

**Keybridge Capital Limited and  
Controlled Entities**  
ABN 16 088 267 190

31 December 2014  
Condensed Consolidated  
Interim Financial Report

**Keybridge Capital Limited and Controlled Entities**  
**ABN 16 088 267 190**

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# Keybridge Capital Limited and Controlled Entities

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## Directors' Report

Your Directors present their report together with the condensed consolidated financial report of Keybridge Capital Limited (the "Company" or "Keybridge") and its controlled entities (the "Group") for the half-year ended 31 December 2014 and the independent auditor's review report thereon.

## DIRECTORS

The names of the directors who held office during, and since the end of the half year, are:

Executive Directors:

Nicholas Bolton (Managing Director)

Antony Sormann

Non-executive Directors:

Andrew Moffat (Chairman)

Bill Brown

Craig Coleman

## PRINCIPAL ACTIVITIES

Keybridge Capital Limited is a financial services Group that has invested in, or lent to, transactions backed by real assets, financial assets or cash flow. Its current investment classes include infrastructure, private equity, listed equities, insurance, property and lending.

## DIVIDENDS - KEYBRIDGE CAPITAL LIMITED

Since the end of the period, the Directors have recommended the payment of an interim dividend of \$0.4 million (0.25 cents per share, fully franked) to be paid on 31 March 2015.

The Company is subject to the Australian corporate income tax rate of 30% and expects to generate franking credits to pay dividends that are franked (either partially or wholly).

## REVIEW OF OPERATIONS AND RESULTS

During the half year to 31 December, Keybridge Capital:

- Focused on its program to continue realising assets and achieved a \$1.48 million repayment from its Lending portfolio.
- Completed a NZD3.8 million investment in Foundation Life, to assist in its acquisition of Tower Limited's residual life insurance business. The business manages a large portfolio of life funds with long term duration.
- Entered into a conditional agreement to invest EUR10 million into an Italian-listed fibre optic provider. Subsequently, the conditions have failed to be met.
- Acquired a strategic 6% stake in Molopo Energy Limited ("Molopo"). Antony Sormann, Keybridge's Executive Director, has been appointed as a Non-Executive Director to the Molopo Board as Keybridge's representative.
- Announced that it had entered into an agreement with Aurora Funds Limited to acquire its funds management business for \$4.3 million, subject to adjustment for any net cash or liabilities to be assigned as at the date of completion. The transaction remains subject to approval by Aurora's shareholders and is expected to complete during March 2015.

Keybridge believes that the Aurora transaction is transformational to the Company's future as Keybridge will now incorporate a fully operational funds management business with approximately \$170 million of retail funds under management as at 31 December 2014 and a team of five investment professionals into its core business activities. Further details are provided below.

The Company remains in a strong financial position with more than \$12.1 million in cash available as at December 31, 2014.

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## Directors' Report

### Financial Results

For the purposes of this review, results are compared with the prior comparable period of the consolidated entity.

Having largely completed the asset realisation process in FY13, which had resulted in financial losses since FY08, the Group is pleased to have achieved a net profit after tax attributable to ordinary equity holders for the half-year to 31 December 2014 of \$0.731 million (compared with a loss of \$1.303 million in the prior period).

Basic and diluted earnings per share in the last six months represented 0.46 cents per share compared with a loss of (0.66) cents in the prior period.

The Company held cash deposits, which averaged approximately \$12.6 million, and earned an average of 3.13% per annum in interest.

As a result, total investment and interest income was higher in the six months to 31 December 2014 than in the period to 31 December 2013 (excluding shipping income) with all of Keybridge's new and retained investments contributing either accrued or cash interest income.

However, the Company incurred net unrealised mark-to-market losses of \$0.275 million on the value of its investments in listed shares throughout the period. The majority of these losses were attributable to shares held in Molopo Energy (MPO) of \$0.388 million and in Aurora Funds Limited (AFV) of \$0.138 million, which were partially offset by unrealised gains in PTB Group (PTB) of \$0.104 million and net gains in other smaller listed positions.

Between 30 June 2014 and 31 December 2014, the Australian Dollar depreciated by 13.3% in value against the US Dollar and by 2.6% against the Euro. From 28 August 2014, being the date of investment into Foundation Life, the Australian Dollar depreciated in value by 4.2% against the New Zealand Dollar. The movements in all three currencies resulted in net unrealised FX gains over the period of \$1.0 million (2013: gain of \$0.8 million).

The Company's operating expenses were lower in the period to 31 December 2014 at \$1.2 million compared with \$2.1 million in 2013 (excluding the operating and financing costs associated with the Company's shipping assets which were included in the 2013 results). The decrease was mainly due to lower legal and professional costs of which approximately \$0.6 million was associated with the acquisition of PR Finance Group (PRFG) and the response to the off-market takeover bid for Keybridge, which occurred in 2013.

Of the legal and professional costs during the half, \$0.15 million (2013:\$0.20 million) were incurred on litigation and legal fees focused on recovering assets that remain valued at nil in the Company's financial statements. These costs are non-recurring and if successful could deliver upside to the Company.

The Group continues to not recognise its deferred tax benefits as an asset in the Condensed consolidated statement of financial position due to uncertainty of being able to utilise the benefits over time. This will be reviewed at 30 June 2015.

### INVESTMENTS AND LOANS

As at 31 December 2014, the value of the Group's net investments totalled \$37.5 million, split across the following asset classes:

	31 December 2014		30 June 2014	
	\$'000m	% of Total	\$'000m	% of Total
Net Cash	12,119	32%	14,535	39%
Infrastructure	6,814	18%	6,957	19%
Listed Equity	6,162	16%	6,062	17%
Private Equity	6,148	16%	5,228	14%
Insurance	3,749	10%	-	0%
Property	2,404	7%	2,473	6%
Lending (including Shipping)	90	1%	1,828	5%
	<b>37,486</b>	<b>100%</b>	<b>37,083</b>	<b>100%</b>

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## Directors' Report

In the six months to 31 December 2014, the Company received principal repayments from three assets - two from loans that were classified as Lending assets totalling \$1.6 million and \$0.3 million from an Infrastructure asset.

### Description of Assets

#### Cash-on-hand

The Group held \$12.1 million as at 31 December 2014. During the last six months an average balance of approximately \$12.6 million was held earning an average 3.13% per annum for the period.

#### Infrastructure

In March 2008, Keybridge invested EUR9.6 million for the development, construction and ownership of a 1.05MWp twin-axis tracking solar photovoltaic (PV) park in the Murcia region in southern Spain, named Totana.

Upon completion, the park was registered under Royal Decree (RD) 661/2007 which legislated that for a period of 25 years Iberdrola, the energy supplier, was required to purchase all electricity produced by the park at a government mandated inflated feed-in tariff.

