exceeds its interest in the Associate, including any other unsecured long-term receivables, the Consolidated Entity does not recognise further losses, unless it has incurred obligations or made payments on behalf of the Associate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2017

20. INVESTMENT IN ASSOCIATE ENTITY (continued)

Accounting policy (continued)
Where applicable, unrealised gains on transactions between the Consolidated Entity and an Associate entity is eliminated to the extent of the Consolidated Entity's interest in the Associate entity. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The accounting policies of Associates are aligned to ensure consistency with the policies adopted by the Consolidated Entity, where practicable.

	2017	2016
Reconciliation of carrying amount:	**$'000**	**$'000**
Opening balance	2,662	2,301
Purchase of additional units	240	-
Share of Associate entity's net profit/(loss) after tax	(299)	361
Impairment of associate entity	(19)	-
Carrying amount of investment in Associate Entity	**2,584**	**2,662**
Fair value (at market price on ASX) of investment in Associate entity	2,265	2,374
Net tangible asset backing value of investment in Associate entity	2,584	2,662
Summarised statement of profit or loss and other comprehensive income		
Revenue	580	2,221
Expenses	(1,853)	(3,989)
Loss from continuing operations before income tax	**(1,273)**	**(1,768)**
Summarised statement of financial position		
Total assets	9,808	12,363
Total liabilities	(57)	(50)
Net assets	**9,751**	**12,313**

21. RELATED PARTY TRANSACTIONS

(a) Transactions with key management personnel (KMP)
Refer to the Remuneration Report contained in the Directors' Report for details of the remuneration paid or payable to each member of the Consolidated Entity's KMP for the year ended 30 June 2017. The total remuneration paid to KMP of the Consolidated Entity during the year is as follows:

	2017	2016
Directors	**$**	**$**
Short-term employee benefits	545,174	714,098
Post-employment benefits	39,473	34,662
Equity-based benefits	14,269	165,270
	598,916	914,030
Other KMP		
Short-term employee benefits	244,141	253,115
Post-employment benefits	-	12,876
	843,057	1,180,021

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2017

21. RELATED PARTY TRANSACTIONS (continued)

(b) Transactions with Directors

(i) On 15 November 2016, the Company disposed of its shareholding (100%) in Keybridge Funds Management Pty Limited (**KFM**) to an entity associated with former Director, Antony Sormann (who resigned on 13 October 2016), for a consideration of $8,500, resulting in a net gain on disposal of $8,490. KFM did not have any active operations. The sale was negotiated and agreement reached on an arm's length commercial basis.

(ii) During the financial year, the Consolidated Entity incurred legal expenses totalling $60,147 (excluding GST) with Atanaskovic Hartnell Lawyers (**AH**). Non-Executive Director, Jeremy Kriewaldt (appointed 13 October 2016), is a Partner at AH and provided some of the legal services in this regard. Fees of $30,842 and $29,305 (excluding GST) have been charged by AH before and after Mr Kriewaldt's appointment as a Director, respectively. AH fees are charged by AH and paid by the Consolidated Entity on an arm's length commercial basis and Mr Kriewaldt is not involved in the Consolidated Entity's decisions concerning engagement of legal services provided by AH.

(iii) As a consequence of Antony Sormann's resignation as a Director on 16 October 2016, the status of his 6 million Executive Share Plan (**ESP**) shares and outstanding accompanying ESP loan (comprising $907,333 principal and $139,060 accrued interest to date of resignation) is as follows (refer also Note 15):

- The principal amount due under the ESP loan (being the limited-recourse component) is cancellable against the cancellation of the (vested and unvested) ESP shares;
- The accrued interest on the loan (up to 16 October 2016) (being the full recourse component) is payable on the repayment date (being generally 31 December 2017, unless the parties agree to an earlier date); and
- The Company intends to seek shareholder approval at the 2017 annual general meeting (or an earlier general meeting, at the Company's discretion) to release Mr Sormann from liability to pay the accrued interest under the ESP loan, pursuant to the Corporations Act 2001.

