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## HALF YEAR REPORT

### 31 December 2017

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THIS DOCUMENT SHOULD BE READ IN CONJUNCTION WITH THE  
COMPANY'S [2017 ANNUAL REPORT](#)



ASX Codes: [KBC](#) and [KBCPA](#)

### Keybridge Capital Limited

A.B.N. 16 088 267 190

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Melbourne, Victoria 3004

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E | [info@keybridge.com.au](mailto:info@keybridge.com.au)  
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Level 6, 2 Russell Street  
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E | [registry@registrydirect.com.au](mailto:registry@registrydirect.com.au)  
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**COMPANY SECRETARIAL ENQUIRIES:**

Level 2  
23 Ventnor Avenue  
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**CONTENTS****CORPORATE DIRECTORY**

ASX Appendix 4D – Results for Announcement to the Market	2
Directors' Report	5
Auditor's Independence Declaration	20
Consolidated Statement of Profit or Loss and Other Comprehensive Income	21
Consolidated Statement of Financial Position	22
Consolidated Statement of Changes in Equity	23
Consolidated Statement of Cash Flows	24
Notes to the Consolidated Financial Statements	25
Directors' Declaration	38
Auditor's Independent Review Report	39
Securities Information	41

**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**

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**AUDITORS**

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Tower 2, Brookfield Place  
123 St Georges Terrace  
Perth, Western Australia 6000

Telephone: (08) 9365 7000  
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**STOCK EXCHANGE**

Australian Securities Exchange  
Sydney, New South Wales

Website: [www.asx.com.au](http://www.asx.com.au)

**ASX CODES**

[KBC](#) (Shares)  
[KBCPA](#) (Convertible Redeemable Preference Notes)

**SHARE REGISTRY**

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Level 6  
2 Russell Street  
Melbourne, Victoria 3000

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# APPENDIX 4D HALF YEAR REPORT

This Half Year Report is provided to the Australian Securities Exchange (**ASX**) under ASX Listing Rule 4.2A.3.

Current Reporting Period:	1 July 2017 to 31 December 2017
Previous Corresponding Period:	1 July 2016 to 31 December 2016
Reporting Date:	31 December 2017
Company:	Keybridge Capital Limited ( <b>KBC</b> or the <b>Company</b> )
Consolidated Entity:	KBC and controlled entities ( <b>Keybridge</b> )

## RESULTS FOR ANNOUNCEMENT TO THE MARKET

CONSOLIDATED	December 2017 \$'000	December 2016 \$'000	% Change	Up / Down
Fees income	46	149	69%	Down
Unrealised gain on financial assets at fair value through profit or loss	-	824	N/A	N/A
Gain on revaluation of foreign currency assets	13	-	N/A	N/A
Unrealised gain on derivative liabilities	70	-	N/A	N/A
Realised gain on sale of investments	964	1,314	27%	Down
Share of Associate entity's profit	419	-	N/A	N/A
Interest	396	383	3%	Up
Dividend	6	-	N/A	N/A
Other income	31	113	73%	Down
<b>Total revenue</b>	<b>1,945</b>	<b>2,783</b>	<b>30%</b>	<b>Down</b>
Share of Associate entity's loss	-	(43)	N/A	N/A
Unrealised loss on financial assets at fair value through profit or loss	(405)	(99)	310%	Up
Unrealised loss on derivative liabilities	-	(57)	N/A	N/A
Impairment expenses/(reversal)	(20)	22	190%	Down
Personnel expenses	(287)	(339)	15%	Down
Corporate expenses	(727)	(972)	25%	Down
Administration expenses	(148)	(124)	20%	Up
Other expenses	(70)	(77)	11%	Down
<b>Total expenses</b>	<b>(1,658)</b>	<b>(1,689)</b>	<b>2%</b>	<b>Down</b>
Finance expenses	(154)	(154)	<0%	N/A
<b>Profit before tax</b>	<b>133</b>	<b>940</b>	<b>86%</b>	<b>Down</b>
Income tax benefit/(expense)	-	-	N/A	N/A
<b>Profit after tax attributable to members</b>	<b>133</b>	<b>940</b>	<b>86%</b>	<b>Down</b>
Basic and diluted earnings per share (cents)	0.08	0.59	86%	Down
CONSOLIDATED	December 2017	June 2017	% Change	Up / Down
<b>Pre and Post-Tax Net Asset Backing per share</b> (with dividends paid during the half year added back)	15.0	14.92	1%	Up
<b>Net Asset Backings (net of dividends paid during the half year):</b>				
Pre-Tax Net Asset Backing per share (cents)	14.50	14.92	3%	Down
Post-Tax Net Asset Backing per share (cents)	14.50	14.92	3%	Down

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

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

# APPENDIX 4D HALF YEAR REPORT

Keybridge generated a total net realised and unrealised gain of \$0.559 million (pre- and post-tax) for the half year from its securities investment and trading activities, comprising:

- (a) Realised gains of \$0.964 million (from cost), which includes:
  - (i) \$1.154 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) \$0.153 million realised loss on the sale of shares in SIV Asset Management Limited (ASX:[SAM](#));
- (b) Unrealised gains of \$0.532 million, which includes:
  - (i) \$0.577 million unrealised gain attributable to Metgasco Limited (ASX:[MEL](#));
  - (ii) \$0.202 million unrealised gain attributable to Copper Strike Limited (ASX:[CSE](#)); and
  - (iii) \$0.230 million unrealised loss attributable to Molopo Energy Limited (ASX:[MPO](#));
- (c) The accounting reversal of prior year unrealised gain/loss on investments sold during the half year of \$0.937 million (which is offset against the unrealised gain of \$0.532 million (in (a) above) to arrive at the \$0.405 million 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 personnel, corporate and administration expenses from \$1.435 million to \$1.162 million, including:

- A 25% reduction in Corporate expenses from \$0.972 million to \$0.727 million;
- A 28% reduction in Legal expenses (part of corporate expenses) from \$0.380 million to \$0.273 million;
- A 15% reduction in Personnel expenses from \$0.339 million to \$0.287 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 half year ended 31 December 2017.

## DIVIDENDS

During the financial half year, Keybridge paid a dividend, as follows:

Dividend Rate	Record Date	Payment Date	Franking
<a href="#">0.5 cent</a> per share	30 November 2017	8 December 2017	100% franked

Keybridge's Dividend Reinvestment Plan (**DRP**) did not apply to this dividend.

As at 31 December 2017, Keybridge had:

- \$1.816 million in its Profits Reserve account, which is available to fund the payment of dividends to shareholders in the future; and
- \$7.803 million Franking Credits, which is sufficient to fund the payment of fully franked (at Keybridge's applicable 27.5% company tax rate) dividends totalling \$20.572 million.

## Dividend Policy

On 8 November 2017<sup>1</sup>, Keybridge announced a new Dividend Policy, as follows:

It is the objective of Keybridge to provide a regular and stable distribution to shareholders after the announcement of its 30 June year end operating results. These results are normally announced at the end of August each year and Keybridge will endeavour to announce its proposed dividend at this time.

Dividends will be funded from Keybridge's Profits Reserve account, which comprises appropriations from the Company's net profits earned during relevant periods from time to time.

<sup>1</sup> Refer KBC ASX Announcement dated [8 November 2017: Dividend Policy](#)

# APPENDIX 4D HALF YEAR REPORT

Keybridge intends to make annual distributions to shareholders of at least 0.5 cent per share, to the extent permitted by law and subject to prudent business practice. It is envisaged that shareholder distributions will be made once per year to limit costs and administration. Dividends will be franked to the extent that available franking credits permit.

Keybridge also holds a number of legacy assets (primarily loan receivables). As and when such assets are realised into cash or liquid securities by the Board in the ordinary course of business, Keybridge may also undertake further distributions of fully-franked dividends and or capital returns to shareholders. Proposed capital returns will be subject to prior shareholder approval.

Keybridge adopted this Dividend Policy due to the Board reaching the view that Keybridge has a reasonable level of Profits Reserve to fund regular dividend distributions, at least in the next 2-3 years, which means Keybridge is not reliant on funding dividends only from net profits generated in respect of the prevailing/current half year or full year period. The Board also considered that having a formal Dividend Policy serves as a spur to Keybridge to achieve results that justify payment of dividends consistent with the policy and hence enhances shareholder value.

## CRPN DISTRIBUTIONS

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

Distribution Rate	Record Date	Payment Date	Franking <sup>2</sup>
<a href="#">1.75 cent</a> per note	20 December 2017	21 December 2017	100% franked
<a href="#">1.75 cent</a> per note	20 September 2017	21 September 2017	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):

- 30.17% interest (25,146,973 units) in HHY Fund (ASX:[HHY](#)) (30 June 2017: 28%; 23,963,729 shares).

Keybridge has a 50% interest in BIC Infrastructure Capital Pty Limited (**BIC**) (30 June 2017: 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.

For and on behalf of the Directors,



Victor Ho  
Company Secretary

Date: 28 February 2018

Telephone: (08) 9214 9767

Email: [cosec@keybridge.com.au](mailto:cosec@keybridge.com.au)

<sup>2</sup> 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 to the financial statements in the [2017 Annual Report](#) and in the [CRPN Prospectus](#) (dated 17 June 2015) and [ATO Class Ruling CR 2015/54](#).

# 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 half year ended 31 December 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 half 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](#)), Metgasco Limited (ASX: [MEL](#)) and Yowie Group Ltd (ASX: [YOW](#)). Keybridge is also the Investment Manager of the HHY Fund.