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

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

#### Listed Equity

The Company has continued to maintain its Listed Equity investments of \$6.2 million (2013 \$6.0 million). The majority of investments have been small shareholdings in ASX and other international stock exchange listed entities, with the three substantial holdings being:

- a 19.1% investment in PTB Group Limited (PTB), a turbo prop aircraft parts and services supply organisation with operations in Queensland and New South Wales. This investment is marked-to-market at each balance date which as at 31 December 2014, resulted in an uplift in value of \$0.1 million from 30 June 2014. During the half year PTB appointed Nicholas Bolton as Keybridge's representative on the Board.
- a 19.85% investment in Aurora Funds Limited (AFV). Keybridge has recently announced that it will acquire the rest of the Aurora Funds Management business (subject to shareholder approval). See description below for further information.
- a 5.95% (as at December 31, 2014) investment in Molopo Energy Limited (MPO), which was historically an oil and gas exploration and production company. Molopo currently has a large cash balance with no debt, but is facing litigation in relation to previous trading activities. Keybridge considers that the current market valuation of MPO's shares trading on the ASX is below the value of MPO's cash backing. In December 2014 MPO appointed Antony Sormann as Keybridge's representative to its Board.

#### Private Equity

Keybridge holds a limited recourse loan to RPE1 Investor LLC, a Colorado USA limited liability company, which holds units in a Private Equity Fund. This loan accrues interest at 14.5% per annum and has a maturity date of 31 December 2017. Keybridge's loan of USD5.0 million is secured by Republic Limited Partnership Capital's interest in the Private Equity Fund. RPE's internal valuation of the Fund was USD28.2 million as of end September 2014 with the value of the stake forming Keybridge's security interest valued at approximately USD14.1 million.

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## Directors' Report

Keybridge received no repayments from its Private Equity investment during the six months to 31 December 2014 and accrued \$0.1 million in income. Management elected not to accrue \$0.6 million of income on this asset given limited liquidity of the asset.

### Property

In September 2014, the Company took direct control of the last two loans that were held in a fund run by Ashe Morgan, which invested in first ranking mortgage loans over commercial properties. The loans are secured by properties in the Melbourne suburb of Prahran and a property in the Sydney suburb of Manly. Both loans are paying monthly interest.

The other investment in the Company's property portfolio are units in a high yielding fund, which provided a bridging loan against a Sydney residential property. The investment is short term, paying monthly interest and performing in line with expectation.

### Insurance

On 28 August 2014 KBC invested NZD3.8 million into Foundation Life Holdings (FLH). FLH purchased all of the shares in Tower Life New Zealand, which acquired the non-core run-off life insurance subsidiary of Tower Limited. The investment is structured to earn interest at 9% per annum, payable at the end of FLH's financial year.

### Lending

During the half-year, the Liquidator of PR Finance Group Limited (PRFG) contracted to sell the AMX business to Ridgway Capital Limited (Ridgway). The sale of the AMX business allowed the Liquidator to distribute to Keybridge, as secured creditor, sufficient monies to be repaid against the PRFG loan of approximately \$2.3 million. The Company had previously written off \$1.48 million against a loan to PRFG. As a result of the AMX sale during the period, this loan was written back up. The balance of the monies from the sale was used to purchase Australian Finance Direct (a KBC subsidiary), pay the Liquidator's costs and AMX creditors.

To facilitate this sale, KBC provided Ridgway with two loans of \$1.48 million each; the first loan was to purchase the AMX business and the second to purchase the AMX Money debtors' loan book. The interest on both loans to be charged at 18% per annum with the loans being secured respectively against the Ridgway Capital business and the AMX debtors' loan book at the date of drawdown.

In October 2014, Ridgway repaid the first loan of \$1.48 million, including all accrued interest. The interest payments on the second loan have been late regularly and there remains significant doubt as to whether Keybridge will be able to recover the principal provided under the second loan, and such has been provisioned for the full \$1.48 million.

## AURORA AND THE OUTLOOK FOR KEYBRIDGE

During the half year, Keybridge announced that it intends to acquire the Aurora Funds Management (AFM) business for \$4.3 million. The purchase price is to be adjusted for any net cash or liabilities to be assigned as at the date of completion. Keybridge already owns 19.85% of Aurora Funds Limited (AFV), the listed parent company of AFM. The transaction remains subject to the approval by AFV's shareholders and other due diligence and should complete by the end of March 2015.

Keybridge believes that this transaction is transformational to the Company's future as Keybridge will now incorporate a fully operational funds management business with approximately \$170 million of retail funds under management as at 31 December 2014 and a team of five investment professionals into its core business activities.

Keybridge expects the funds management business to become its core focus over time, with the other assets held by Keybridge continuing to be realised and the cash being used to underpin the launch of new alternative asset managed funds.

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There are no other matters which significantly affected or may significantly affect the operations of the Group, the results of the operations, or the state of affairs of the Group in future financial periods, other than that included in this report.

# **Keybridge Capital Limited and Controlled Entities**

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## **Directors' Report**

### **ROUNDING OF AMOUNTS**

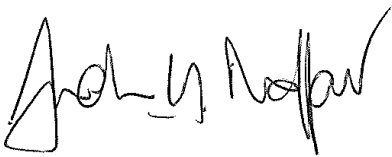
The consolidated entity is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the Financial Report and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

### **AUDITOR'S INDEPENDENCE DECLARATION**

The Lead Auditor's Independence Declaration is set out on page 6 and forms part of the Directors' Report for the half-year ended 31 December 2014.

Dated at Sydney this 26th day of February 2015.

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

A handwritten signature in black ink, appearing to read 'Andrew Moffat', written in a cursive style.

**Andrew Moffat**  
Chairman



*Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001*

To: the directors of Keybridge Capital Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2014 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

Malcolm Kafer  
*Partner*

Sydney

26 February 2015



# Keybridge Capital Limited and Controlled Entities

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## Condensed consolidated statement of comprehensive income For the six months ended 31 December 2014

	Note	31 Dec 2014 \$'000	31 Dec 2013 \$'000
<b>Revenue and income</b>			
Fees		6	27
Interest income	9	1,222	1,190
Net unrealised (loss) on other investments		(275)	(700)
Net realised gain/(loss) on disposal of investments		(101)	17
Other income		35	18
Dividend income		31	-
Shipping income		-	5,800
<b>Operating income</b>		<u>918</u>	<u>6,352</u>
<b>Expenses</b>			
Net impairment expenses	15	-	(357)
Unrealised gain on revaluation of foreign currency assets		1,076	717
Realised net foreign currency (loss) on foreign currency assets		(46)	-
Administration expenses	10	(171)	(535)
Employment costs	11	(492)	(569)
Legal and professional fees	12	(322)	(476)
Recovery expenses	13	(157)	(420)
Other expenses		(71)	(121)
Gain on cancellation of shipping loan liability	16	-	4,113
Shipping vessel impairment	17	-	(3,692)
Shipping goodwill impairment	18	-	(455)
Direct shipping costs		-	(5,826)
<b>Results from operating activities</b>		<u>734</u>	<u>(1,269)</u>
Finance costs		(3)	(34)
<b>Net finance (costs)</b>		<u>(3)</u>	<u>(34)</u>
<b>Profit/(Loss) before income tax</b>		<u>731</u>	<u>(1,303)</u>
Income tax (expense)/benefit		-	-
<b>Profit/(Loss) from continuing operations</b>		<u>731</u>	<u>(1,303)</u>
<b>Acquired operation</b>			
Bargain purchase gain (net of tax)	8	-	7,514
<b>Discontinued operation</b>			
(Loss) from discontinued operation (net of tax)		-	(7,514)
<b>Profit/(Loss) for period</b>		<u>731</u>	<u>(1,303)</u>
<b>Profit/(Loss) attributable to:</b>			
Owners of the Company		731	(1,139)
Non-controlling interests		-	(164)
<b>Total comprehensive income for the period</b>		<u>731</u>	<u>(1,303)</u>
		<b>Cents</b>	<b>Cents</b>
<b>Basic profit/(loss) (cents per share)</b>		<b>0.46</b>	<b>(0.66)</b>
<b>Diluted profit/(loss) (cents per share)</b>		<b>0.46</b>	<b>(0.66)</b>

The notes on pages 11 to 27 are an integral part of these condensed consolidated interim financial statements.