(iv) On 23 November 2016, the Company entered into an agreement with Aurora Funds Management Limited (**AFML**) for an AFML employee to provide limited portfolio management services to the Company in respect of the Company's management of the investment portfolio of the HHY Fund (ASX:HHY) (ie. pursuant to the IMA referred to below). The Company's Chairman, John Patton (appointed a Director on 10 August 2016 and Chairman on 13 October 2016) is also the Managing Director and a beneficial owner of AFML. During the financial year, fees of $12,000 (excluding GST) have been incurred by the Company in this regard. The arrangement was negotiated and agreement reached on an arms length commercial basis.

(v) The Consolidated Entity has recognised $135,000 as Other Income – Deferred consideration on disposal of subsidiary (refer Note 2). This relates to a share sale agreement (dated 27 June 2016) (**SSA**) between the Company and Seventh Orion Pty Ltd (**SOPL**) (as Trustee for the Aurora Investments Unit Trust) (**Aurora Trust**) in respect of the sale of the Company's (100%) holding in Aurora Funds Management Limited (**AFML**) to SOPL on 30 June 2016. KBC Director (appointed 10 August 2016 and re-elected at AGM on 23 November 2016), John Patton, is a Director and (beneficially held) shareholder of SOPL, a Managing Director of AFML and a (beneficially held) unitholder of the Aurora Trust. The amount of $135,000 recognised as Other Income comprises $250,000 deferred consideration payable by SOPL less $115,000 costs payable by the Company to AFML , both pursuant to the terms of the SSA. The $115,000 cost relates to the recovery of an amount of $134,000 recognised as Other Income – Litigation settlement in the financial year ended 30 June 2016, both pursuant to the terms of the SSA.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2017

21. RELATED PARTY TRANSACTIONS (continued)

(c) Transactions with Associate Entities

(i) The Company entered into an Investment Management Agreement (**IMA**) (dated 30 June 2016) with AFML (as Responsible Entity/Trustee) for the Company to manage the investment portfolio of the HHY Fund (ARSN 112 579 129 (ASX:HHY). During the financial year, the Company earned $75,331 (excluding GST) in management fees income under the IMA.

(ii) The Company has advanced loans to Bridge Infrastructure Capital Pty Limited (**BIC**) (which, as a jointly controlled entity in which the Company has a 50% interest, has been accounted under the equity method) (30 June 2016: 50%). BIC owns BIC Europe Limited, which owns the Totana Solar Park asset in Spain. Further details are also in Note 10(a). During the financial year, interest of €0.31m (A$0.45m) has accrued on this loan and €0.215m (A$0.319m) cash loan repayments have been received. In July 2017, the Consolidated Entity received €0.27m (A$0.392m) in cash loan repayments.

(d) Other Matters

(i) The Company has engaged a former Director/KMP as a consultant corporate advisor and incurred fees of $143,010 (excluding GST) under this arrangement during the year. This consultant does not qualify as a KMP under AASB 124 (Related Party Disclosures), being a person having authority and responsibility for planning, directing and controlling the activities of the Consolidated Entity, directly or indirectly.

(ii) Former Managing Director (Nicholas Bolton) holds 9 million Executive Share Plan (**ESP**) shares with an accompanying ESP loan balance of $1,643,180 comprising $1,361,000 principal (which is limited-recourse and cancellable against the cancellation of the ESP shares held) and $282,180 accrued interest (which is full recourse and payable on the repayment date (being generally 31 December 2017), as at balance date (refer also Note 15).