## NET ASSET BACKING

<b>CONSOLIDATED</b>	<b>December 2017</b>	<b>June 2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Gross assets	27,181	28,199
Less: Liabilities	(4,256)	(4,501)
Net assets	22,925	23,698
<b>Pre-tax Net Asset Backing per share (cents)</b>	<b>14.50</b>	<b>14.92</b>
Less: Net deferred tax asset/liabilities /tax provision		-
Net assets (after tax)	22,925	23,698
<b>Post-tax Net Asset Backing per share (cents)</b>	<b>14.50</b>	<b>14.92</b>
Value of dividend paid in previous 6 months (0.50 cent per share)	790	-
<b>Adjusted Pre and Post-tax Net Asset Backing per share (cents)</b> (with the dividend paid during the half year added back)	<b>15.0</b>	<b>14.92</b>
Based on total issued shares	158,080,432	158,812,327

Keybridge's 31 January 2018 pre and post-tax Net Asset Backing was 14.46 cents per share (unaudited) <sup>3</sup>.

## FINANCIAL POSITION

<b>CONSOLIDATED</b>	<b>December 2017</b>	<b>June 2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Cash	1,821	1,414
Investments	9,220	11,836
Loans and receivables	11,716	11,835
Investment in Associate entity	3,261	2,584
Other assets	1,163	530
<b>Gross Assets</b>	<b>27,181</b>	<b>28,199</b>
Convertible redeemable promissory notes liability	(4,071)	(4,141)
Other liabilities	(185)	(360)
<b>Total Liabilities</b>	<b>(4,256)</b>	<b>(4,501)</b>
Net deferred tax asset / liabilities	-	-
<b>Net Assets</b>	<b>22,925</b>	<b>23,698</b>
Issued capital	253,638	253,717
Share-based payments reserve	658	693
Profits reserve	1,815	2,466
Accumulated losses	(233,186)	(233,178)
<b>Total Equity</b>	<b>22,925</b>	<b>23,698</b>

<sup>3</sup> Refer KBC ASX Announcement dated [14 February 2018: Net Asset Backing - January 2018](#)

# DIRECTORS' REPORT

## OPERATING RESULTS

<b>CONSOLIDATED</b>	<b>December 2017</b>	<b>December 2016</b>
	<b>\$'000</b>	<b>\$'000</b>
Fees income	46	149
Unrealised gain on financial assets at fair value through profit or loss	-	824
Gain on revaluation of foreign currency assets	13	-
Unrealised gain on derivative liabilities	70	-
Realised gain on sale of investments	964	1,314
Share of Associate entity's profit	419	-
Interest	396	383
Dividend	6	-
Other income	31	113
<b>Total revenue</b>	<b>1,945</b>	<b>2,783</b>
Share of Associate entity's loss	-	(43)
Unrealised loss on financial assets at fair value through profit or loss	(405)	(99)
Unrealised loss on derivative liabilities	-	(57)
Impairment expenses	(20)	23
Personnel expenses	(287)	(339)
Corporate expenses	(727)	(972)
Administration expenses	(148)	(124)
Other expenses	(70)	(78)
<b>Total expenses</b>	<b>(1,658)</b>	<b>(1,689)</b>
Finance expenses	(154)	(154)
<b>Profit before tax</b>	<b>133</b>	<b>940</b>
Income tax benefit/(expense)	-	-
<b>Profit after tax attributable to members</b>	<b>133</b>	<b>940</b>

Keybridge generated a total net realised and unrealised gain of \$0.559 million (pre- and post-tax) for the half year from its securities investment and trading activities, comprising:

- (a) Realised gains of \$0.964 million (from cost), which includes:
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  - (iii) \$0.153 million realised loss on the sale of shares in SIV Asset Management Limited (ASX:[SAM](#));
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  - (iii) \$0.230 million unrealised loss attributable to Molopo Energy Limited (ASX:[MPO](#));
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Keybridge has also achieved a significant reduction in personnel, corporate and administration expenses from \$1.435 million to \$1.162 million, including:

- A 25% reduction in Corporate expenses from \$0.972 million to \$0.727 million;
- A 28% reduction in Legal expenses (part of corporate expenses) from \$0.380 million to \$0.273 million;
- A 15% reduction in Personnel expenses from \$0.339 million to \$0.287 million.

# DIRECTORS' REPORT

## EARNINGS PER SHARE

CONSOLIDATED	December 2017 cents	December 2016 cents
Earnings per share (cents)	0.08	0.59

## DIVIDENDS

During the financial half year, the Company paid a dividend, as follows:

Dividend Rate	Record Date	Payment Date	Franking
<a href="#">0.5 cent</a> per share	30 November 2017	8 December 2017	100% franked

The Company's Dividend Reinvestment Plan (**DRP**) did not apply to this dividend.

As at 31 December 2017, the Company had:

- \$1.816 million in its Profits Reserve account, which is available to fund the payment of dividends to shareholders in the future; and
- \$7.803 million Franking Credits, which is sufficient to fund the payment of fully franked (at Keybridge's applicable 27.5% company tax rate) dividends totalling \$20.572 million.

## Dividend Policy

On 8 November 2017<sup>4</sup>, the Company announced a new Dividend Policy, as follows:

It is the objective of Keybridge to provide a regular and stable distribution to shareholders after the announcement of its 30 June year end operating results. These results are normally announced at the end of August each year and Keybridge will endeavour to announce its proposed dividend at this time.

Dividends will be funded from Keybridge's Profits Reserve account, which comprises appropriations from the Company's net profits earned during relevant periods from time to time.

Keybridge intends to make annual distributions to shareholders of at least 0.5 cent per share, to the extent permitted by law and subject to prudent business practice. It is envisaged that shareholder distributions will be made once per year to limit costs and administration. Dividends will be franked to the extent that available franking credits permit.

Keybridge also holds a number of legacy assets (primarily loan receivables). As and when such assets are realised into cash or liquid securities by the Board in the ordinary course of business, Keybridge may also undertake further distributions of fully-franked dividends and or capital returns to shareholders. Proposed capital returns will be subject to prior shareholder approval.

Keybridge adopted this Dividend Policy due to the Board reaching the view that the Company has a reasonable level of Profits Reserve to fund regular dividend distributions, at least in the next 2-3 years, which means Keybridge is not reliant on funding dividends only from net profits generated in respect of the prevailing/current half year or full year period. The Board also considered that having a formal Dividend Policy will serve as a spur to Keybridge to achieve results that justify payment of dividends consistent with the policy and hence enhance shareholder value.

<sup>4</sup> Refer KBC ASX Announcement dated [8 November 2017: Dividend Policy](#)



# DIRECTORS' REPORT

## CRPN DISTRIBUTIONS

During the financial half 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 <sup>5</sup>
<a href="#">1.75 cent</a> per note	20 December 2017	21 December 2017	100% franked
<a href="#">1.75 cent</a> per note	20 September 2017	21 September 2017	100% franked

## SECURITIES ON ISSUE

Class of Security	31 December 2017		30 June 2017	
	Quoted on ASX	Unlisted	Quoted on ASX	Unlisted
Fully paid ordinary shares (ASX: <a href="#">KBC</a> )	158,080,432	-	158,812,237	-
Executive Share Plan shares <sup>6</sup>	-	9,000,000	-	15,000,000
Convertible Redeemable Promissory Notes (ASX: <a href="#">KBCPA</a> ) <sup>7</sup>	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 [18 January 2017](#)) and CRPNs (also announced on [18 January 2017](#)) have been completed with:

- 731,895 shares being bought-back (between a range of \$0.10 to \$0.115 per share) at a total cost of \$79,450 under the programme (and also during the financial half year), as outlined in the Company's Final Buy-Back Notice lodged on ASX on [5 December 2017](#); and
- No CRPN's being bought-back under the programme, as outlined in the Company's Final Buy-Back Notice lodged on ASX on [18 January 2018](#).

On [5 December 2017](#), Keybridge announced an intention to undertake a fresh on-market buy-back of up to 14,227,238 shares (being ~9% of 158,080,432 total shares on issue) on or before 30 November 2018.

On [24 January 2018](#), Keybridge announced an intention to undertake a fresh on-market buy-back of up to 440,104 CRPNs (being ~10% of 4,401,047 total notes on issue) on or before 18 January 2019.

No shares or CRPNs have been bought-back under these fresh market buy-back programmes as at the date of this report.

5 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 financial statements in the [2017 Annual Report](#) and in the [CRPN Prospectus](#) (dated 17 June 2015).

6 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](#)).

7 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 financial statements in the [2017 Annual Report](#) and in the [CRPN Prospectus](#) (dated 17 June 2015).

# DIRECTORS' 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:

	31 December 2017		30 June 2017		31 December 2016	
	\$'m	% Net Assets	\$'m	% Net Assets	\$'m	% Net Assets
Cash	1.821	8%	1.414	6%	2.060	7%
Investment in Associated entity	3.261	14%	2.584	11%	2.859	9%
Other Listed Securities	8.918	39%	11.501	49%	12.612	41%
Managed Funds	0.203	1%	0.232	1%	0.285	1%
Other Investments	0.099	1%	0.103	1%	-	-
Loan Receivables:						
· Private Equity	0.504	2%	0.511	2%	6.917	22%
· Infrastructure	6.482	28%	6.432	27%	6.074	20%
· Insurance	3.173	14%	3.250	14%	3.142	10%
· Property	0.885	4%	0.885	4%	0.885	3%
· Other	0.672	3%	0.757	3%	0.661	2%
Other Assets	1.163	5%	0.530	2%	0.518	2%
Convertible Redeemable Promissory Notes	(4.071)	(18%)	(4.141)	(17%)	(4.260)	(14%)
Provision for tax	-	-%	-	-%	-	-%
Other Liabilities	(0.185)	(1%)	(0.360)	(1%)	(0.770)	(3%)
<b>Net Assets</b>	<b>22.925</b>	<b>100%</b>	<b>23.698</b>	<b>100%</b>	<b>30.983</b>	<b>100%</b>