# Keybridge Capital Limited and Controlled Entities

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## Condensed consolidated statement of financial position as at 31 December 2014

	Note	31 Dec 2014 \$'000	30 Jun 2014 \$'000
Cash and cash equivalents		12,119	14,535
Trading and other receivables		171	68
Loans and receivables - net		2,255	1,402
Financial assets at fair value through profit or loss		6,345	6,364
Assets held-for-sale		-	100
Goodwill		-	25
Other assets including derivatives		55	51
<b>Total current assets</b>		<u>20,945</u>	<u>22,545</u>
Loans and Receivables - net		16,950	14,913
Trading and other receivables	23	45	143
Property, plant and equipment	19	3	4
<b>Total non-current assets</b>		<u>16,998</u>	<u>15,060</u>
<b>Total assets</b>		<u>37,943</u>	<u>37,605</u>
Payables	14	455	714
Financial liabilities at fair value through profit or loss		183	301
<b>Total current liabilities</b>		<u>638</u>	<u>1,015</u>
Total liabilities		<u>638</u>	<u>1,015</u>
<b>Net assets</b>		<u>37,306</u>	<u>36,590</u>
<b>Equity</b>			
Share capital		255,305	258,118
Profits reserve	21	731	-
Treasury shares	23	2,798	-
Retained (losses)		(221,528)	(221,528)
<b>Total equity</b>		<u>37,306</u>	<u>36,590</u>

The notes on pages 11 to 27 are an integral part of these condensed consolidated interim financial statements

# Keybridge Capital Limited and Controlled Entities

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## Condensed consolidated statement of changes in equity For the six months ended 31 December 2014

	Share capital	Treasury share reserve	Profits reserve	Retained earnings/ (losses)	Total	Non-Controlling Interests	Total Equity
		\$'000	\$'000	\$'000			\$'000
<b>Balance at 1 July 2013</b>	260,651	-	-	(218,609)	42,042	-	42,042
<b>Total comprehensive income for the period</b>							
Loss for the period	-	-	-	(1,139)	(1,139)	(164)	(1,304)
<b>Total comprehensive income for the period</b>	-	-	-	(1,139)	(1,139)	(164)	(1,304)
<b>Transactions with owners, recorded directly in equity</b>							
<b>Contributions by and distributions to owners</b>							
Own shares acquired	-	-	-	-	-	-	-
Issue of ordinary shares related to business combinations	500	-	-	-	500	-	500
Changes in ownership interests in subsidiaries							
Acquisition of subsidiary with non-controlling interests	-	-	-	-	-	(13)	(13)
<b>Total transactions with owners of the Company</b>	500	-	-	-	500	(13)	487
<b>Transfer to profits reserve</b>	-	-	-	-	-	-	-
<b>Balance at 31 December 2013</b>	<b>261,151</b>	<b>-</b>	<b>-</b>	<b>(219,748)</b>	<b>41,403</b>	<b>(177)</b>	<b>41,226</b>
<b>Balance at 1 July 2014</b>	258,118	-	-	(221,528)	36,590	-	36,590
<b>Total comprehensive income for the period</b>							
Profit for the period	-	-	731	-	731	-	731
<b>Total comprehensive income for the period</b>	-	-	731	-	731	-	731
<b>Transactions with owners, recorded directly in equity</b>							
<b>Contributions by and distributions to owners</b>							
Own shares acquired	(16)	-	-	-	(16)	-	(16)
<b>Changes in ownership interests in subsidiaries</b>							
Transfer to treasury share reserve	(2,798)	2,798	-	-	-	-	-
<b>Total transactions with owners of the Company</b>	<b>(2,813)</b>	<b>2,798</b>	<b>-</b>	<b>-</b>	<b>(16)</b>	<b>-</b>	<b>(16)</b>
<b>Balance at 31 December 2014</b>	<b>255,305</b>	<b>2,798</b>	<b>731</b>	<b>(221,528)</b>	<b>37,306</b>	<b>-</b>	<b>37,306</b>

The notes on pages 11 to 27 are an integral part of these condensed consolidated interim financial statements.

# Keybridge Capital Limited and Controlled Entities

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## Condensed consolidated statement of cash flows For the six months ended 31 December 2014

	Note	31 Dec 2014 \$'000	31 Dec 2013 \$'000
<b>Cash flows from operating activities</b>			
Fees received		-	27
Interest received		887	567
Receipts from customers		-	2,988
Receipts from Shipping activities		-	9,577
Payments for Shipping expenses		-	(9,129)
Payments to suppliers and employees*		(1,674)	(6,586)
Interest payment		-	(1,099)
Dividends received		18	-
Realised cash from available-for-sale investments		9	-
Other income		(2)	61
<b>Net cash from operating activities</b>		<u>(762)</u>	<u>(3,593)</u>
<b>Cash flows from investing activities</b>			
Loans and Receivables, advances and acquisitions of other instruments		(3,362)	(1,986)
Proceeds from sale/repayments of loans and receivables		2,156	11,054
Acquisition of financial instruments		(2,053)	-
Proceeds from sale of financial instruments		1,641	-
Disposal of discontinued operations		-	51,514
Acquisition of subsidiary, net of cash acquired	8	-	831
<b>Net cash from investing activities</b>		<u>(1,618)</u>	<u>61,413</u>
<b>Cash flows from financing activities</b>			
Repurchase of Company own shares (market buy-back)		(16)	-
Repayment of loans and borrowings from discontinued operation		-	(49,985)
<b>Net cash from/(used) in financing activities</b>		<u>(16)</u>	<u>(49,985)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		(2,396)	7,835
<b>Cash and cash equivalents at 1 July</b>		14,535	12,551
<b>Cash held within disposal group held for sale</b>		-	(267)
<b>Effect of exchange rate fluctuations on cash held</b>		(20)	(26)
<b>Cash and cash equivalents at 31 December</b>		<u>12,119</u>	<u>20,093</u>

\* Includes \$509,000 of Investment Recovery associated costs, which are non-recurring.

The notes on pages 11 to 27 are an integral part of these condensed consolidated interim financial statements.