(iii) The Company has agreed to advance up to $400,000 as loan funds in respect of former Managing Director's (Nicholas Bolton) legal costs incurred in circumstances where Mr Bolton's Director's Deed with the Company provides a procedure for the advancement of monies in this regard. As at 30 June 2017, $335,608 has been advanced via payments made to Mr Bolton's lawyers. The Board agreed to advance these funds in accordance with the relevant provision of Mr Bolton's Director's Deed and subject also to various terms and conditions agreed with Mr Bolton, including an initial $400,000 monetary cap (with any increase at the discretion of the Board), that advances would be provided only as payment of bills rendered by Mr Bolton's lawyers in relation to the relevant proceedings, that the Company needed to be satisfied that the amount of each legal bill was reasonable, that the Company would have access to Mr Bolton's lawyers to ensure that it was promptly informed of any material developments in relation to the proceedings and otherwise to enable the Company to assess the likely outcome of those proceedings, that Mr Bolton would be obliged to repay any amounts advanced in various circumstances specified in his Director's Deed including in any situation in which Mr Bolton is not entitled to be indemnified or advanced those costs, and a provision for review of the position once the outcome of the relevant proceeding is known, including the repayment of all or a portion of the advance (as appropriate).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2017

22. AUDITORS' REMUNERATION

During the year, the following fees were paid or payable for services provided by the Auditor of the parent entity and its network firms (as applicable):

	2017	2016
Deloitte Touche Tohmatsu	**$'000**	**$'000**
Audit and review of financial statements	289	286
Tax services	6	42
Other payments - disbursements	13	9
	308	**337**
KPMG		
Audit and review of financial statements	-	1
Other fees	-	10
	308	**348**

23. LOAN COMMITMENTS

The Consolidated Entity does not have any loan commitments (2016: Nil).

24. CONTINGENCIES

(a) Further Contingent Consideration from Sale of Aurora Fund Management Limited (AFML
Pursuant to a share sale agreement (dated 27 June 2016) between the Company and Seventh Orion Pty Ltd (**SOPL**) in respect of the sale of the Company's (100%) holding in AFML to SOPL, further consideration of up to $0.238m is payable by SOPL to the Company, as follows:

(i) Performance fees are payable (on or before 31 March 2018) subject to the status of convertible notes (held by specified Aurora funds) issued by Antares Energy Limited (ASX:AZZ) (deed administrators appointed; subject to deed of company administration).

The Directors are not currently able to assess the probability and extent of any likely recoveries under item (i) above.

25. EVENTS OCCURRING AFTER THE REPORTING PERIOD

(a) Subsequent to the balance date (and to 23 August 2017), the Consolidated Entity:

(i) Realised $3.04 million from the sale of listed securities; and
(ii) Invested a further $0.17 million in listed securities.

Sales include the Company's remaining shareholdings in PTB Group Limited (ASX:PTB), realising gross proceeds of $2.95 million and generating a gain on disposal of $1.154 million from historical cost (there was no net gain/loss in respect of the 2017/2018 financial year as the sale price of $0.485 per share was the same as the closing (last bid) price as at 30 June 2017).

Further investments include 1,316,756 units in Associate entity, HHY Fund (ASX:HHY), acquired at a total cost of $138,632 and taking the Company's interest to 28%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2017

25. EVENTS OCCURRING AFTER THE REPORTING PERIOD (continued)

(b) On 7 July 2017, 3,666,285 shares in Molopo Energy Limited (ASX:MPO) (out of the Company's total holding of 49,683,828 shares) were vested in the Commonwealth (on trust for the Company) under the declaration and orders of the Takeovers Panel in the matter of Molopo Energy Limited 03R, 04R & 05R (refer Takeovers Panel Media Releases No. TP17/34 dated 30 June 2017: Molopo Energy Limited 03R, 04R & 05R – Declaration of Unacceptable Circumstances and No. TP17/37 dated 10 July 2017: Molopo Energy Limited 03R, 04R & 05R - Orders, and Takeovers Panel Reasons for Decision dated 22 August 2017: Molopo Energy Limited 03R, 04R & 05R [2017] ATP 12). These shares will be sold by ASIC (via an appointed investment bank or stock broker within 6 months from their engagement) with the proceeds of sale accounted to the Company (net of the costs, fees and expenses of the sale and any costs, fees and expenses incurred by ASIC and the Commonwealth (if any)). The Company remains the second largest shareholder in MPO with 46,017,543 shares (18.478%) (refer to the Company's ASX announcement dated 11 July 2017: Change of Substantial Holder Notice for MPO). As these vested 3.67 million MPO shares are held on trust for the Company pending sale by ASIC, the Company continues to recognise the shares as company assets at the same carrying value per share as its holding of 46 million MPO shares, less an estimate in respect of selling costs.