### Currency Exposure

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

% of Net Assets	31 December 2017	30 June 2017	31 December 2016
Australian Dollars	54%	54%	46%
Euros	28%	29%	21%
US Dollars	2%	2%	22%
New Zealand Dollars	16%	15%	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	31 December 2017		30 June 2017		31 December 2016	
			\$'m	% Net Assets	\$'m	% Net Assets	\$'m	% Net Assets
Molopo Energy Limited	<a href="#">MPO</a>	Energy	6.442	28%	7.204	30%	7.155	23%
PTB Group Limited	<a href="#">PTB</a>	Capital goods	-	-	2.947	12%	3.837	12%
HHY Fund	<a href="#">HHY</a>	Financials	3.261	14%	2.584	11%	2.859	9%
Metgasco Limited	<a href="#">MEL</a>	Energy	1.961	9%	0.928	4%	1.044	3%
Copper Strike Limited	<a href="#">CSE</a>	Materials	0.514	2%	0.312	1%	0.430	1%
Other managed funds	-	-	0.203	1%	0.232	1%	0.285	1%
Other listed securities	-	-	0.001	<1%	0.110	<1%	0.146	<1%
Other unlisted securities	-	-	0.099	<1%	0.103	<1%	-	-

# DIRECTORS' REPORT

## Major Loan Receivable Holdings

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

Loan Exposure to Industry Sector	31 December 2017 (\$'m)			30 June 2017 (\$'m)			31 December 2016 (\$'m)		
	Gross Value	Impairment	Carrying Value	Gross Value	Impairment	Carrying Value	Gross Value	Impairment	Carrying Value
Private Equity	6.500	(5.996)	0.504	6.507	(5.996)	0.511	6.917	-	6.917
Infrastructure	12.564	(6.082)	6.482	12.514	(6.082)	6.432	12.156	(6.082)	6.074
Insurance	3.173	-	3.173	3.250	-	3.250	3.142	-	3.142
Property	4.189	(3.304)	0.885	4.189	(3.304)	0.885	4.189	(3.304)	0.885
Other	0.957	(0.285)	0.672	0.883	(0.126)	0.757	0.743	(0.082)	0.661
<b>Total</b>	<b>27.383</b>	<b>(15.667)</b>	<b>11.716</b>	<b>27.343</b>	<b>(15.508)</b>	<b>11.835</b>	<b>27.147</b>	<b>(9.468)</b>	<b>17.679</b>

## Investment in HHY Fund (ASX:HHY)

Keybridge is the largest shareholder in the HHY Fund with 25,146,973 units held currently (30.89%) and as at 31 December 2017 (30.17%) (30 June 2017: 22,646,973 units (26.46%); 31 December 2016: 22,646,973 units (25.49%)), which were acquired at an average cost of \$0.1115 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 [2017 Annual Report](#)).

As at 31 December 2017, Keybridge's investment in HHY had a carrying value of \$0.1297 per unit (\$3.261 million); this compares with HHY's last bid price on the ASX of \$0.12 per unit (\$3.018 million) and HHY's after-tax net tangible asset (NTA) backing of \$0.1307 per unit (\$3.286 million) as at 31 December 2017.

During the half year, HHY units traded on the ASX within a range of \$0.09 to \$0.135 with a closing price of \$0.125 (and \$10.42 million market capitalisation) as at 31 December 2017 and a current closing price of \$0.096 (as at 23 February 2018).

Aurora Funds Management Limited (AFML) is the Responsible Entity (RE) of HHY and Keybridge is the Investment Manager<sup>8</sup> of HHY. During the financial half year, the Company earned \$36,886 management fees income in respect of its investment management 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 RE of the Aurora Global Income Trust (ASX:AIB)) launched a scrip takeover bid for HHY on 29 September 2016<sup>9</sup>, which bid formally closed on 13 October 2017. Based on AIB's Change of Substantial Holder Notice in HHY dated 13 October 2017, AFML as RE of AIB, holds 12,584,261 units in HHY (15.46%, currently; 15.10% as at 31 December 2017).

On 30 October 2017<sup>10</sup>, HHY announced an intention to undertake an on-market buy-back of up to 8,558,344 units (being ~10% of 85,583,437 total units on issue) on or before ~13 November 2018. 4,179,899 units have been bought-back (between a range of \$0.10 to \$0.12 per unit) at a total cost of \$494,044 under this programme, as set out in HHY's most recent Daily Buy-Back Notice lodged on ASX on 19 January 2018<sup>11</sup>.

Information concerning HHY may be viewed on its website: [http://www.aurorafunds.com.au/investment-funds/hastings\\_high\\_yield\\_fund/](http://www.aurorafunds.com.au/investment-funds/hastings_high_yield_fund/)

<sup>8</sup> Refer KBC's ASX Announcement [1 July 2016: Sale of Aurora Funds Management](#)

<sup>9</sup> Refer AIB ASX Announcement dated [29 September 2016: AIB Announces Scrip Takeover Bid for HHY Fund](#)

<sup>10</sup> Refer HHY ASX Announcement dated [30 October 2017: Appendix 3C – Announcement of Buy-Back](#)

<sup>11</sup> Refer HHY ASX Announcement dated [19 January 2018: Appendix 3E – Daily Buy-Back Notice](#)

# DIRECTORS' REPORT

HHY's market announcements may also be viewed from the ASX website ([www.asx.com.au](http://www.asx.com.au)) under ASX code "[HHY](#)".

## Investment in Molopo Energy Limited (ASX:[MPO](#))

As at 31 December 2017, Keybridge is the second largest shareholder in Molopo with 46,017,543 shares (18.48%<sup>12</sup>) (30 June 2017: 49,683,828 shares and 19.95%), which were acquired at an average cost of \$0.15 per share.

As Molopo shares were suspended from trading on ASX as at 30 June 2017, Keybridge adopted a carrying value based on a closing (last bid) price of \$0.145 as at 26 May 2017 (the day prior to its suspension on 29 May 2017). Molopo 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.

Keybridge has adopted a \$0.14 per share carrying value for its investment in Molopo as at 31 December 2017, which has resulted in a \$0.23 million unrealised loss for the half year.

Molopo shares were suspended from trading on the ASX on 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.<sup>13</sup> On 22 August 2017, Molopo announced the following matters:

- The details of a US\$7 million (\$8.75 million<sup>14</sup>) payment to acquire a 50% shareholding in British Virgin Island incorporated Orient FRC Ltd (**Orient**) from an individual called Gil Feiler; Orient 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 (**Florida Project**) – refer Molopo's ASX announcement dated 22 August 2017: Molopo Acquires Interest in US Oil and Gas Project (the **Orient Transaction**); 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 Molopo's ASX announcement dated 22 August 2017: Voluntary suspension extension.

On 11 December 2017, Molopo further announced that it had advanced US\$4.5 million (~A\$6 million) (as its 50% portion of shareholder loan funds) to Orient to undertake operations in relation to the Florida Project, including the drilling of up to 3 wells (with the first well required to be spudded by Orient on or before 1 May 2018) within an overall 'summary budget' estimated to be US\$20 million – refer Molopo's ASX announcement dated 11 December 2017: Update on Orient FRC Ltd Investment.

Keybridge has a number of concerns in relation to, amongst other matters, the Orient Transaction, the Florida Project and Molopo's disclosures on ASX concerning the same. These concerns are outlined in detail in a Keybridge letter to fellow Molopo shareholders a copy of which is attached to a Keybridge Media Release dated 23 January 2018: Letter of Concerns to Molopo Energy Limited Shareholders, which is available on the Keybridge website ([www.keybridge.com.au](http://www.keybridge.com.au)).

Keybridge has also commenced legal action against Molopo and a Molopo Director seeking, amongst other matters:

- Further information in relation to a number of matters including the Orient Transaction, the financial status and technical capacity of Orient and the conduct of the Molopo Board in the management and administration of Molopo – refer Keybridge ASX announcement dated [11 September 2017: Commencement of Legal Action Against Molopo Energy Limited to Access Information](#); and
- A number of orders against Molopo and a Molopo Director (Ronnen Rosengart, who has since resigned on 17 January 2018) on the basis of oppression by Molopo of its shareholders and breaches by Molopo of the ASX Listing Rules – refer Keybridge ASX announcement dated [15 September 2017: Commencement of Further Legal Proceedings Against MPO and Ronnen Rosengart](#).

12 Refer KBC's ASX Announcement dated [11 July 2017: Change of Substantial Holder Notice for MPO](#)

13 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](#)

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

# DIRECTORS' REPORT

As a major shareholder of Molopo, Keybridge has sought but has not secured (to date) representation on the Board of Molopo. Keybridge previously had representation on the Molopo Board via former Keybridge Director, Antony Sormann, who 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).

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.<sup>15</sup> These shares will be sold by ASIC (via an appointed investment bank or stock broker) 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%).

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.

Another party to the Takeovers Panel proceedings, Aurora Funds Management Limited (AFML) as Responsible Entity of various funds which held/holds shares in Molopo, has applied to the Federal Court for a judicial review of the Takeovers Panel decision. Keybridge is not a party to these proceedings but is impacted in that the 3.67 million vested MPO shares is not likely to be sold by ASIC pending the resolution of the matter and will also be impacted by the outcomes of the same. Refer:

- Aurora Absolute Return Fund (ASX:[ABW](#)) ASX Announcement dated 11 September 2017: Appeal of Takeovers Panel Orders; and
- Takeovers Panel Media Release No. TP17/48 dated 15 September 2017: Molopo Energy Limited 03R, 04R & 05R – Application for Judicial Review.

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. The proposed AFARF bid was 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).

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 AFARF bid consideration has been amended by AFARF from \$0.18 to \$0.135 and is currently \$0.153 (subject to conditions) per MPO share. The AFARF bid is currently scheduled to close on 20 April 2018. Refer ABX ASX Announcement 12 January 2018: Notice of Variation of MPO Bid.

Other relevant details concerning AFARF's bid are in ABW's and Molopo's ASX announcements, as follows:

- ABW – 26 October 2017: Bidder's Statement;
- MPO – 28 November 2017: Target's Statement;
- ABW – 12 January 2018: Notice of Variation of MPO Bid; and
- MPO - 19 January 2018: Supplementary Target's Statement.