# Keybridge Capital Limited and Controlled Entities

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## Notes to the Condensed Consolidated Interim Financial Report For the half year ended 31 December 2014

### 1. Reporting entity

Keybridge Capital Limited (referred to as "Keybridge" or the "Company") is a company domiciled in Australia. The condensed consolidated interim financial report of the Company as at, and for the six months ended 31 December 2014, comprises the Company and its subsidiaries (together referred to as the "Group") and the Group's interests in associates and jointly controlled entities.

The consolidated annual financial statements of the Group as at and for the year ended 30 June 2014 is available upon request from the Company's registered office at Level 4, 1 Alfred Street, Sydney NSW 2000 or at [www.keybridge.com.au](http://www.keybridge.com.au).

### 2. Basis of preparation

#### Statement of compliance

The condensed consolidated interim financial statements are a general purpose financial report prepared in accordance with AASB 134 Interim Financial Reporting and the *Corporations Act 2001*.

The consolidated interim financial report does not include all of the information required for a full annual financial report and should be read in conjunction with the consolidated annual financial report of the Group as at and for the year ended 30 June 2014.

The condensed consolidated interim financial statements comply with IAS 34 Interim Financial Reporting.

This consolidated interim financial report was approved by the Board of Directors on 26 February 2015.

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, all financial information presented in Australian dollars has been rounded to the nearest thousand unless otherwise stated.

### 3. Significant accounting policies

The accounting policies applied by the Group in this Condensed Consolidated Interim Financial Report are the same as those applied by the Group in its Consolidated Financial Report as at and for the year ended 30 June 2014.

### 4. Use of estimates and judgements

In preparing these interim 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 Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 30 June 2014.

#### Measurement of fair values

The Group has an established control framework with respect to the measurement of fair values. This includes regular reviewing of significant fair value measurements, including Level 3 fair values, and reports directly to the Managing Director.

Management regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then management assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

Significant valuation issues are reported to the Audit, Finance and Risk Committee.

# Keybridge Capital Limited and Controlled Entities

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## Notes to the Condensed Consolidated Interim Financial Report For the half year ended 31 December 2014

When measuring the fair value of an asset or a liability, management uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in Note 20 - Financial instruments.

### 5. Business segments

The Group has six reportable segments, as described below, which are the Company's strategic business segments. The Company's Managing Director reviews internal management reports on at least a monthly basis for each of these strategic business segments, and is the chief operating decision-maker. The following summary describes the operations in each of the Group's reportable segments:

- *Infrastructure:* Loan and equity investment in a renewable energy facility.
- *Private Equity:* Loans to an entity investing in a preferred equity investment to entities in a range of industries.
- *Listed Equity:* Comprises investments in listed equities which currently have exposure to the various types of industries.
- *Property:* Includes loans to properties which are exposed to residential and commercial sites located in Australia.
- *Insurance:* An investment in Foundation Life Holdings which acquired the non-core run-off life insurance subsidiary of Tower Limited. The investment is structured as a loan note and equity in the company.
- *Lending (including Shipping):*  
Senior secured loans and subordinated loans to entities in a range of industries. Loans to and equity investments in ship holding companies chartered for various terms to ship operating companies

Information regarding the results of each reportable segment is included in this note. Performance is measured based on operating income less net impairment expense, unrealised losses on embedded derivatives and other assets and foreign exchange losses as included in the internal management reports that are reviewed by the Company's Managing Director.

Segment results are used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other segments within the Group's loans and investments. This allows management to determine where to best allocate the Group's resources as well as enabling the evaluation of the results to other lenders in the different industries.

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## Notes to the Condensed Consolidated Interim Financial Report For the half year ended 31 December 2014

### 5. Business segments (continued)

#### For the six months ended 31 December 2014

	Infrastructure		Listed Equity		Private Equity		Insurance		Property		Lending*		Consolidated	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<b>Operating income</b>														
Fees	-	-	-	-	-	-	-	-	6	-	-	27	6	27
Interest income	375	406	-	-	124	378	105	-	129	-	268	70	1,002	854
Shipping income	-	-	-	-	-	-	-	-	-	-	-	5,800	-	5,800
Unrealised gain/(loss) on listed investments	62	-	(332)	(700)	-	-	-	-	-	-	-	-	(270)	(700)
Unrealised gain/(loss) on disposal of investments	15	-	17	17	-	-	-	-	(142)	-	-	-	(110)	17
Dividends received	-	-	32	-	-	-	-	-	-	-	-	-	32	-
Other income	-	-	-	-	-	-	-	-	27	-	-	18	27	18
<b>Total operating income</b>	<b>452</b>	<b>406</b>	<b>(283)</b>	<b>(683)</b>	<b>124</b>	<b>378</b>	<b>105</b>	<b>-</b>	<b>20</b>	<b>-</b>	<b>268</b>	<b>5,914</b>	<b>686</b>	<b>6,016</b>
Unrealised gain/(loss) on revaluation of foreign currency assets, net changes in fair value of cash flow hedges and realised foreign exchange gain on disposal of investments	187	559	(14)	-	795	186	226	-	-	-	-	(27)	1,193	717
Shipping expenses	-	-	-	-	-	-	-	-	-	-	-	(6,165)	-	(6,165)
Shipping gain on reversal of loan liability	-	-	-	-	-	-	-	-	-	-	-	4,113	-	4,113
Add: reversed impairments	-	-	-	-	-	-	-	-	-	3,000	-	-	-	3,000
Less impairments	-	(1,507)	-	-	-	-	-	-	-	-	-	(5,997)	-	(7,504)
<b>Reportable segment profit/(loss) before income tax</b>	<b>639</b>	<b>(542)</b>	<b>(297)</b>	<b>(683)</b>	<b>919</b>	<b>564</b>	<b>331</b>	<b>-</b>	<b>20</b>	<b>3,000</b>	<b>268</b>	<b>(2,162)</b>	<b>1,879</b>	<b>178</b>
<b>Business segments</b>	<b>Infrastructure</b>		<b>Listed Equity</b>		<b>Private Equity</b>		<b>Insurance</b>		<b>Property</b>		<b>Lending*</b>		<b>Consolidated</b>	
	<b>31-Dec</b>	<b>30-Jun</b>	<b>31-Dec</b>	<b>30-Jun</b>	<b>31-Dec</b>	<b>30-Jun</b>	<b>31-Dec</b>	<b>30-Jun</b>	<b>31-Dec</b>	<b>30-Jun</b>	<b>31-Dec</b>	<b>30-Jun</b>	<b>31-Dec</b>	<b>30-Jun</b>
	<b>2014</b>	<b>2014</b>	<b>2014</b>	<b>2014</b>	<b>2014</b>	<b>2014</b>	<b>2014</b>	<b>2014</b>	<b>2014</b>	<b>2014</b>	<b>2014</b>	<b>2014</b>	<b>2014</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Gross Segment assets</b>	13,198	13,173	6,345	6,364	6,148	5,228	3,749	-	5,708	6,846	15,030	14,688	50,178	46,299
Less impairment provisions	(6,385)	(6,216)	-	-	-	-	-	-	(3,304)	(4,373)	(14,940)	(12,859)	(24,629)	(23,449)
Less segment liabilities	-	-	(183)	(301)	-	-	-	-	-	-	-	-	(183)	(301)
<b>Net Segment assets</b>	<b>6,814</b>	<b>6,957</b>	<b>6,162</b>	<b>6,062</b>	<b>6,148</b>	<b>5,228</b>	<b>3,749</b>	<b>-</b>	<b>2,404</b>	<b>2,473</b>	<b>90</b>	<b>1,828</b>	<b>25,367</b>	<b>22,548</b>

\*Lending includes the asset class of Shipping for HY2013.