(c) On 25 July 2017, MPO shares were suspended from trading on ASX at the request of MPO (pending the announcement of a strategic investment). MPO's last traded price on ASX prior to the suspension of trading was $0.14 (on 21 July 2017). On 22 August 2017, MPO announced (a) the details of a US$7 million investment to acquire a 50% shareholding in Orient FRC Ltd, which has a 50% working (earn-in) interest in an exploration and development oil and gas lease prospect in South Florida, USA; and (b) MPO's continued suspension on the ASX due to a failure to demonstrate a level of oil and gas operations sufficient, in the ASX's opinion, to warrant the continued quotation of MPO's shares (with the ASX advising that the above Orient investment does not satisfy the ASX's requirement in this regard). For further details, refer to MPO's ASX Announcements dated 25 July 2017: Trading Halt; dated 27 July 2017: Suspension from Quotation; dated 2 August 2017: Update to Voluntary Suspension; dated 22 August 2017: Molopo Acquires Interest in US Oil and Gas Project; and dated 22 August 2017: Voluntary Suspension.

(d) On 27 July 2017, the unlisted Aurora Fortitude Absolute Return Fund (**AFARF**) announced an intention to make a takeover bid for MPO for 100% of the shares of MPO at $0.18 per share, to be satisfied by cash (capped at $5 million in total) and or the equivalent value in AFARF units, which may be redeemed off-market at the prevailing net asset value based redemption price in accordance with AFARF's constitution and fund updates. Aurora Absolute Return Fund (ASX:ABW) is fully invested in AFARF and Aurora Funds Management Limited is the Responsible Entity of both ABW and AFARF. The proposed bid would be subject to a range of defeating conditions, which are summarised in ABW's ASX announcement dated 27 July 2017: Aurora Fortitude Absolute Return Fund (AFARF) announces cash and/or scrip takeover bid for Molopo Energy Limited (ASX:MPO). Refer also ABW's ASX announcements dated 27 July 2017: Strategic Investment by Molopo Energy Limited ; dated 3 August 2017: Aurora Fortitude Absolute Return Fund - Liquidity Management; and dated 24 August 2017: Aurora Fortitude Absolute Return Fund - Molopo Energy Limited Takeover Bid Update.

No other matter or circumstance has arisen since the end of the financial year that significantly affected, or may significantly affect, the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity in future financial years.

DIRECTORS' DECLARATION

The Directors of the Company declare that:

(1) The financial statements, comprising the Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Cash Flows, Consolidated Statement of Changes in Equity, and accompanying notes as set out on pages 33 to 71 are in accordance with the *Corporations Act 2001 (Cth)* and:

(a) comply with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting; and

(b) give a true and fair view of the Consolidated Entity's financial position as at 30 June 2017 and of their performance for the year ended on that date;

(2) In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

(3) The Directors have been given the declarations required by section 295A of the *Corporations Act 2001 (Cth) by* the Chairman (the person who, in the opinion of the Directors, performs the Chief Executive Officer function) and Company Secretary (the person who, in the opinion of the Directors, performs the Chief Financial Officer function); and

(4) The Company has included in the notes to the Financial Statements an explicit and unreserved statement of compliance with the International Financial Reporting Standards.