Molopo has significant cash reserves (\$48 million as at 31 December 2017<sup>16</sup>) 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 is also managing a series of legal actions in Canada relating to the sale of Molopo's interests in various oil and gas assets in 2011 in respect of which it has made a C\$8.4 million (A\$8.7 million) provision for legal claims<sup>17</sup>.

<sup>15</sup> 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](#)

<sup>16</sup> Refer MPO's [December 2017 Quarterly Activities Report](#) and [Quarterly Cashflow Report](#) lodged on ASX on 1 February 2018

<sup>17</sup> Refer MPO's [30 June 2017 Half Year Report](#) lodged on ASX on 11 September 2017

# DIRECTORS' REPORT

Information concerning Molopo may be viewed on its website: [www.molopoenergy.com](http://www.molopoenergy.com).

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

## Investment in Metgasco Limited (ASX:[MEL](#))

Keybridge is the second largest shareholder in Metgasco with 36,437,345 shares (9.14%) held currently (31 December 2017: 32,688,633 shares (8.2%); 30 June 2017: 23,194,591 shares (5.82%); 31 December 2016: 23,194,591 shares (5.82%)), which were acquired at an average cost of 3.23 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 42,170,181 shares (10.58%) held currently (31 December 2017: 40,540,753 shares (10.17%); 30 June 2017: 19,085,580 shares (4.79%); 31 December 2016: 19,085,580 shares (4.56%)).

During the half year, MEL shares traded on the ASX within a range of 4 to 6.3 cents with a closing price of 6.1 cents (and a \$24.31 million market capitalisation) as at 31 December 2017 and a current closing price of 6.4 cents (as at 23 February 2018).

The Metgasco investment generated a \$0.577 million unrealised gain for the half year.

Based on Metgasco's December 2017 Quarterly Activities Report (lodged on ASX on 31 January 2018) and ASX announcement dated 16 February 2018: Update – PRL 237, Cooper Basin and Byron Energy Investment:

- Metgasco had cash reserves of \$5.842 million as at 31 December 2017,
- Metgasco has issued a convertible note<sup>18</sup> to Byron Energy Limited (ASX:[BYE](#)) secured<sup>19</sup> over Byron's assets (principally located in the Gulf of Mexico) - the note was originally \$8 million and Byron has repaid \$2 million to date; \$1 million quarterly instalments are due from Byron until the note has been repaid in full in July 2019;
- Metgasco holds 37,897,000 shares (5.77%<sup>20</sup>) in BYE (acquired under a share placement at a cost of 7 cents each) and 10 million options over BYE shares (with an exercise price of 25 cents per share and expiring on 24 June 2019). The BYE share price is currently 29.5 cents (as at 23 February 2018);
- Metgasco has a farm-in (10% working) interest in Byron's Bivouac Peak Littoral Louisiana Oil & Gas Project (Gulf of Mexico), petroleum and gas exploration rights (Authority to Prospect ATP's 2020 and 2021) in the Cooper and Eromanga basins in Queensland and a 20% working interest<sup>21</sup> (alongside joint venture partners, Senex Energy Limited (ASX:[SXY](#)) and Copper Energy Limited (ASX:[COE](#)) in the Frey-1 Well Area within Petroleum Retention Lease PRL 93 in the South Australian Copper Basin.

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](http://www.metgasco.com.au).

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

18 Refer MEL's ASX Announcement dated [23 January 2017: Byron Subscription Notice Received](#)

19 Refer MEL's ASX Announcement dated [22 July 2016: Execution of Convertible Note and General Security Deeds](#)

20 Refer MEL's ASX Announcements dated [14 August 2017: Metgasco Elects to Participate in Byron Energy Equity Issuance](#) and [3 October 2017: Becoming a Substantial Holder for BYE](#)

21 Refer MEL's ASX Announcement dated [26 September 2017: Metgasco Invests into Frey-1 Cooper Basin Exploration Well](#)

# DIRECTORS' REPORT

## Investment in Yowie Group Ltd (ASX:[YOW](#))

In February 2018, Keybridge acquired 7,887,471 shares (3.66%) in YOW at an average cost of 11.05 cents per share.

Keybridge notes that HHY is also a major shareholder in YOW with 26,526,643 shares (12.32%) acquired in January and February 2018.

Since 1 July 2017, YOW shares have traded on the ASX within a range of 35.5 to 9.8 cents with a current closing price of 11 cents (and a \$23.681 million market capitalisation) (as at 23 February 2018).

Yowie Group is a global brand licensing company, specialising in the development of consumer products designed to promote learning, understanding and engagement with the natural world through the adventures and exploits of Yowie characters. Yowie Group employs its intellectual property rights in the outsourcing of the manufacturing and distribution of the Yowie chocolate confectionery product and in the development of a Yowie digital platform and Yowie branded licensed consumer products.<sup>22</sup>

Information concerning Yowie Group may be viewed on its website: [www.yowiegroup.com](http://www.yowiegroup.com).

Yowie Group's market announcements may also be viewed from the ASX website ([www.asx.com.au](http://www.asx.com.au)) under ASX code "[YOW](#)".

## 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.

In July 2017, Keybridge sold its 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 financial half year as the sale price of \$0.485 per share was the same as the closing (last bid) price as at 30 June 2017).

Information concerning PTB may be viewed on its website: [www.pacificturbine.com.au](http://www.pacificturbine.com.au)

PTB's market announcements may also be viewed from the ASX website ([www.asx.com.au](http://www.asx.com.au)) under ASX code "[PTB](#)".

## 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<sup>23</sup>, 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<sup>24</sup>) 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 half year, Keybridge received €0.27 million (A\$0.392 million) in cash loan repayments.

As at 31 December 2017, the Totana loan was carried at Directors' valuation (net of impairments) of €4.23 million (A\$6.48 million) (30 June 2017: €4.33 million (A\$6.43 million)) against the accrued gross value of €8.3 million (A\$12.7 million) (30 June 2017: €8.34 million (A\$12.486 million)).

<sup>22</sup> Refer YOW's [2017 Annual Report](#) released on ASX on 24 August 2017

<sup>23</sup> Refer International Energy Agency website - <https://www.iea.org/policiesandmeasures/pams/spain/name-23929-en.php>

<sup>24</sup> Refer State Agency Official State Bulletin website - [https://www.boe.es/diario\\_boe/txt.php?id=BOE-A-2014-6123](https://www.boe.es/diario_boe/txt.php?id=BOE-A-2014-6123)

# DIRECTORS' REPORT

## 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<sup>25</sup>, Keybridge restructured its participation in a US closed-end private equity fund which was managed by RPC, which also managed the aviation investment.<sup>26</sup>

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.

The principal and accrued interest (at 14.5% pa) under the Note was repayable on maturity on 29 December 2017.

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 Keybridge's 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](#).

Since August 2017, Keybridge has also received alternative proposals from Republic to settle the Note liability. As at the date of this report, Keybridge has not accepted Republic's proposals and the parties are in on-going discussions in relation to a mutually acceptable resolution of this matter. Additionally, Keybridge is also reviewing its rights under the Note to call upon the collateral pledged as security (ie. RPE Investor's interest in the RPE Fund).

As at 31 December 2017, the Note (receivable) was carried at Directors' valuation (net of impairments) of US\$0.394 million (A\$0.504 million) (30 June 2017: US\$0.394 million (A\$0.511 million)).

<sup>25</sup> Made whilst Keybridge was known as Mariner Bridge Investments Limited in 2006/2007 - refer [2007 Annual Report](#) released on 24 October 2007

<sup>26</sup> 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

## 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.<sup>27</sup>

Interest of 9% pa is payable under the note, which is redeemable by noteholders in 50 years (May 2064) (which was amended from 10 years (May 2024) in September 2017 at the request of Foundation) 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 half year, Keybridge received NZ\$0.085 million (A\$0.073 million) cash interest income from Foundation.

As at 31 December 2017, the loan balance was NZ\$3.49 million (A\$3.17 million) (30 June 2017: NZ\$3.412 million and A\$3.250 million) and Keybridge retains its 10.13% equity interest in Foundation Life valued at A\$0.099 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 31 December 2017, the loan was carried at Directors' valuation (net of impairments) of \$0.885 million (30 June 2017: \$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 8 (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.

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27 Refer KBC's ASX Announcement dated [2 September 2014: Keybridge Invests NZD3.8 million into Foundation Life](#)

# DIRECTORS' REPORT

## DIRECTORS

<b>JOHN D. PATTON</b>	<b>Chairman</b>
<i>Appointed</i>	<a href="#">10 August 2016</a>
<i>Qualifications</i>	B.Ec (Monash), CA (ICAA), F Fin
<i>Experience</i>	<p>John Patton is a senior executive with extensive finance experience in the corporate and professional services sectors. He was previously a Partner with Ernst &amp; 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 &amp; acquisitions (lead advisory), structuring, debt and equity raisings, IPOs, management buy-outs, valuations (including Independent Expert Reports), due diligence, financial modelling, restructuring and corporate advisory.</p> <p>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, he 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.</p>
<i>Relevant interest in securities</i>	150,000 – KBC shares <sup>28</sup> 4,166 – KBCPA Convertible Redeemable Preference Notes
<i>Special Responsibilities</i>	Member of Investment Committee Member of Audit, Finance and Risk Committee
<i>Other current directorships in listed entities</i>	Non-Executive Director of Metgasco Limited (ASX: <a href="#">MEL</a> ) (appointed 19 September 2016)
<i>Former directorships in other listed entities in past 3 years</i>	None
<b>WILLIAM M. JOHNSON</b>	<b>Non-Executive Director</b>
<i>Appointed</i>	<a href="#">29 July 2016</a> (elected by shareholders at a <a href="#">general meeting</a> )
<i>Qualifications</i>	MA (Oxon), MBA, MAICD
<i>Experience</i>	Mr. 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.
<i>Relevant interest in securities</i>	None
<i>Special Responsibilities</i>	Member of Investment Committee Member of Remuneration and Nomination Committee
<i>Other current directorships in listed entities</i>	<p>(1) Managing Director of Strike Resources Limited (ASX:<a href="#">SRK</a>) (since 25 March 2013; Director since 14 July 2006).</p> <p>(2) Executive Director of Bentley Capital Limited (ASX:<a href="#">BEL</a>) (since 1 January 2016; Director since 13 March 2009)</p>
<i>Former directorships in other listed entities in past 3 years</i>	None