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## Notes to the Condensed Consolidated Interim Financial Report For the half year ended 31 December 2014

### 5. Business segments (continued)

Reconciliations of reportable segment revenues, profit or loss, assets and liabilities:

	<b>31 Dec 2014 \$'000</b>	<b>31 Dec 2013 \$'000</b>
<b>Operating income</b>		
Total operating income for reportable segments	686	6,016
Non-segment income	11	-
Executive share plan loan - interest	45	-
Bank interest received	176	336
Consolidated operating income	<u>918</u>	<u>6,352</u>
<b>Profit or loss</b>		
Total profit or loss for reportable segments	1,879	178
Other profit or loss	68	(505)
Unallocated amounts: other corporate expenses	(1,213)	(942)
Unallocated amounts: net finance costs	(3)	(34)
Consolidated loss before income tax	<u>731</u>	<u>(1,303)</u>
	<b>31 Dec 2014 \$'000</b>	<b>30 June 2014 \$'000</b>
<b>Assets</b>		
Total assets for reportable segments	25,549	22,548
Other unallocated amounts	12,394	15,057
Consolidated total assets	<u>37,943</u>	<u>37,605</u>
<b>Liabilities</b>		
Total liabilities for reportable segments	183	301
Other unallocated amounts	455	714
Consolidated total liabilities	<u>638</u>	<u>1,015</u>

### 6. Seasonality of operations

The Group's segments are not impacted by seasonal fluctuations, other than in Infrastructure, where a lack of sunshine in the northern hemisphere winter will reduce productivity of the solar panels. In turn, this may impact their cash flow and ability to deliver electricity to the supplier. On the whole, seasonal factors have not materially impacted the Group's financial results for the six months ended 31 December 2014, with such seasonality factored into the investment expectation.



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## Notes to the Condensed Consolidated Interim Financial Report For the half year ended 31 December 2014

### 7. Discontinued operation

#### For the half year ended 31 December 2014

On 1 July 2014, Keybridge sold all shares it held in Australian Finance Direct (100% Keybridge subsidiary). Australian Finance Direct was acquired in March 2014 and was not previously classified as held-for-sale or as a discontinued operation.

There was no revenue or expenses during the current period and no cash flows.

#### Effect of disposal on the financial position of the Group

	<b>31 Dec 2014 \$'000</b>	<b>30 June 2014 \$'000</b>
Cash and cash equivalents	(53)	-
Trade and other receivables	(47)	-
Goodwill	(25)	-
Total identifiable net assets	<u>(125)</u>	<u>-</u>
Consideration received, satisfied in cash	125	-
Cash and cash equivalents disposed of	-	-
<i>Net cash inflow/(outflow)</i>	<u>-</u>	<u>-</u>

#### For the half year ended 31 December 2013

On 21 October 2013, an Administrator was appointed to PR Finance Group (PRFG) and its subsidiaries. With the appointment of the Administrator, Keybridge no longer controlled PRFG and was not required to consolidate the results of PRFG from the date of administration. This resulted in elimination of PRFG's assets and liabilities from the Group's results at disposal.

	<b>31 Dec 2014 \$'000</b>	<b>31 Dec 2013 \$'000</b>
<b>Results of discontinued operation (PR Finance Group)</b>		
Revenue	-	3,966
Expenses	-	(4,631)
<i>Results from operating activities</i>	-	(665)
Income tax expense	-	(893)
<i>Results from operating activities, net of tax</i>	-	(1,559)
Loss on sale of discontinued operation	-	(5,955)
<i>Loss for the period</i>	<u>-</u>	<u>(7,514)</u>
Basic earnings (loss) per share (dollars)	-	(0.04)
Diluted earnings (loss) per share (dollars)	-	(0.04)

The loss from discontinued operation of \$7.5 million was attributable entirely to the owners of the Company.

	<b>31 Dec 2014 \$'000</b>	<b>31 Dec 2013 \$'000</b>
<b>Cash flows from / (used in) discontinued operation (PR Finance Group)</b>		
Net cash used in operating activities	-	(2,293)
Net cash from investing activities	-	52,278
Net cash from financing activities	-	(49,985)
<i>Effect on cash flows</i>	<u>-</u>	<u>-</u>

# Keybridge Capital Limited and Controlled Entities

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## Notes to the Condensed Consolidated Interim Financial Report For the half year ended 31 December 2014

### 7. Discontinued operation (continued)

#### Effect of disposal on the financial position of the Group

	31 Dec 2014 \$'000	31 Dec 2013 \$'000
Cash and cash equivalents	-	(986)
Inventories	-	(4)
Other current assets	-	(103)
Trade and other receivables	-	(2,339)
Investments in partnerships	-	(732)
Property, plant and equipment	-	(247)
Deferred tax assets	-	(8,486)
Goodwill and other intangible assets	-	(2,108)
Loan receivables	-	1,152
Investment in other companies	-	1,850
Trade and other payables	-	5,950
Borrowings	-	-
Deferred tax liabilities	-	(9)
Provisions	-	107
Total identifiable net assets	<u>-</u>	<u>(5,955)</u>
Consideration received, satisfied in cash	-	-
Cash and cash equivalents disposed of	-	(986)
<i>Net cash inflow/(outflow)</i>	<u>-</u>	<u>(986)</u>

### 8. Acquisition of subsidiary and non-controlling interests

#### For the half year ended 31 December 2014

There were no acquisitions of subsidiaries during the current period.

#### For the half year ended 31 December 2013

##### **Acquisition of subsidiary PRFG**

On 28 June 2013, the Group acquired 100% of the shares and voting interests of PRFG. As a result, the Group's equity interest in PRFG increased from 0% to 100% and Keybridge officially obtained control of PRFG as at 18 August 2013, after the settlement for the shares occurred.

##### **Acquisition of subsidiary Oceanic Shipping Company 8 Limited (Oceanic Shipping)**

On 1 July 2013, Keybridge acquired an additional 48.5% of equity in Oceanic Shipping bringing its ownership to 97% which resulted in Keybridge gaining control.

##### **Consideration transferred**

The following table summarises the acquisition-date fair value of each major class of consideration transferred for both PRFG and Oceanic Shipping:

	31 Dec 2014 \$'000	31 Dec 2013 \$'000
Cash (net of acquisition costs)	-	1,351
2.5 million Keybridge Capital ordinary shares	-	500
Settlement of pre-existing relationship	-	11,679
	<u>-</u>	<u>13,530</u>

##### **Equity instruments issued**

The fair value of the ordinary shares issued was based on an agreed share price of the Company at 28 June 2013 of \$0.20 per share.