This declaration is made in accordance with a resolution of the Directors made pursuant to section 295(5) of the *Corporations Act 2001 (Cth)*.

John Patton
Chairman

Simon Cato
Non-Executive Director and
Chairman of Audit, Finance and Risk Committee

31 August 2017

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Grosvenor Place
225 George Street
Sydney, NSW 2000
Australia

Phone: +61 2 9322 7000
www.deloitte.com.au

Independent Auditor's Report to the Members of Keybridge Capital Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Keybridge Capital Limited (the "Company") and its subsidiaries (the "Consolidated Entity") which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year ended then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Consolidated Entity is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2017 and of its financial performance for the year then ended; and

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

Basis for Opinion

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

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Deloitte.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Allowance for impairment losses – loan receivables As at 30 June 2017 the carrying value of loan receivables was $11.8m, net of allowances for impairment losses of $15.5m as disclosed in note 10. The assessment of the recoverable value of loans requires significant judgement in respect of assumptions such as making estimate on interest and principal repayments and the recoverability of loans, on either a specific or collective basis.	Our procedures included, but were not limited to: • Evaluating the key controls management have in place in relation to the estimate of the recoverable value of loans, • Challenging the assumptions and methodology used to determine both the specific and collective allowances, • Evaluating recoverability of loans based on expected future cash inflows, such as estimate on interest and principal repayments from loans, and • Assessing the appropriateness of the disclosures in note 10 to the financial statements.
Financial assets designated at fair value through profit or loss As at 30 June 2017, financial assets designated at fair value through profit or losses were valued at $11.8m as disclosed in note 9. Included within this balance is an investment in Molopo Energy Limited ("MPO") valued at $7.2m. Significant judgement is involved in estimating the fair value of this instrument.	In conjunction with our internal valuation experts our procedures included, but were not limited to: • Assessing management's estimations and judgements adopted, and compliance with applicable accounting standards, • Assessing the key assumptions in fair value, including management's cash flow forecast of the underlying assets, • Reviewing legal correspondence and regulatory announcements on MPO related matters and considering the impact on management assumptions used, and • Assessing the appropriateness of the disclosures in Note 9 and 11 to the financial statements.

Deloitte.

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report, which we obtained prior to the date of this auditor's report, and also includes the following information which will be included in the Consolidated Entity's annual report (but does not include the financial report and our auditor's report thereon): Preliminary Final Report, Results for Announcement to the Market and Securities Information, which is expected to be made available to us after that date.

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

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Preliminary Final Report, Results for Announcement to the Market and Securities Information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action.

Responsibilities of the Directors for the Financial Report

The directors of the Consolidated Entity 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 for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.
In preparing the financial report, the directors are responsible for assessing the Consolidated Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Consolidated Entity or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Consolidated Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Entity.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Consolidated Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Consolidated Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Consolidated Entity to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Consolidated Entity's audit. We remain solely responsible for our audit opinion.

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 19 to 27 of the Directors' Report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Keybridge Capital Limited, for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Declan O'Callaghan
Partner
Chartered Accountants
Sydney, 31 August 2017

SECURITIES INFORMATION
as at 30 June 2017

SECURITIES ON ISSUE

Class of Security	Quoted on ASX	Unlisted
Fully paid ordinary shares (ASX:KBC)	158,812,237	-
Executive Share Plan shares[33]	-	15,000,000
Convertible Redeemable Promissory Notes (ASX:KBCPA)[34]	4,401,047	-

