

31 August 2015

Full Year Results

- **Net profit after tax of \$0.968 million**
- **\$3.832 million of investment realisations from its historical assets**
- **\$5.528 million returned to shareholders through the issue of Convertible Redeemable Promissory Notes (\$4.957 million) and the acquisition of 2.9 million shares (\$0.571 million) via the on-market buy-back program**
- **Completed the acquisition of Aurora Funds Management Limited**
- **Built up strategic stakes in Molopo Energy Limited to 17.79% and Hastings High Yield Fund to 19.99%**
- **Audited Net Asset Value of 20.3 cents per share at 30 June 2015**
- **Unaudited Net Asset Value of 20.3 cents per share as at 31 July 2015**

The year ended 30 June 2015 was a significant transition year for Keybridge, with the acquisition of Aurora Funds Management (AFML) forming the base of a new strategic direction to become a significant Alternative-Asset Funds Management business, while management continued to exit difficult historical investments with realisations totalling \$3.832 million achieved during the year.

As part of the new funds management strategy, Keybridge also acquired significant stakes in two ASX-listed entities, with the aim of growing funds under management.

After years of accounting losses, Keybridge returned to profitability and at the end of the year, rewarded shareholders by returning \$4.957 million in capital through a pro-rata issue of Convertible Redeemable Promissory Notes (CRPN). These CRPN will provide holders with interest payments at a fixed rate of 7% per annum fully franked.

Financial Results

The Directors are pleased to report that the Group earned a net profit after tax in the 2015 financial year of \$0.968 million. This was a significant turnaround from the loss in the previous financial year (2014: \$2.919 million net loss after tax).

Basic and diluted earnings per share for FY15 was 0.61 cents per share compared with a loss of (1.74) cents in the prior period.

Operating revenue increased approximately 88% on the previous corresponding period, driven by better performing investments and the inclusion of three months of AFML management and performance fees.

Management was also successful in recovering approximately \$1.0 million from a Lending asset that was previously held at a nil value, and is recorded in the accounts as part of a net impairment reversal of \$0.915 million.

In addition, the Group incurred a net unrealised mark-to-market loss of \$0.320 million from positions in the Group's portfolio of Listed Equity investments, which includes strategic stakes in PTB Group, Molopo and HHY Fund.

Between 1 July 2014 and 30 June 2015, the Australian Dollar depreciated by 18.3% in value against the US Dollar and by 0.2% against the Euro. From 28 August 2014, being the date of investment into Foundation Life, the Australian Dollar depreciated in value by 1.1% against the New Zealand Dollar. The movements in these currencies resulted in net unrealised FX gains over the period of \$1.024 million (2014: gain of \$0.116 million).

Expenses increased by approximately 5% for the reporting period largely as a result of consolidating the AFML business in the final quarter of the year.

Other one-off costs incurred included legal fees in relation to the Molopo and HHY Fund investments, the issuing of the CRPNs as well as continuing to recover Keybridge's legacy assets.

As a result of the issue of CRPN to current shareholders to the value of approximately \$4.957 million, the Group's underlying equity position declined during the 2015 financial year from \$36.590 million at 30 June 2014 to \$32.358 million at 30 June 2015, but this value remains in the hands of shareholders who continue to hold the CRPN.

	2015	2014
	\$ 000	\$ 000
Income	3,554	1,886
Operating costs	(3,496)	(2,776)
Non-recurring costs	(1,000)	(1,432)
Operating loss before FX adjustments	(942)	(2,322)
FX unrealised gain on revaluation of FX asset	1,024	116
Realised net FX gain/(loss) on FX assets	170	(35)
Net impairments/(Impairment reversal)	915	(549)
Finance costs	(27)	(1)
Bargain purchase gain	–	23
Income tax (expense)/benefit	(172)	(151)
Net profit/(loss) after tax	968	(2,919)

Currency amounts in this announcement are denominated in Australian Dollars, unless otherwise specified.

Summary of Financial Position at 30 June 2015

Investments

As at 30 June 2015 the value of Keybridge's investments by asset class was as follows:

	2014	2015	2015
	\$ 000	\$ 000	% of total
Core Business			
Cash	14,535	2,833	7.2%
Listed Equities	6,062	14,343	36.5%
Funds Management	–	3,496	8.9%
Insurance	–	3,136	8.0%
Historical Investments			
Infrastructure	6,957	6,668	17.0%
Private Equity	5,228	6,529	16.6%
Property	2,473	2,259	5.8%
Lending and Shipping	1,828	–	–
	37,083	39,264	100%

Attachment 1 includes a summary of the performance of Keybridge's investments by asset class.

Balance Sheet

As at 30 June 2015, the Group's balance sheet can be simplified as follows:

	\$'000
Investments	18,846
Historical investments	17,585
Cash-on-hand	2,833
Other assets	3,462
Liabilities	(10,368)
Shareholders' funds	32,358

Shareholders' funds equates to net asset value of approximately 20.3 cents per ordinary share at 30 June 2015 and net tangible assets of 17.8 cents per ordinary share after accounting for \$3.797 million of goodwill in relation to the Aurora acquisition.

Outlook

Keybridge's focus is to continue to grow its Aurora business and its funds under management more generally. Keybridge will also maintain its program of managing or selling off its historical assets with a view to maximising shareholder value.

Keybridge Capital is a financial services company that has invested in, or lent to, transactions which predominantly are in the core asset classes of funds management, infrastructure, listed equity, private equity, insurance, property and lending.