28 Refer John Patton's [Initial Director's Interest Notice dated 10 August 2016](#)

# DIRECTORS' REPORT

<b>SIMON K. CATO</b>	<b>Non-Executive Director</b>
<i>Appointed</i>	<a href="#">29 July 2016</a> (elected by shareholders at a <a href="#">general meeting</a> )
<i>Qualifications</i>	B.A. (Sydney)
<i>Experience</i>	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 IPO's 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.
<i>Relevant interest in securities</i>	None
<i>Special Responsibilities</i>	Chairman of Audit, Finance and Risk Committee Member of Remuneration and Nomination Committee
<i>Other current directorships in listed entities</i>	(1) Non-Executive Chairman of Advanced Share Registry Limited (ASX: <a href="#">ASW</a> ) (since 22 August 2007). (2) Non-Executive Director of Greenland Minerals and Energy Limited (ASX: <a href="#">GGG</a> ) (since 21 February 2006). (3) Non-Executive Director of Bentley Capital Limited (ASX: <a href="#">BEL</a> ) (since 7 January 2015; also February 2004 to April 2010).
<i>Former directorships in other listed entities in past 3 years</i>	None

<b>JEREMY M. KRIEWALDT</b>	<b>Non-Executive Director</b>
<i>Appointed</i>	<a href="#">13 October 2016</a>
<i>Qualifications</i>	BA (Hons), LLM (Hons) (Sydney)
<i>Experience</i>	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. He 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: <a href="http://www.ah.com.au/default.aspx?page=18">http://www.ah.com.au/default.aspx?page=18</a>
<i>Relevant interest in securities</i>	5,000 – KBC shares <sup>29</sup> 1,138 – KBCPA Convertible Redeemable Preference Notes
<i>Special Responsibilities</i>	Chairman of Remuneration and Nomination Committee Member of Audit, Finance and Risk Committee
<i>Other current directorships in listed entities</i>	None
<i>Former directorships in other listed entities in past 3 years</i>	None

29 Refer Jeremy Kriewaldt's [Initial Director's Interest Notice dated 13 October 2016](#)

# DIRECTORS' REPORT

## COMPANY SECRETARY

VICTOR P. H. HO	Company Secretary
<i>Appointed</i>	<a href="#">13 October 2016</a>
<i>Qualifications</i>	BCom, LLB ( <i>Western Australia</i> ), CTA
<i>Experience</i>	Victor Ho has been in Executive roles with a number of ASX listed companies across the investments, resources and technology sectors over the past 18+ 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 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.
<i>Relevant interest in securities</i>	None
<i>Other current positions in listed entities</i>	Executive Director and Company Secretary of: <ol style="list-style-type: none"> <li>(1) Orion Equities Limited (ASX:<a href="#">OEO</a>) (Secretary since 2 August 2000 and Director since 4 July 2003).</li> <li>(2) Queste Communications Ltd (ASX:<a href="#">QUE</a>) (Secretary since 30 August 2000 and Director since 3 April 2013).</li> <li>(3) Strike Resources Limited (ASX:<a href="#">SRK</a>) (Director since 24 January 2014 and Company Secretary since 1 October 2015).</li> </ol> Company Secretary of Bentley Capital Limited (ASX: <a href="#">BEL</a> ) (since 5 February 2004).
<i>Former position in other listed entities in past 3 years</i>	Company Secretary of Alara Resources Limited (ASX: <a href="#">AUQ</a> ) (4 April 2007 to 31 August 2015).

## AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* forms part of this Directors Report and is set out on page 20. This relates to the Auditor's Independent Review Report, where the Auditors state that they have issued an independence declaration.

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

28 February 2018

The Board of Directors  
Keybridge Capital Limited  
Suite 613, 370 St Kilda Road  
Melbourne, VIC, 3004

28 February 2018

Dear Sirs,

### **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 review of the half year financial report of Keybridge Capital Limited for the half year ended 31 December 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Your sincerely

*Deloitte Touche Tohmatsu*  
**DELOITTE TOUCHE TOHMATSU**



**Ian Skelton**  
Partner  
Chartered Accountants

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

## for the half year ended 31 December 2017

	Note	31 Dec 17	31 Dec 16
<b>Revenue and Income</b>	<b>2</b>	<b>\$</b>	<b>\$</b>
Fees		46,482	148,953
Unrealised gain on financial assets at fair value through profit or loss		-	823,898
Gain on revaluation of foreign currency assets		12,605	-
Unrealised gain on derivative liabilities		70,417	-
Realised gain on sale of investments		963,992	1,314,239
Share of Associate entity's profit		418,881	-
Interest revenue		395,677	383,058
Dividend revenue		5,754	-
Other income		30,779	112,674
<b>Total Revenue and Income</b>		<b>1,944,587</b>	<b>2,782,822</b>
<b>Expenses</b>	<b>3</b>		
Share of Associate entity's loss		-	(42,555)
Unrealised loss on financial assets at fair value through profit or loss		(405,345)	-
Loss on revaluation of foreign currency assets		-	(98,808)
Unrealised loss on derivative liabilities		-	(57,214)
Impairment expenses		(20,498)	22,881
Personnel expenses		(287,091)	(339,184)
Corporate expenses		(726,502)	(971,650)
Administration expenses		(148,380)	(123,951)
Other expenses		(70,047)	(78,391)
<b>Results from operating activities</b>		<b>286,724</b>	<b>1,093,950</b>
Finance expenses		(154,037)	(154,092)
<b>Profit before Income Tax</b>		<b>132,687</b>	<b>939,858</b>
Income tax benefit/(expense)		-	-
<b>Profit after income tax for the half year</b>		<b>132,687</b>	<b>939,858</b>
<b>Other Comprehensive Income</b>			
Other Comprehensive Income, net of tax		-	-
<b>Total Comprehensive Income for the half year</b>		<b>132,687</b>	<b>939,858</b>
<b>Basic and diluted earnings per share (cents) attributable to the ordinary equity holders of the Company</b>	<b>5</b>	<b>0.08</b>	<b>0.59</b>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## as at 31 December 2017

	Note	31 Dec 17 \$	30 Jun 17 \$
<b>Current Assets</b>			
Cash and cash equivalents		1,821,316	1,414,476
Financial assets at fair value through profit or loss	6	9,219,888	11,836,135
Receivables	7	954,390	406,847
Other assets		207,434	120,195
<b>Total Current Assets</b>		<b>12,203,028</b>	<b>13,777,653</b>
<b>Non-Current Assets</b>			
Loans and receivables	8	11,715,986	11,835,099
Investment in Associate entity	13	3,261,356	2,584,020
Property, plant and equipment		1,022	2,165
Deferred tax asset		-	-
<b>Total Non-Current Assets</b>		<b>14,978,364</b>	<b>14,421,284</b>
<b>Total Assets</b>		<b>27,181,392</b>	<b>28,198,937</b>
<b>Current Liabilities</b>			
Payables		185,341	360,080
<b>Total Current Liabilities</b>		<b>185,341</b>	<b>360,080</b>
<b>Non-Current Liabilities</b>			
Financial liabilities at fair value through profit or loss	6	4,070,968	4,141,385
Deferred tax liability		-	-
<b>Total Non-Current Liabilities</b>		<b>4,070,968</b>	<b>4,141,385</b>
<b>Total Liabilities</b>		<b>4,256,309</b>	<b>4,501,465</b>
<b>Net Assets</b>		<b>22,925,083</b>	<b>23,697,472</b>
<b>Equity</b>			
Issued capital	10	253,637,724	253,717,174
Reserves	11	2,473,159	3,159,013
Accumulated losses		(233,185,800)	(233,178,715)
<b>Total Equity</b>		<b>22,925,083</b>	<b>23,697,472</b>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## for the half year ended 31 December 2017

	Reserves				Total
	Issued capital	Share-based payments	Profits reserve	Accumulated losses	
	\$	\$	\$	\$	\$
<b>Balance at 1 Jul 2016</b>	253,717,174	286,771	1,526,167	(225,792,584)	29,737,528
Profit for the half year	-	-	-	939,858	939,858
Profits reserve transfer	-	-	939,858	(939,858)	-
<b>Total comprehensive income for the half year</b>	-	-	939,858	-	939,858
<b>Transactions with owners in their capacity as owners:</b>					
Share based payment	-	305,587	-	-	305,587
<b>Balance at 31 Dec 2016</b>	<b>253,717,174</b>	<b>592,358</b>	<b>2,466,025</b>	<b>(225,792,584)</b>	<b>30,982,973</b>
<b>Balance at 1 Jul 2017</b>	253,717,174	692,988	2,466,025	(233,178,715)	23,697,472
Profit for the half year	-	-	-	132,687	132,687
Profits reserve transfer	-	-	139,772	(139,772)	-
<b>Total comprehensive income for the half year</b>	-	-	139,772	(7,085)	132,687
<b>Transactions with owners in their capacity as owners:</b>					
Share based payment	-	(35,224)	-	-	(35,224)
Dividends paid	-	-	(790,402)	-	(790,402)
Share buy-backs	(79,450)	-	-	-	(79,450)
<b>Balance at 31 Dec 2017</b>	<b>253,637,724</b>	<b>657,764</b>	<b>1,815,395</b>	<b>(233,185,800)</b>	<b>22,925,083</b>