SUBSTANTIAL SHAREHOLDERS

Substantial Shareholder	Registered Shareholder	Number of Shares held	%Voting Power (as at 30 June 2017)
Australian Style Group Pty Ltd	Australian Style Group Pty Ltd	33,608,425	22.43%(1)
	BNP Paribas Nominees Pty Ltd	2,012,267	
Bentley Capital Limited (ASX:BEL)	Bentley Capital Limited	15,850,000	19.96%(2)
	Scarborough Equities Pty Ltd	15,850,000	
Orion Equities Limited (ASX:OEQ)	Bentley Capital Limited	15,850,000	19.96%(3)
	Scarborough Equities Pty Ltd	15,850,000	
Queste Communications Ltd (ASX:QUE)	Bentley Capital Limited	15,850,000	19.96%(3)
	Scarborough Equities Pty Ltd	15,850,000	
Wilson Asset Management Group (WAM Capital Limited (ASX:WAM) WAM Active Limited (ASX:WAA) Wilson Asset Management Equity Fund)	RBC Investor Services Australia Nominees Pty Ltd	26,795,514	16.87%(4)

Notes:

(1) Based on the Change of Substantial Holder Notice lodged by Australian Style Group Pty Ltd dated 24 March 2014 (updated to reflect current registered shareholdings and percentage voting power)

(2) Based on the Change of Substantial Holder Notice lodged by BEL dated 8 July 2016

(3) Based on the Change of Substantial Holder Notice lodged by QUE and OEQ dated 8 July 2016

(4) Based on the Change of Substantial Holder Notice lodged by Wilson Asset Management Group dated 30 June 2016

33 Issued on 10 December 2014 (refer KBC's ASX Announcement dated 19 December 2014: Appendix 3B and Further Detail Regarding Issuance of Loan Funded Shares) after receipt of shareholder approval at an annual general meeting held on 28 November 2014 (refer KBC's Notice of AGM released on ASX on 30 October 2014 and KBC's ASX announcement dated 1 December 2014: Results of AGM)

34 Keybridge issued Convertible Redeemable Promissory Notes on 30 June 2015 (refer KBC's ASX Announcement dated 18 June 2015: Appendix 3B) after receipt of shareholder approval on 28 November 2014 (refer KBC's Notice of AGM released on ASX on 30 October 2014 and KBC's ASX announcement dated 1 December 2014: Results of AGM). The notes have a face value of $1.00, pays interest at 7% pa and matures on 31 July 2020 (unless redeemed or bought-back by Keybridge earlier). Further details are in Note 9 of the accompanying 6 financial statements and in the CRPN Prospectus (dated 17 June 2015) and ATO Class Ruling CR 2015/54.

SECURITIES INFORMATION
as at 30 June 2017

DISTRIBUTION OF LISTED CONVERTIBLE REDEEMABLE PREFERENCE NOTES

Spread of Holdings			Number of Holders	Number of Notes	% of Total Issued Notes
1	-	1,000	779	152,433	3.46%
1,001	-	5,000	70	149,288	3.39%
5,001	-	10,000	19	136,582	3.10%
10,001	-	100,000	39	1,259,891	28.63%
100,001	-	and over	7	2,702,853	61.42%
TOTAL			**914**	**4,401,047**	**100%**

TOP TWENTY LISTED CONVERTIBLE REDEEMABLE PREFERENCE NOTEHOLDERS

Rank	Registered Noteholder	Notes Held	Total Notes Held	% Total Issued Notes
1	BNP Paribas Nominees Pty Ltd		1,079,714	24.53%
2	Aurora Funds Management Limited <Aurora Fortitude Absolute Return Fund>	621,210		
	Aurora Funds Management Limited	385,825		
		Sub-total	1,007,035	22.89%
3	J P Morgan Nominees Australia Limited		190,277	4.32%
4	Marko Nominees Pty Ltd		180,859	3.09%
5	PW and VJ Cooper Pty Limited		135,900	3.09%
6	Nambia Pty Ltd		109,068	2.48%
7	Mr Jinxiang Lu		85,000	1.93%
8	Mrs Cuixian Wang		77,000	1.75%
9	A & G Siciliano Superannuation Pty Ltd		74,717	1.70%
10	G Chan Pension Pty Limited		63,810	1.45%
11	Bond Street Custodians Limited		56,521	1.28%
12	Mr Craig Anthony Turton		51,630	1.17%
13	Csalt Super Pty Ltd		50,788	1.15%
14	Mr Milton Yannis		45,563	1.04%
15	Gyton Pty Ltd		43,226	0.98%
16	Mr Nicholas Bolton	11,262		
	Australian Style Holdings Pty Ltd <NFJB Superfund A/C>	31,414		
		Sub-total	42,676	0.97%
17	Freshmo Investments Pty Ltd		41,200	0.94%
18	Mr Yee Teck Teo		35,245	0.80%
19	Denald Nominees Pty Ltd		33,333	0.76%
20	HSBC Custody Nominees (Australia) Limited		32,427	0.73%
TOTAL			**3,435,989**	**77.05%**