# Keybridge Capital Limited and Controlled Entities

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## Notes to the Condensed Consolidated Interim Financial Report For the half year ended 31 December 2014

### 8. Acquisition of subsidiary and non-controlling interests (continued)

#### Identifiable assets acquired and liabilities assumed

The following summarises the recognised amounts of assets acquired and liabilities assumed at the acquisition date for both PRFG and Oceanic Shipping:

	<b>31 Dec 2014 \$'000</b>	<b>31 Dec 2013 \$'000</b>
Cash and cash equivalents	-	831
Trade and other receivables	-	58,240
Inventories	-	3,160
Other current assets	-	5,551
Investments in partnerships	-	725
Property, plant and equipment	-	773
Deferred tax assets	-	28,630
Vessels (held for sale)	-	21,321
Goodwill and other intangible assets	-	3,303
Trade and other payables	-	(7,896)
Borrowings	-	(62,928)
Deferred tax liabilities	-	(30,190)
Provisions	-	(944)
Total identifiable net assets	<u>-</u>	<u>20,576</u>

- **Bargain purchase gain**

Bargain purchase arising from the acquisition of PRFG were recognised as follows:

	<b>31 Dec 2014 \$'000</b>	<b>31 Dec 2013 \$'000</b>
Total consideration transferred	-	13,529
Fair value of identifiable assets	-	21,043
Bargain purchase price gain	<u>-</u>	<u>7,514</u>

The bargain purchase was attributable mainly to the acquisition of the two divisions in PRFG being the motor vehicle division and AMX lending.

#### Goodwill

	<b>31 Dec 2014 \$'000</b>	<b>31 Dec 2013 \$'000</b>
Goodwill arising from the acquisition of Oceanic Shipping has been recognised as follows:		
Total consideration transferred	-	1
Non-controlling interests, based on their proportionate interest in the recognised amounts of the asset and liabilities of Oceanic Shipping	-	(14)
Fair value of existing interest in Oceanic Shipping	-	-
Fair value of identifiable liabilities	-	468
Goodwill	<u>-</u>	<u>455</u>

Goodwill is due to the difference between the net fair value of assets and liabilities acquired and the purchase price paid to the vendor shareholder.

#### Acquisition-related costs for both PRFG and Oceanic Shipping

The Group incurred acquisition-related costs of \$0.15 million relating to external legal fees costs. These amounts have been included in legal and professional expenses in the Condensed Consolidated Statement of Profit or Loss for the period ended 31 December.

# Keybridge Capital Limited and Controlled Entities

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## Notes to the Condensed Consolidated Interim Financial Report For the half year ended 31 December 2014

### 9. Interest

	<b>31 Dec 2014 \$'000</b>	<b>31 Dec 2013 \$'000</b>
Interest on bank deposits	176	336
Interest on loans and advances - third parties	1,046	854
	<u>1,222</u>	<u>1,190</u>

New investments contributed \$501,955 in interest income. There is \$123,540 (2013: \$378,244) of accrued income related to the Private Equity investment which is not impaired and \$374,846 of accrued income related to the Infrastructure investment on impaired financial assets for the six months ended 31 December 2014 (2013: \$406,469).

### 10. Administration expenses

	<b>31 Dec 2014 \$'000</b>	<b>31 Dec 2013 \$'000</b>
Keybridge attributable costs	171	196
Oceanic Shipping attributable costs	-	339
	<u>171</u>	<u>535</u>

### 11. Employment costs

	<b>31 Dec 2014 \$'000</b>	<b>31 Dec 2013 \$'000</b>
Wages and Salaries	428	516
Superannuation	51	39
Other associated personnel expenses	13	14
	<u>492</u>	<u>569</u>

### 12. Legal and Professional costs

	<b>31 Dec 2014 \$'000</b>	<b>31 Dec 2013 \$'000</b>
Investment related legal fees	33	12
Investment related professional fees*	100	185
Director Fees	99	100
Auditing and tax fees	60	136
Compliance legal fees	30	43
	<u>322</u>	<u>476</u>

\* Professional fees included consulting fees of Antony Sormann prior to becoming an Executive Director.

### 13. Recovery costs

	<b>31 Dec 2014 \$'000</b>	<b>31 Dec 2013 \$'000</b>
Legal recoveries and Scheme of Arrangement	157	204
Take-over defence costs	-	216
	<u>157</u>	<u>420</u>

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## Notes to the Condensed Consolidated Interim Financial Report For the half year ended 31 December 2014

### 14. Payables

	<b>31 Dec</b>	<b>30 Jun</b>
	<b>2014</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Professional fees payable	314	522
Director fees payable	51	72
Other fees payable	89	120
	<hr/>	<hr/>
	455	714

Keybridge's accrued expenses include legal and professional fees, audit fees and directors' remuneration, all of which was settled by the end of January 2015.

### 15. Impairment provisions

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

If there is objective evidence that an impairment loss on loans has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (ie the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an impairment provision account. The amount of the loss is recognised in profit or loss.

In assessing the carrying value of loans and receivables consideration includes:

- historic loss experience;
- the estimated period between a loss occurring and that loss being identified and provided for; and;
- management's experienced judgment as to whether the current economic and credit conditions are such that the actual level of inherent losses is likely to be greater than that suggested by historical experience.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in profit or loss.

During the six months to 31 December 2014 the Group assessed the impairment provisions that had been recognised between June 2012 and 2014 and where it was deemed that a future repayment of an impaired loan was likely then the impairment was written-back.

A write-back of \$1.48 million was recorded due to the repayment of the PRFG loan. Further, there was a write-off of a previously recognised provision of \$1.1 million, as a result of the assignment of the AMW loans to Keybridge during the six months to 31 December 2014. A provision of \$1.48 million was recognised in the lending portfolio relating to the AMX business.

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## Notes to the Condensed Consolidated Interim Financial Report For the half year ended 31 December 2014

### 15. Impairment provisions (continued)

The movement in the allowance for impairment during the year was as follows:

	Allowance for Impairment	
	31-Dec 2014 \$'000	30-Jun 2014 \$'000
Balance at beginning of the period	23,448	29,608
Impairment loss recognised	1,482	3,604
Impairment write-back in income statement	(1,482)	(3,056)
Foreign exchange movements on impairments	1,926	(101)
Provisions written-off PRFG equity	-	(1,850)
Provisions written-off AMW	(1,070)	-
Loans realised	323	(4,757)
Balance at end of period	<u>24,628</u>	<u>23,448</u>

The allocation of impairments by segment is provided in note 5 - Operating Segments.

Impairment losses for the six months to December 2014 have occurred in the lending asset class.

As previously mentioned, in July 2014 Keybridge provided two loans for an entity to purchase the AMX business from the Liquidator of PR Finance Group. The second loan is in default and the recovery of the principle amount of \$1.48 million is doubtful.

#### Reversal of impairment loss

In the six months ended 31 December 2014, a \$1.48 million impairment loss was reversed due to the repayment of the PRFG loan.