# CONSOLIDATED STATEMENT OF CASH FLOWS

## for the half year ended 31 December 2017

	Note	31 Dec 17 \$	31 Dec 16 \$
<b>Cash Flows from Operating Activities</b>			
Fees received		14,440	19,140
Interest received		20,681	283,919
Other income received		30,780	798,388
Payments to suppliers and employees		(1,445,574)	(2,262,406)
CRPN Interest payments		(154,037)	(154,092)
<b>Net cash used in Operating Activities</b>		<b>(1,533,710)</b>	<b>(1,315,051)</b>
<b>Cash Flows from Investing Activities</b>			
Net proceeds/ (payments) from/for financial assets at fair value through profit or loss		2,645,146	1,738,671
Dividends received		5,754	929
Return of capital received		11,851	-
Proceeds from sale/repayment of loans and receivables		-	361,596
Investment in Associate entity		(258,455)	(240,000)
Proceeds from disposal of plant and equipment		-	2,090
<b>Net cash provided by Investing Activities</b>		<b>2,404,296</b>	<b>1,863,286</b>
<b>Cash Flows from Financing Activities</b>			
Share buy-backs		(79,450)	-
Dividends paid		(790,402)	-
Repayment of loans and borrowings		486,416	-
Loans provided		(72,647)	-
<b>Net cash used in Financing Activities</b>		<b>(456,083)</b>	<b>-</b>
<b>Net increase in cash held</b>		<b>414,503</b>	<b>548,235</b>
Cash and cash equivalents at beginning of financial year		1,414,476	1,665,401
Effect of exchange rate fluctuations on cash held		(7,663)	(153,778)
<b>Cash and Cash Equivalents at the end of financial half year</b>		<b>1,821,316</b>	<b>2,059,858</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## for the half year ended 31 December 2017

### 1. BASIS OF PREPARATION

Keybridge Capital Limited (ASX:KBC) (**KBC** or **Company**) is a company incorporated and domiciled in Australia and listed on the Australian Securities Exchange (**ASX**). The Consolidated Financial Statements as at and for the financial half year ended 31 December 2017 comprise the Company and its subsidiaries (**Keybridge** or **Consolidated Entity** or **Group**) and its interest in Associate entities. Keybridge is a 'for-profit' investment and financial services group with a diversified portfolio of listed and unlisted investments/loan assets.

The financial statements are presented in Australian dollars, which is the Consolidated Entity's functional and presentation currency.

The accounting policies and methods of computation adopted in the preparation of the half year financial statements are consistent with those adopted and disclosed in the Company's financial statements for the financial year ended 30 June 2017. The Keybridge 2017 Annual Report is available upon request and may be downloaded from the Company's website: [www.keybridge.com.au](http://www.keybridge.com.au) or the ASX website ([www.asx.com.au](http://www.asx.com.au)).

#### **Statement of Compliance**

The half year financial statements are a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These half year financial statements do not include notes of the type normally included in the annual financial statements and should be read in conjunction with the most recent annual financial statements and the Company's ASX announcements released from 1 July 2017 to the date of this report.

#### **Uses of estimates and judgements**

In preparing these half year financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Consolidated Entity's accounting policies and key sources of estimation uncertainty were the same as those applied to the Consolidated Financial Statements as at and for the year ended 30 June 2017.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## for the half year ended 31 December 2017

### 2. REVENUE AND INCOME

	31 Dec 17	31 Dec 16
	\$	\$
The consolidated profit before income tax includes the following items of revenue:		
Fees		
Investment management fees	46,482	127,727
Outside Directors' fees	-	21,226
Unrealised gain on financial assets at fair value through profit or loss	-	823,898
Gain on revaluation of foreign currency assets	12,605	
Unrealised gain on derivative liabilities	70,417	-
Realised gain on sale of investments	963,992	1,314,239
Share of Associate entity's profit	418,881	-
Interest revenue	395,677	383,058
Dividend revenue	5,754	-
Other income		
Disposal of subsidiary	-	8,500
Litigation settlement	19,668	80,423
Unit trust distributions	11,111	21,883
Other income	-	1,868
	<b><u>1,944,587</u></b>	<b><u>2,782,822</u></b>

### 3. EXPENSES

The consolidated profit before income tax includes the following items of expenses:

Share of Associate entity's loss	-	42,555
Unrealised loss on financial assets at fair value through profit or loss	405,345	-
Loss on revaluation of foreign currency assets	-	98,808
Unrealised loss on derivative liabilities	-	57,214
Impairment of loans and receivables	20,498	(22,881)
Personnel expenses		
Directors' fees	194,362	351,185
Salaries and wages	26,975	51,650
Executive Share Plan	49,852	(64,063)
Other	15,902	412
Corporate expenses		
Professional and consulting fees	275,878	280,579
Auditing, accounting and tax services	177,161	311,536
Legal fees	273,463	379,535
Administration expenses	148,380	123,951
Other expenses	70,047	78,391
	<b><u>1,657,863</u></b>	<b><u>1,688,872</u></b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## for the half year ended 31 December 2017

### 4. SEGMENT INFORMATION

31 Dec 17	Investments			Corporate	Total
	Equity	Debt			
Segment profit and loss	\$	\$	\$	\$	\$
Revenue and income	1,433,271	420,828	90,488		1,944,587
Expenses	(804,994)	(127,353)	(725,516)		(1,657,863)
<b>Results from operating activities</b>	<b>628,277</b>	<b>293,475</b>	<b>(635,028)</b>		<b>286,724</b>
Finance expenses	-	-	(154,037)		(154,037)
<b>Profit/(Loss) before Income Tax</b>	<b>628,277</b>	<b>293,475</b>	<b>(789,065)</b>		<b>132,687</b>
Income tax expense	-	-	-		-
<b>Profit/(Loss) for the half year</b>	<b>628,277</b>	<b>293,475</b>	<b>(789,065)</b>		<b>132,687</b>
Segment assets	13,384,445	11,044,213	2,752,734		27,181,392
Segment liabilities	-	(70,151)	(4,186,158)		(4,256,309)
<b>Net assets</b>	<b>13,384,445</b>	<b>10,974,062</b>	<b>(1,433,424)</b>		<b>22,925,083</b>
<b>31 Dec 16</b>					
<b>Segment profit and loss</b>					
Revenue and income	2,198,642	583,106	1,074		2,782,822
Expenses	(126,651)	(314,780)	(1,247,441)		(1,688,872)
<b>Results from operating activities</b>	<b>2,071,991</b>	<b>268,326</b>	<b>(1,246,367)</b>		<b>1,093,950</b>
Finance expenses	-	-	(154,092)		(154,092)
<b>Profit/(Loss) before Income Tax</b>	<b>2,071,991</b>	<b>268,326</b>	<b>(1,400,459)</b>		<b>939,858</b>
Income tax expense	-	-	-		-
<b>Profit/(Loss) for the half year</b>	<b>2,071,991</b>	<b>268,326</b>	<b>(1,400,459)</b>		<b>939,858</b>
<b>30 Jun 17</b>					
Segment assets	14,572,838	11,078,251	2,547,848		28,198,937
Segment liabilities	(13,200)	-	(4,488,265)		(4,501,465)
<b>Net assets</b>	<b>14,559,638</b>	<b>11,078,251</b>	<b>(1,940,417)</b>		<b>23,697,472</b>

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

- Equity Investments comprise investments in listed and unlisted equities with exposure to various sectors from time to time;
- 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 half year ended 31 December 2017

5. EARNINGS PER SHARE	31 Dec 17	31 Dec 16
	cents	cents
Basic and diluted earnings per share	0.08	0.59
The following represents the profit and weighted average number of shares used in the EPS calculations:	<b>31 Dec 17</b>	<b>31 Dec 16</b>
	\$	\$
Net profit after income tax	132,687	939,858
	<b>Number of shares</b>	
Weighted average number of ordinary shares	<u>158,508,839</u>	<u>158,812,327</u>

The Company has 9 million (30 Jun 2017: 15 million) unlisted Executive Share Plan shares and 4,401,047 (30 Jun 2017: 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.

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

	31 Dec 17	30 Jun 17
	\$	\$
<b>Financial assets at fair value through profit or loss</b>		
Shares in listed investments	9,121,106	11,732,734
Unlisted investments at fair value	98,782	103,401
	<u><b>9,219,888</b></u>	<u><b>11,836,135</b></u>
<b>Financial liabilities at fair value through profit or loss</b>		
<b>Non-Current</b>		
Convertible redeemable promissory notes (CRPN)	<u><b>4,070,968</b></u>	<u><b>4,141,385</b></u>
<b>Movement in CRPN</b>		
<b>Opening balance</b>	<b>4,141,385</b>	<b>4,203,000</b>
Unrealised loss/(gain) on revaluation	(70,417)	(61,615)
<b>Closing balance</b>	<u><b>4,070,968</b></u>	<u><b>4,141,385</b></u>

The listed CRPN's (ASX:KBCPA) are measured and recognised as a financial liability at fair value through profit or loss. The CRPN's 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;

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## for the half year ended 31 December 2017

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

- 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.

### 7. RECEIVABLES

	31 Dec 17	30 Jun 17
Current	\$	\$
Trade Debtors	75,709	44,096
Other Debtors	878,681	362,751
	<b>954,390</b>	<b>406,847</b>

Other Debtors includes \$500,448 attributable to 3,666,285 shares in Molopo Energy Limited (ASX:MPO) that were vested in the Commonwealth (on trust for Keybridge) on 7 July 2017 under the declaration and orders of the Takeovers Panel in the matter of Molopo Energy Limited 03R, 04R & 05R. These vested shares will be sold by ASIC (via an appointed investment bank or stock broker) 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).