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Performance By Asset Class**CORE BUSINESS**

Funds Management: *Total book value \$3.496 million.*

On 27 March 2015 Keybridge completed the acquisition AFML for \$3.797 million plus \$2.44 million of net tangible assets (largely cash). As a result of the transaction, Aurora Funds Limited (the vendor) used the proceeds to return capital to its shareholders. As Keybridge held a 19.9% investment in Aurora Funds Limited approximately, \$1.06 million was returned to Keybridge by way of a Capital Return.

Aurora is the Responsible Entity and Investment Manager for a number of alternative investment funds, including the Aurora Fortitude Absolute Return Fund (AFARF); Aurora Absolute Return Fund (ASX:ABW); Aurora Dividend Income Trust (ASX:AOD); Aurora Global Income Trust (ASX:AIB); Aurora Property Buy-Write Income Trust (ASX:AUP); and HHY Fund (previous Hasting High Yield Fund) (ASX:HHY).

The collective retail funds under management (FUM) at 30 June 2015 was approximately \$141 million.

Keybridge expects that it will be able to provide Aurora with an increased capacity to expand its alternative asset management offering.

Listed Equity: *Total book value \$14.343 million.*

Keybridge's Listed Equities portfolio at 30 June 2015 totalled \$14.343 million (2014: \$6.062 million). The majority of investments have been small shareholdings in companies listed on the ASX and other international stock exchanges, with three larger strategic holdings being:

- a 17.79% stake in Molopo, which was historically an oil and gas exploration and production company. Molopo has exited all of its former oil production and exploration assets, and currently has a large cash balance with no debt, but is facing litigation in relation to previous trading activities. Keybridge considers that the current market valuation of Molopo's shares trading on the ASX is well below the value of its likely cash backing after the litigation is settled. In December 2014 Molopo appointed Antony Sormann as Keybridge's representative to its Board.
- a 19.99% investment in Hasting High Yield Fund, now renamed HHY Fund. Keybridge has recently announced that Aurora has been appointed as the Responsible Entity and Manager of the Fund.
- a 19.86% investment in PTB Group Limited (PTB), a turbo-prop aircraft parts and services supply organisation with operations in Queensland and New South Wales. During the half year PTB appointed Nicholas Bolton as Keybridge's representative to its Board.

Insurance: *Total book value \$3.136 million*

On 28 August 2014 Keybridge invested NZD3.8 million into Foundation Life Holdings (FLH). FLH purchased all of the shares in Tower Life New Zealand, a non-core life insurance subsidiary of Tower Limited. The investment is structured to earn ongoing interest at 9% per annum, payable at the end of FLH's financial year, plus some upside over time. Keybridge has already received NZD0.6 million in repayments during the year, which included both return of capital and interest payments.

HISTORICAL INVESTMENTS

Infrastructure: *Total book value \$6.668 million.*

In March 2008, Keybridge invested in the development, construction and ownership of a 1.05MWp twin-axis tracking solar photovoltaic (PV) park in the Murcia region in southern Spain, named Totana. Upon completion, the park was registered under Royal Decree (RD) 661/2007 which legislated that for a period of 25 years Iberdrola, the energy supplier, was required to purchase all electricity produced by the park at a government mandated inflated feed-in tariff.

During the 2014 financial year, the Spanish government finalised a second round of amendments to the original feed-in tariff resulting from a series of austerity measures attempting to reduce its budget deficit. The Council of Ministers passed Royal Decree 413/2014, regulating the activity of electricity production from renewable energy sources, cogeneration and waste. This regulation entered into force on 11 June 2014 but applied retrospectively from 14 July 2013.

The tariff is now based on what the Spanish government has deemed to be a reasonable fixed rate of return on capital invested for such an asset. The Spanish government has indicated that the next review of tariffs will not occur before 2017. Until then, total annual compensation under the new structure is expected to continue to deliver approximately EUR0.53 million (AUD 0.78 million) of gross annual revenue, down from approximately EUR0.75 million (AUD1.1 million) per annum.

During the year, Keybridge received EUR0.8 million (AUD1.162 million) in repayments which included both return of principal and interest payments.

Private Equity: *Total book value \$6.529 million.*

Keybridge holds a limited recourse loan to RPE1 Investor LLC, a Colorado USA limited liability company, which holds units in a Private Equity Fund. This loan accrues interest at 14.5% per annum and has a maturity date of 31 December 2017. Keybridge's loan of USD5.0 million is secured by Republic Limited Partnership Capital's interest in the Private Equity Fund (RPE). RPE's internal valuation of the Fund was USD28.2 million (AUD 36.7 million) (as of end March 2015) with the value of the stake forming Keybridge's security interest valued at approximately USD14.1 million (AUD 18.4 million).

Keybridge received no repayments from its Private Equity investment during the financial year 2015 and accrued AUD0.1 million in income.

Property: *Total book value \$2.259 million.*

In September 2014, Keybridge took direct control of the last two loans that were held in a fund run by Ashe Morgan, which invested in first ranking mortgage loans over commercial properties. The loans are secured by property in the Melbourne suburb of Prahran and a property in the Sydney suburb of Manly. During the year the Melbourne property was sold and the loan is expected to be repaid in October 2015.

Keybridge's other investment in the property portfolio was repaid during the year and generated a return on investment of 20.2% in ten months.

Lending: *Total book value \$Nil*

Keybridge no longer has any assets in its Lending portfolio.