The ageing of the loans and receivables at the reporting date was:

	Gross 31-Dec 2014 \$'000	Impairment 31-Dec 2014 \$'000	Net 31-Dec 2014 \$'000	Gross 30-Jun 2014 \$'000	Impairment 30-Jun 2014 \$'000	Net 30-Jun 2014 \$'000
Not past due	26,033	(7,867)	18,166	19,217	(6,216)	13,000
Past Due 91-120	-	-	-	-	-	-
Past Due 180-365	-	-	-	11,700	(11,700)	-
More than one year	17,800	(16,761)	1,039	8,847	(5,533)	3,315
Total assets/(liabilities)	<u>43,833</u>	<u>(24,628)</u>	<u>19,205</u>	<u>39,764</u>	<u>(23,449)</u>	<u>16,315</u>

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## Notes to the Condensed Consolidated Interim Financial Report For the half year ended 31 December 2014

### 16. Gain on cancellation of shipping loan liability

	<b>31 Dec 2014 \$'000</b>	31 Dec 2013 \$'000
Gain on cancellation of borrowings on vessels	-	4,113
	<u>-</u>	<u>4,113</u>

The senior loan provided to Oceanic Shipping is secured by three underlying vessels. The three vessels were sold in February 2014 and realised \$18.1 million which was approximately \$4.1 million lower than the outstanding debt. Due to the non-recourse nature of the loan Oceanic Shipping realised a gain on the extinguishment of the unpaid balance of the debt to the senior lenders.

### 17. Shipping vessel impairment

	<b>31 Dec 2014 \$'000</b>	31 Dec 2013 \$'000
Impairment of vessels	-	3,692
	<u>-</u>	<u>3,692</u>

The three vessels were sold in February 2014 and realised \$18.1 million which is approximately \$3.7 million lower than the carrying value of the vessels. This required Oceanic Shipping to recognise an impairment for the six months to 31 December 2013.

### 18. Intangible assets and goodwill

	<b>31 Dec 2014 \$'000</b>	30 Jun 2014 \$'000
<b>Goodwill</b>		
Balance at 1 July	25	-
Acquisitions through business combinations	-	480
Realised/write-off from disposal of AFD	(25)	(455)
Balance at 31 December	<u>-</u>	<u>25</u>
<b>Carrying amounts</b>		
At 30 June 2014	25	
At 31 December 2014	-	

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## Notes to the Condensed Consolidated Interim Financial Report For the half year ended 31 December 2014

### 19. Property, plant and equipment

	Leasehold improvements \$'000	Office Equipment \$'000	Furniture and fittings \$'000	Computer software \$'000	Computer hardware \$'000	Total \$'000
<b>Cost or deemed cost</b>						
<b>Balance at 1 July 2013</b>	318	63	151	147	76	755
Additions	-	-	-	-	6	6
Disposals	-	-	-	-	-	-
<b>Balance at 30 June 2014</b>	<b>318</b>	<b>63</b>	<b>151</b>	<b>147</b>	<b>82</b>	<b>761</b>
<b>Cost or deemed cost</b>						
<b>Balance at 1 July 2014</b>	318	63	151	147	82	761
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
<b>Balance at 31 December 2014</b>	<b>318</b>	<b>63</b>	<b>151</b>	<b>147</b>	<b>82</b>	<b>761</b>
<b>Depreciation and impairment losses</b>						
<b>Balance at 1 July 2013</b>	289	63	151	147	76	726
Additions	29	-	-	-	2	31
Disposals	-	-	-	-	-	-
<b>Balance at 30 June 2014</b>	<b>318</b>	<b>63</b>	<b>151</b>	<b>147</b>	<b>78</b>	<b>757</b>
<b>Balance at 1 July 2014</b>	318	63	151	147	78	757
Depreciation for the year	-	-	-	-	1	1
Disposals	-	-	-	-	-	-
<b>Balance at 31 December 2014</b>	<b>318</b>	<b>63</b>	<b>151</b>	<b>147</b>	<b>79</b>	<b>758</b>
<b>Carrying amounts</b>						
At 30 June 2014	-	-	-	-	4	4
At 31 December 2014	-	-	-	-	3	3



# Keybridge Capital Limited and Controlled Entities

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## Notes to the Condensed Consolidated Interim Financial Report For the half year ended 31 December 2014

### 20. Financial instruments

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy for financial instruments measured at fair value. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Carrying amount					Fair value			
	Non-current assets		Current assets			Level 1	Level 2	Level 3	Total
	Trade and other receivables	Trade and other receivables	Other investments, including derivatives	Cash and cash equivalents	Total				
<i>In thousands of dollars</i>									
<b>31-Dec-14</b>									
<b>Financial assets measured at fair value</b>									
Equity securities				6,345	6,345	6,345			6,345
Equity Options				55	55	55			55
<b>Financial assets not measured at fair value</b>									
Loans and receivables	16,950	2,255			19,205				
Trade and other receivables	45	171			216				
Cash				12,119	12,119				
	<u>16,996</u>	<u>2,426</u>		<u>6,400</u>	<u>12,119</u>	<u>6,400</u>	<u>-</u>	<u>-</u>	<u>6,400</u>
<b>30-Jun-14</b>									
<b>Financial assets measured at fair value</b>									
Equity securities				6,364	6,364	6,364			6,364
Equity Options				51	51	51			51
<b>Financial assets not measured at fair value</b>									
Loans and Receivables	14,913	1,402			16,315				
Trade and other receivables	143	68			211				
Cash and cash equivalents				14,535	14,535				
	<u>15,056</u>	<u>1,470</u>		<u>6,415</u>	<u>14,535</u>	<u>6,415</u>	<u>-</u>	<u>-</u>	<u>6,415</u>

# Keybridge Capital Limited and Controlled Entities

ABN 16 088 267 190

## Notes to the Condensed Consolidated Interim Financial Report For the half year ended 31 December 2014

### 20. Financial instruments (continued)

#### a. Carrying amounts and fair values (continued)

<i>In thousands of dollars</i>	Trade and other payables	Trade and other payables	Equity Securities	Loans and borrowings	Total	Level 1	Level 2	Level 3	Total
<b>31-Dec-14</b>									
<b>Financial liabilities measured at fair value</b>									
Equity securities			183		183	183			
<b>Financial liabilities not measured at fair value</b>									
Trade and other payables		455			455				
		455	183		638	183			
<b>30-Jun-14</b>									
<b>Financial liabilities measured at fair value</b>									
Equity securities			301		301	301			
<b>Financial liabilities not measured at fair value</b>									
Trade and other payables		714			714				
		714	301		1,015	301			

# Keybridge Capital Limited and Controlled Entities

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## Notes to the Condensed Consolidated Interim Financial Report For the half year ended 31 December 2014

### 21. Capital and reserves

#### Profits Reserve

The profits reserve represents the portion of current year profits transferred to a reserve to preserve the characteristic as profit and not appropriate against prior year accumulated losses. Such profits are available to enable payment of franked dividends in the future should the directors declare by resolution.

#### Dividends

No dividends were declared and paid by Keybridge during the current year.