### 8. LOANS AND RECEIVABLES

	31 Dec 17			30 Jun 17		
	Gross value \$	Impairment \$	Total \$	Gross value \$	Impairment \$	Total \$
Infrastructure	12,564,033	(6,082,358)	6,481,675	12,513,921	(6,082,358)	6,431,563
Private equity	6,500,048	(5,995,422)	504,626	6,507,133	(5,995,422)	511,711
Property	4,188,735	(3,303,735)	885,000	4,188,735	(3,303,735)	885,000
Insurance	3,172,912	-	3,172,912	3,249,977	-	3,249,977
Other	957,226	(285,453)	671,773	882,743	(125,895)	756,848
	<b>27,382,954</b>	<b>(15,666,968)</b>	<b>11,715,986</b>	<b>27,342,509</b>	<b>(15,507,410)</b>	<b>11,835,099</b>

	31 Dec 17	30 Jun 17
<b>Movement in impairment</b>	\$	\$
<b>Opening balance</b>	<b>15,507,410</b>	<b>9,490,677</b>
Impairment through reserves	139,060	-
Impairment through profit and loss	20,498	6,016,733
<b>Closing balance</b>	<b>15,666,968</b>	<b>15,507,410</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## for the half year ended 31 December 2017

### 8. LOANS AND RECEIVABLES (continued)

(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 a 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 half year, Keybridge received €0.27m (A\$0.392m) in cash loan repayments. As at balance date, the loan was carried at €4.23m (A\$6.48m) (30 Jun 2017: €4.33m (A\$6.43m)) (based on the Directors' judgement) against the accrued face value of ~€8.3m (~A\$12.7m) (30 Jun 2017: ~€8.4m (~A\$12.5m)).

(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 Fund**). The principal and accrued interest (at 14.5% pa) under the note was repayable on maturity on 29 December 2017. 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 was recognised as the carrying value thereafter up to and including the 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 was '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.

Since August 2017, Keybridge has also received alternative proposals from Republic to settle the Note liability. As at the date of this report, Keybridge has not accepted Republic's proposals and the parties are in on-going discussions in relation to a mutually acceptable resolution of this matter. Additionally, Keybridge is also reviewing its rights under the Note to call upon the collateral pledged as security (ie. RPE Investor's interest in the RPE Fund).

The Board has maintained the carrying value of the Note (receivable) at US\$0.394 million (A\$0.505 million) as at balance date as it believes that the Note is recoverable on the basis that discussions with Republic are on-going and the Board believe that a value of at least the current carrying value will be recouped.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## for the half year ended 31 December 2017

### 8. 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 (30 Jun 2017: \$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 50 years (May 2064) (amended in September 2017 from 10 years) or by Foundation (from time to time). During the financial half year, Keybridge received NZ\$0.08m (A\$0.073m) interest from Foundation. As at balance date, the loan balance is NZ\$3.49m (A\$3.17m) (30 Jun 2017: NZ\$3.41m and A\$3.25m).
- (e) **Loan Receivables - Other:** Includes
- (i) \$0.336m (30 Jun 2017: \$0.282m) accrued interest receivable in respect of an Executive Share Plan (ESP) loan attributable to former Director (Nicholas Bolton) - further details are also in Note 14(c)(ii); and
  - (ii) \$0.336m (30 Jun 2017: \$0.336m) loan advance to a former Director (Nicholas Bolton) - further details are also in Note 14(c)(iii).

### 9. 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.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## for the half year ended 31 December 2017

### 9. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

31 Dec 2017	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Financial assets at fair value through profit or loss:				
Shares in listed investments	2,678,650	6,442,456	-	9,121,106
Unlisted investments at fair value	-	-	98,782	98,782
<b>Total financial assets</b>	<b>2,678,650</b>	<b>6,442,456</b>	<b>98,782</b>	<b>9,219,888</b>
Financial liabilities at fair value through profit or loss:				
CRPN	4,070,968	-	-	4,070,968
<b>Total financial liabilities</b>	<b>4,070,968</b>	<b>-</b>	<b>-</b>	<b>4,070,968</b>
<b>30 Jun 2017</b>				
Financial assets at fair value through profit or loss:				
Shares in listed investments	4,528,579	7,204,155	-	11,732,734
Unlisted investments at fair value	-	-	103,401	103,401
<b>Total financial assets</b>	<b>4,528,579</b>	<b>7,204,155</b>	<b>103,401</b>	<b>11,836,135</b>
Financial liabilities at fair value through profit or loss:				
CRPN	4,141,385	-	-	4,141,385
<b>Total financial liabilities</b>	<b>4,141,385</b>	<b>-</b>	<b>-</b>	<b>4,141,385</b>

There have been no transfers between the levels of the fair value hierarchy during the financial half year.

Fair values of other financial instruments	31 Dec 17	30 Jun 17
Financial assets	\$	\$
Cash and cash equivalents	1,821,316	1,414,476
Trade and other receivables	954,390	406,847
	<b>2,775,706</b>	<b>1,821,323</b>
<b>Financial liabilities</b>		
Payables	<b>(185,341)</b>	<b>(360,080)</b>

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## for the half year ended 31 December 2017

### 10. ISSUED CAPITAL

	31 Dec 17	30 Jun 17
	\$	\$
158,080,432 (30 Jun 2017: 158,812,327) Fully paid ordinary shares	<u>253,637,724</u>	<u>253,717,174</u>

The Company also have on issue the listed CRPN's, which are convertible into fully paid ordinary shares (refer Note 6) and unlisted fully paid ordinary shares (subject to vesting conditions, escrow and dividend/voting restrictions) issued under the Executive Share Plan.

	Number of shares	Total \$'000
<b>Movement in ordinary shares</b>		
<b>At 1 July 2016</b>	158,812,327	253,717,174
	-	-
<b>At 30 June 2017</b>	<u>158,812,327</u>	<u>253,717,174</u>
Share buy-back	(731,895)	(79,450)
<b>At 31 December 2017</b>	<u>158,080,432</u>	<u>253,637,724</u>

#### Share buy-back

Pursuant to an on-market share buy-back announced on 18 January 2017, the Company bought back 731,895 shares at a total cost of \$79,450 and at an average buy-back cost of \$0.1086 per share during the financial half year.

### 11. RESERVES

	31 Dec 17	30 Jun 17
	\$	\$
Share-based payment reserve	657,764	692,988
Profits reserve	1,815,395	2,466,025
	<u>2,473,159</u>	<u>692,988</u>

#### Movements in Share based payment reserve

<b>Opening balance</b>	692,988	286,771
Recognition of Share based payment reserve	103,836	406,217
Reversal of Share based payment reserve	(139,060)	-
<b>Movements in Profits reserve</b>	<u>657,764</u>	<u>692,988</u>

<b>Opening balance</b>	2,466,025	1,526,167
Profits reserve transfer	139,772	939,858
Dividends paid (Note 12)	(790,402)	-
<b>Closing balance</b>	<u>1,815,395</u>	<u>2,466,025</u>

### 12. DIVIDENDS AND CRPN INTEREST PAYMENTS

	31 Dec 17	31 Dec 16
	Paid On	\$
	\$	\$
<b>Dividends paid during the financial year:</b>		
0.5 cent per share fully franked dividend	08-Dec-17	-
	790,402	-
	<u>790,402</u>	<u>-</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## for the half year ended 31 December 2017

### 12. DIVIDENDS AND CRPN INTEREST PAYMENTS (continued)

	Paid On	31 Dec 17	31 Dec 16
CRPN interest paid during the financial year:		\$	\$
CRPN interest payment (fully franked)	21-Sep-16	-	77,018
CRPN interest payment (fully franked)	21-Dec-16	-	77,018
CRPN interest payment (fully franked)	20-Sep-17	77,020	-
CRPN interest payment (fully franked)	20-Dec-17	77,020	-
		<b>154,040</b>	<b>154,036</b>
Franking credits available for subsequent periods based on a tax rate of 27.5% (31 Dec 16: 30%)		<b>7,803,337</b>	<b>7,779,293</b>

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.

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

- Franking credits that will arise from the receipt of dividends recognised as receivables at balance date;
- Franking credits that will arise from the payment of the amount of the provision for income tax; and
- 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.

### 13. INVESTMENT IN ASSOCIATE ENTITY

	Ownership Interest		31 Dec 17	30 Jun 17
	31 Dec 17	30 Jun 17	\$	\$
<b>Associate entity incorporated in Australia:</b>				
HHY Fund (ASX:HHY)	30.17%	26.46%	<b>3,261,356</b>	<b>2,584,020</b>
<b>Reconciliation of carrying amount:</b>				
Opening balance			2,584,020	2,662,011
Purchase of additional units			258,455	240,000
Share of Associate entity's net profit/(loss) after tax			418,881	(298,555)
Impairment of Associate entity			-	(19,436)
<b>Carrying amount of investment in Associate Entity</b>			<b>3,261,356</b>	<b>2,584,020</b>
Fair value (at market price on ASX) of investment in Associate entity			3,017,637	2,264,697
Net tangible asset backing value of investment in Associate entity			3,277,795	2,584,020

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## for the half year ended 31 December 2017

13. INVESTMENT IN ASSOCIATE ENTITY (continued)	31 Dec 17	30 Jun 17
	\$	\$
<b>Summarised statement of profit or loss and other comprehensive income</b>		
Revenue	1,653,039	579,560
Expenses	(279,264)	(1,852,677)
<b>Loss from continuing operations before income tax</b>	<b>1,373,775</b>	<b>(1,273,117)</b>
<b>Summarised statement of financial position</b>		
Total assets	11,501,559	9,808,489
Total liabilities	(637,979)	(56,914)
<b>Net assets</b>	<b>10,863,580</b>	<b>9,751,575</b>

### 14. RELATED PARTY TRANSACTIONS

#### (a) Transactions with Directors

- (i) During the financial half year, the Consolidated Entity incurred legal expenses totaling \$16,628 (excluding GST) with Atanaskovic Hartnell Lawyers (**AH**). Non-Executive Director, Jeremy Kriewaldt, is a Partner in AH. 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.
- (ii) 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 is also the Managing Director and a beneficial owner of AFML. During the financial half year, fees of \$9,000 (excluding GST) have been incurred by the Company in this regard. The arrangement was negotiated and agreement reached on an arms length commercial basis.