SECURITIES INFORMATION
as at 30 June 2017

DISTRIBUTION OF LISTED ORDINARY SHARES

Spread of Holdings	Number of Holders	Number of Shares	% of Total Issued Capital
1 - 1,000	40	8,236	0.01%
1,001 - 5,000	183	656,738	0.41%
5,001 - 10,000	160	1,249,722	0.79%
10,001 - 100,000	254	8,588,910	5.41%
100,001 - and over	76	148,308,721	93.38%
TOTAL	**713**	**158,812,327**	**100%**

UNMARKETABLE PARCELS

Spread of Holdings	Number of Holders	Number of Shares	% of Total Issued Capital
1 - 5,000	223	664,974	0.42%
5,001 - over	490	158,147,353	99.58%
TOTAL	**713**	**158,812,327**	**100%**

An unmarketable parcel is considered, for the purposes of the above table, to be a shareholding of 5,000 shares or less, being a value of $500 or less in total, based upon the Company's last sale price on ASX as at 30 June 2017 of $0.10 per share.

TOP TWENTY LISTED ORDINARY FULLY PAID SHAREHOLDERS

Rank	Registered Shareholder	Shares Held	Total Shares Held	% Issued Capital
1	Australian Style Group Pty Ltd		33,608,425	21.17%
2	RBC Investor Services Australia Nominees Pty Ltd		27,778,515	17.49%
3	Bentley Capital Limited		15,850,000	9.98%
4	Scarborough Equities Pty Ltd		15,850,000	9.98%
5	J P Morgan Nominees Australia Limited		6,850,005	4.31%
6	HSBC Custody Nominees (Australia) Limited - GSCO ECA	5,625,000		
	HSBC Custody Nominees (Australia) Limited	6,390		
		Sub-total	5,631,390	3.54%
7	Cowoso Capital Pty Ltd		4,591,543	2.89%
8	Mr Nicholas Bolton	3,170,133		
	Mr Nicholas Bolton + Mr John Bolton <NFJB Superfund A/C>	325,000		
	Australian Style Holdings Pty Ltd <NFJB Superfund A/C>	492,100		
		Sub-total	3,987,233	2.51%
9	BNP Paribas Nominees Pty Ltd		3,853,733	2.43%
10	Mr Stephen Norman Douglas Rowley		2,552,875	1.61%
11	Mr Patrick Martin Burroughs		2,000,000	1.26%
12	Dean Whitestone Pty Limited		2,000,000	1.26%
13	Mr Donald Gordon Mackenzie + Mrs Gwenneth Edna Mackenzie		1,445,539	0.91%
14	Jonrian Pty Ltd		1,347,200	0.85%
15	Denald Nominees Pty Ltd		1,200,000	0.76%
16	Mr Keith Danby Lucas		1,000,000	0.63%
17	APPWAM Pty Ltd		1,000,000	0.63%
18	Mr Yee Teck Teo		972,486	0.61%
19	Trafalgar Street Nominees Pty Ltd		909,091	0.57%
20	Mr Colin John Vaughan + Mrs Robin Vaughan		788,281	0.50%
TOTAL			**133,216,316**	**83.89%**