After 31 December 2014 the directors declared an interim dividend of 0.25 cents per share (100% franked). The dividend is to be paid out of the Profits Reserve. The record date for determining entitlement for the interim dividend is 12 March 2015 and the interim dividend will be payable on 31 March 2015.

#### Shares issued and paid but not quoted

As at 31 December 2014, there are 15,000,000 shares issued (but not quoted) which relate to the Company's new Executive Share Plan. Previously, there were 5,975,000 shares issued (but not quoted) relating to the Company's redundant Director and Employee Share Scheme. These have since been removed from ASX-quotations and subsequently cancelled.

### 22. Taxation

The Group's consolidated effective tax rate in respect of continuing operations for the six months ended 31 December 2014 is 0% as the Company has made a taxable loss (for the year ended 31 December 2013: 0%).

The Group continues not to recognise at 31 December 2014 deferred tax assets (DTAs) in relation to prior period's tax losses. This approach is consistent with the accounting treatment at 30 June 2014.

Unrecognised DTAs are permitted to be re-recognised in future periods to the extent they are considered probable of being utilised.

### 23. Related party disclosure

#### *Transaction with key management personnel and directors*

Directors, or their related parties, holds positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

Two of the directors transacted with the Company in the reporting period. The terms and conditions of the transactions with management persons and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

#### **a) Loans to directors**

On 28 November 2014, shareholders approved a new Executive Share Plan (ESP).

The ESP involves the Company providing interest-bearing limited-recourse loans to eligible employees to purchase ordinary shares in the capital of the Company which to date have been issued in two tranches. There are two separate loan arrangements for the two tranches and, as part of both loan arrangements, the Company has taken security over those ordinary shares (but only over those ordinary shares) to secure repayment of the relevant loans. The interest rate of the loans is a fixed rate of 6.45% per annum for the term of the loans, capitalised monthly to the loans, with the term of the loans being 3 years and 3 months. The interest accrued is recourse to the eligible employee. Additionally, for the loans for the second tranche of shares only, there is an additional release payment payable at the end of the term of the loans to the Company by the relevant participating employees of 11.5 cents per share. None of the loans may be repaid early, unless otherwise agreed between the relevant employee and the Company. The loans for the two tranches are not cross-collateralised.

# Keybridge Capital Limited and Controlled Entities

ABN 16 088 267 190

## Notes to the Condensed Consolidated Interim Financial Report For the half year ended 31 December 2014

### 23. Related party disclosure (continued)

#### *Transaction with key management personnel and directors (continued)*

##### a) Loans to directors (continued)

The issue price for both tranches of shares was 18.65 cents per share and both tranches of shares are subject to a holding lock under escrow arrangements, such that they are not capable of being sold for a period of three years from their date of issue.

In any event, the shares may only be released to the relevant employees if certain vesting and service conditions are met, including the Company's share price reaching levels equivalent to a defined strike price and the relevant employees paying a top up amount being equal to the difference between the Issue Price and the Vesting Price. As the limited-recourse loan is used only with newly issued shares, rather than with shares bought on market, shareholders are not exposed to any cash loss risk arising from the limited-recourse loan.

On 1 October 2014 loans were issued to Keybridge Executives to purchase 15,000,000 shares under the terms of the ESP as follows:

		Transactions value period ended		Balance outstanding* as at	
		31 Dec 2014 \$'000	30 Jun 2014 \$'000	31 Dec 2014 \$'000	30 Jun 2014 \$'000
<i>Director</i>	<i>Transaction</i>				
Nicholas Bolton	Executive Share Plan Loan	27	-	1,706	-
Antony Sormann	Executive Share Plan Loan	18	-	1,137	-
		45	-	2,843	-

\* Due to the different recourse nature of the principal amount and the accrued interest of the loans, only the accrued interest on the executive loans are recorded as a non-current asset on the Statement of Financial Position. The principal amount is not recorded until vesting.

##### b) Other related party transactions

The aggregate value of transactions and outstanding balances relating to key management personnel and entities over which they have control or significant influence were as follows:

		Transactions value period ended		Balance outstanding as at	
		31 Dec 2014 \$'000	31 Dec 2013 \$'000	31 Dec 2014 \$'000	30 Jun 2014 \$'000
<i>Director</i>	<i>Transaction</i>				
Antony Sormann <sup>(i)</sup>	Consultant fees	77	-	-	-
		77	-	-	-

(i) Antony Sormann was appointed as Executive Director on 6 March 2014

(ii) The Company engaged the consultancy services of Nero Capital Pty Ltd, where Antony Sormann is a director, in relation to assistance and input over sale of assets and new investment opportunities. Amounts were billed based on market rates for such services and were due and payable under standard payment terms. This arrangement terminated in September 2014 when Antony Sormann became an employee of Keybridge Capital.

#### **Directors and key management personnel**

Other than normal remuneration for Directors, there were no other transactions with Directors and key management personnel during the six months ended 31 December 2014.

# **Keybridge Capital Limited and Controlled Entities**

**ABN 16 088 267 190**

## **Notes to the Condensed Consolidated Interim Financial Report For the half year ended 31 December 2014**

### **24. Material event**

As announced to the ASX 19 December 2014, Keybridge has entered into an agreement with Aurora Funds Limited (Aurora) to acquire its funds management business for \$4.3 million. The purchase price is to be adjusted for any net cash or liabilities to be assigned as at the date of completion.

The transaction will be subject to conditions, including, without limitation, Aurora shareholder approval, due diligence and third party consents.

### **25. Subsequent event**

No matters have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Group, the results of the operations, or the state of affairs of the Group in future financial periods, other than that included in this report.

# Keybridge Capital Limited and Controlled Entities

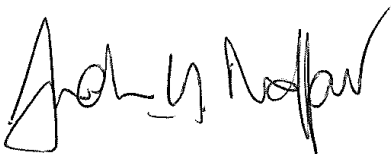
ABN 16 088 267 190

## Directors' Declaration

In the opinion of the directors of Keybridge Capital Limited ("the Company"):

1. the financial statements and notes set out on pages 7 to 27, are in accordance with the *Corporations Act 2001*, including:
  - (a) giving a true and fair view of the Group's financial position as at 31 December 2014 and of its performance for the six month period ended on that date; and
  - (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors:



**Andrew Moffat**  
Chairman

Sydney, 26 February 2015



## **Independent auditor's review report to the members of Keybridge Capital Limited**

### **Report on the financial report**

We have reviewed the accompanying interim financial report of Keybridge Capital Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2014, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the interim period ended on that date, notes 1 to 25 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the half-year's end or from time to time during the interim period.

#### *Directors' responsibility for the interim financial report*

The directors of the company are responsible for the preparation of the interim 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 interim financial report that is free from material misstatement, whether due to fraud or error.

#### *Auditor's responsibility*

Our responsibility is to express a conclusion on the interim 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 interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2014 and its performance for the interim period ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As 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 an interim 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.

#### *Independence*

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



*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim 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 Group's financial position as at 31 December 2014 and of its performance for the interim period ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

KPMG

KPMG

Malcolm Kafer  
*Partner*

Sydney

26 February 2015