#### (b) 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 half year, the Company earned \$33,533 (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 2017: 50%). BIC owns BIC Europe Limited, which owns the Totana Solar Park asset in Spain. Further details are also in Note 8(a). During the financial half year, interest of €0.154m (A\$0.234m) (31 Dec 2016: €0.156m (A\$0.227m)) has accrued on this loan and €0.27m (A\$0.392m) (31 Dec 2016: €0.215m (A\$0.319m)) cash loan repayments have been received.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## for the half year ended 31 December 2017

### 14. RELATED PARTY TRANSACTIONS (continued)

#### (c) Other Matters

- (i) The Company has engaged a former Director/KMP as a consultant corporate advisor and incurred fees of \$100,000 (excluding GST) under this arrangement during the half 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 \$1,652,164 comprising \$1,316,000 principal (which is limited-recourse and cancellable against the cancellation of the ESP shares held) and \$336,164 accrued interest (which is full recourse and due and payable on the repayment date, being 31 December 2017), as at balance date. The accrued interest component has not yet been repaid by Mr Bolton and the ESP shares have not yet been cancelled by the Company. The parties are in discussions in relation to a mutually acceptable resolution of this matter.
- (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 balance date, \$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).

### 15. LOAN COMMITMENTS

The Consolidated Entity does not have any loan commitments at 31 December 2017 (30 June 2017: Nil).

### 16. 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 ~\$0.238 m 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## for the half year ended 31 December 2017

### 17. EVENTS OCCURRING AFTER THE REPORTING PERIOD

- (a) Subsequent to the balance date (and to 23 February 2018), the Consolidated Entity invested a further \$1.1 million in listed securities, including:
- (i) 3,748,712 shares in Metgasco Energy Limited (ASX:MEL), acquired at an average price of 6.29 cents and a total cost of \$235,799; this takes the Company's total interest in Metgasco to 36,437,345 shares (9.14%);
  - (ii) 7,887,471 shares (3.66%) in Yowie Group Ltd ASX:YOW), acquired at an average price of 11.05 cents and a total cost of \$871.295.

No other matter or circumstance has arisen since the end of the financial half 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

In accordance with a resolution of the Directors of Keybridge Capital Limited made pursuant to sub-section 303(5) of the *Corporations Act 2001*, we state that:

In the opinion of the Directors:

- (1) The financial statements and notes of the Consolidated Entity are in accordance with the *Corporations Act 2001*, including:
  - (a) giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2017 and of its performance for the half year ended on that date; and
  - (b) complying with Accounting Standards AASB 134 (Interim Financial Reporting), *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
- (2) There are reasonable grounds to believe that the Consolidated Entity will be able to pay its debts as and when they become due and payable.

On behalf of the Board,



John Patton  
Chairman



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

28 February 2018

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

We have reviewed the accompanying half year financial report of Keybridge Capital Limited, which comprises the consolidated statement of financial position as at 31 December 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 half year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half year.

### *Directors' Responsibility for the Half Year Financial Report*

The directors of the company are responsible for the preparation of the half year 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 half year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Keybridge Capital Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



## *Auditor's Independence Declaration*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Keybridge Capital Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

## *Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half year financial report of Keybridge Capital Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*.

*Deloitte Touche Tohmatsu*

DELOITTE TOUCHE TOHMATSU



**Ian Skelton**

Partner

Chartered Accountants

Perth, 28 February 2018

# SECURITIES INFORMATION

## as at 31 December 2017

### SECURITIES ON ISSUE

Class of Security	Quoted on ASX	Unlisted
Fully paid ordinary shares (ASX: <a href="#">KBC</a> )	158,080,432	-
Executive Share Plan shares <sup>30</sup>	-	9,000,000
Convertible Redeemable Promissory Notes (ASX: <a href="#">KBCPA</a> ) <sup>31</sup>	4,401,047	-

### SUBSTANTIAL SHAREHOLDERS

Substantial Shareholders	Registered Shareholder	Number of Shares held	%Voting Power (as at 31 Dec 2017)
Australian Style Group Pty Ltd	Australian Style Group Pty Ltd	33,608,425	22.533% <sup>(1)</sup>
	BNP Paribas Nominees Pty Ltd	2,012,267	
Bentley Capital Limited (ASX: <a href="#">BEL</a> )	Bentley Capital Limited	15,850,000	20.06% <sup>(2)</sup>
	Scarborough Equities Pty Ltd	15,850,000	
Orion Equities Limited (ASX: <a href="#">OEQ</a> )	Bentley Capital Limited	15,850,000	20.06% <sup>(3)</sup>
	Scarborough Equities Pty Ltd	15,850,000	
Queste Communications Ltd (ASX: <a href="#">QUE</a> )	Bentley Capital Limited	15,850,000	20.06% <sup>(3)</sup>
	Scarborough Equities Pty Ltd	15,850,000	
Wilson Asset Management Group (WAM Capital Limited (ASX: <a href="#">WAM</a> ) WAM Active Limited (ASX: <a href="#">WAA</a> ) Wilson Asset Management Equity Fund)	HSBC Custody Nominees (Australia) Limited	30,424,472	19.246% <sup>(4)</sup>

#### 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 [23 October 2017](#) (updated to reflect current percentage voting power)
- (3) Based on the Change of Substantial Holder Notice lodged by QUE and OEQ dated [8 July 2016](#) (updated to reflect current percentage voting power)
- (4) Based on the Change of Substantial Holder Notice lodged by Wilson Asset Management Group dated [4 October 2017](#) (updated to reflect current registered shareholding and percentage voting power)

30 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](#))

31 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 financial statements in the [2017 Annual Report](#) and in the [CRPN Prospectus](#) (dated 17 June 2015).

# SECURITIES INFORMATION

## as at 31 December 2017

### DISTRIBUTION OF LISTED CONVERTIBLE REDEEMABLE PREFERENCE NOTES

Spread of Holdings	Number of Holders	Number of Notes	% of Total Issued Notes
1 - 1,000	750	142,485	3.24%
1,001 - 5,000	71	158,264	3.60%
5,001 - 10,000	17	117,038	2.66%
10,001 - 100,000	39	1,280,407	29.09%
100,001 - and over	6	2,702,853	61.41%
<b>TOTAL</b>	<b>883</b>	<b>4,401,047</b>	<b>100%</b>

### TOP TWENTY LISTED CONVERTIBLE REDEEMABLE PREFERENCE NOTEHOLDERS

Rank	Registered Noteholder	Notes Held	Total Notes Held	% Total Issued Notes
1	BNP Paribas Nominees Pty Ltd		1,700,924	38.65%
2	Aurora Funds Management Limited		385,825	8.77%
3	J P Morgan Nominees Australia Limited		190,277	4.32%
4	Marko Nominees Pty Ltd		180,859	4.11%
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		55,840	1.27%
12	Mr Colin John Vaughan + Mrs Robin Vaughan		55,671	1.26%
13	Mr Milton Yannis		55,590	1.26%
14	Mr Craig Anthony Turton		51,630	1.17%
15	Csalt Super Pty Ltd		50,788	1.15%
16	Freshmo Investments Pty Ltd		41,200	0.94%
17	Shanteer Pty Ltd		39,034	0.89%
18	Mr Yee Teck Teo		35,245	0.80%
19	Australian Style Holdings Pty Ltd <NFJB Superfund A/C> Mr Nicholas Bolton	31,414 3,785		
		Sub-total	35,199	0.80%
20	Denald Nominees Pty Ltd		33,333	0.76%
<b>TOTAL</b>			<b>3,456,910</b>	<b>78.55%</b>

# SECURITIES INFORMATION

## as at 31 December 2017

### DISTRIBUTION OF LISTED ORDINARY SHARES

Spread of Holdings	Number of Holders	Number of Shares	% of Total Issued Capital
1 - 1,000	41	8,054	0.01%
1,001 - 5,000	172	616,964	0.39%
5,001 - 10,000	150	1,166,367	0.74%
10,001 - 100,000	257	9,002,152	5.69%
100,001 - and over	71	147,286,895	93.17%
<b>TOTAL</b>	<b>691</b>	<b>158,080,432</b>	<b>100%</b>

### UNMARKETABLE PARCELS

Spread of Holdings	Number of Holders	Number of Shares	% of Total Issued Capital
1 - 4,545	171	419,467	0.27%
4,546 - over	520	157,660,965	99.73%
<b>TOTAL</b>	<b>691</b>	<b>158,080,432</b>	<b>100%</b>

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 31 December 2017 of \$0.11 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	21.26%
2	HSBC Custody Nominees (Australia) Limited	30,593,613		
	HSBC Custody Nominees (Australia) Limited - GSCO ECA	5,625,000		
		Sub-total	36,218,613	22.91%
3	Bentley Capital Limited		15,850,000	10.03%
4	Scarborough Equities Pty Ltd		15,850,000	10.03%
5	J P Morgan Nominees Australia Limited		6,850,005	4.33%
6	Cowoso Capital Pty Ltd		4,591,543	2.90%
7	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	2.52%
8	BNP Paribas Nominees Pty Ltd		3,749,158	2.37%
9	Mr Stephen Norman Douglas Rowley		2,552,875	1.61%
10	Mr Patrick Martin Burroughs		2,000,000	1.27%
11	Dean Whitestone Pty Limited		2,000,000	1.27%
12	Denald Nominees Pty Ltd		1,200,000	0.76%
13	APPWAM Pty Ltd		1,000,000	0.63%
14	Mr Keith Danby Lucas		1,000,000	0.63%
15	GSK Enterprises Pty Ltd <GS Divitini Super Fund A/C>	725,000		
	GSK Enterprises Pty Ltd <GS Divitini Family Trust A/C>	275,000		
		Sub-total	1,000,000	0.63%
16	Trafalgar Street Nominees Pty Ltd		909,091	0.58%
17	Mr Colin John Vaughan + Mrs Robin Vaughan		807,341	0.51%
18	Mr Yee Teck Teo		705,283	0.45%
19	Mr Peter Howells		699,287	0.44%
20	CVC Limited		640,000	0.40%
<b>TOTAL</b>			<b>135,218,854</b>	<b>85.53%</b>