



2021

ANNUAL REPORT



ASX Code: KBC

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

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CORPORATE DIRECTORY**BOARD OF DIRECTORS**

Nicholas Bolton	Managing Director & CEO
Jeremy Kriewaldt	Non-Executive Chairman
Antony Catalano	Non-Executive Director

COMPANY SECRETARY

John Patton

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ASX CODE

KBC

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DIRECTORS' REPORT

The Directors present their report on Keybridge Capital Limited (**Company** or **KBC**) and its controlled entities (the **Consolidated Entity** or **Keybridge**) for the financial year ended 30 June 2021 (**Balance Sheet Date**).

The Company has prepared a consolidated financial report incorporating the entities that it controlled during the financial year.

PRINCIPAL ACTIVITIES

Keybridge is an investment and financial services group with a diversified portfolio of listed and unlisted investments/loan assets in the life insurance (New Zealand), property and funds management sectors and strategic holdings in HHY Fund (ASX: HHY), Yowie Group Ltd (ASX: YOW), Metgasco Limited (ASX: MEL) and Molopo Energy Limited.

COMPANY INFORMATION

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).

OPERATING RESULTS AND REVIEW OF OPERATIONS

The profit of the Consolidated Entity for the full year after providing for income tax was \$2,930,246 (2020: loss \$3,848,350). Total revenue and other income amounted to \$588,153 (2020: \$436,325). The operating result was impacted by:

- The Company generated investment gains of \$4.5m, primarily from its listed share portfolio;
- Keybridge engaged in various arbitrage trading in the cryptocurrency market. The Company turned over \$70,679,360 for a net profit of \$443,645. The structure of the trading did not expose Keybridge to any material market pricing risk over the period;
- The Company's investment in Molopo Energy Limited (Molopo) has been further written down from 0.42 cents per share (as at 30 June 2020) to 0.00 cents per share to reflect the reduced net asset backing position of Molopo (resulting in a further unrealised loss of \$0.2m during the year);
- The Company redeemed 5,433,034 Convertible Redeemable Preference Notes (CRPNs) during the year, resulting in the number of CRPNs on issue falling from 5,602,056 (as at 30 June 2020) to 169,022, with the interest expense being significantly reduced compared to the year ended 30 June 2020);
- The off-market takeover bid for all of the units in the RNY Property Trust (RNY), via the issuance of Keybridge shares at the ratio 0.16 share to 1 RNY unit, closed on 13 August 2021. Keybridge received total acceptances of 27.7% of the ordinary units in RNY, with 6,243,328 Ordinary Shares being allotted after year end; and
- The revaluation of foreign currency assets resulted in a loss of \$72,111 (2020: \$286,085) during the year.

In addition to the above, the following notable activities occurred during the year:

- On 27 July 2020, the Company announced the return of the \$5 million deposit for a potential transaction which was received on 24 July 2020;
- On 14 September 2020, the 6.9 cent cash takeover bid by WAM Active, dated 28 April 2020, closed with total acceptances being less than 50%;
- On 27 November 2020, Mr Bolton and Mr John Patton were elected to the Board Yowie Group Ltd at its Annual General Meeting, with Mr Bolton being appointed as a Non-Executive Director on 30 November 2020 and Mr Patton on 5 February 2021;
- On 11 December 2020, the suspension of trading in the securities of the Company was lifted by the ASX; and
- On 29 December 2020, the Company announced that it was not successful in its application against WAM Active whereby it had sought to clarify the status of a block of the Company's shares held by WAM Active (Processed Shares) and costs were awarded against it.

DIVIDENDS

No dividends have been paid or declared since the end of the previous year and no dividends have been recommended by the Directors in respect of the year ended 30 June 2021.

DIRECTORS' REPORT

As at 30 June 2021, Keybridge had:

- \$3.955 million in its Profits Reserve account, which is available to fund the payment of dividends to shareholders in the future; and
- \$6.773 million Franking Credits, which is sufficient to fund the payment of fully franked (at Keybridge's applicable 30% company tax rate) dividends totalling \$15.8 million.

CRPN DISTRIBUTIONS

During the financial 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 ³
1.75 cent per note	17 June 2021	21 June 2021	100% franked
1.75 cent per note	13 March 2021	22 March 2021	100% franked
1.75 cent per note	11 December 2020	22 December 2020	100% franked
1.75 cent per note	11 September 2020	22 September 2020	100% franked
1.75 cent per note	5 August 2020	5 August 2020	100% franked

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

In the second half of the reporting period, the Company began actively trading "Stablecoin" (a tokenised digital currency) collateralised by USD on the cryptocurrency markets. The intention of holding the currency of "Stablecoin" is to generate a profit through short-term arbitrage opportunities rather than long-term capital appreciation.

Other than the above and the matters noted in the Review of Operations (above), there have been no other significant changes in the Consolidated Entity's state of affairs during the year.

EFFECTS OF COVID-19 ON THE COMPANY

In March 2020, the World Health Organisation declared the outbreak of a novel coronavirus ('COVID-19') as a pandemic, which continues to spread globally. The spread of COVID-19 has caused significant volatility in Australian and International markets. There is considerable uncertainty regarding the breadth and duration of business disruptions related to COVID-19. COVID-19 continue to have an impact on both the Australian and International markets in FY2021.

FUTURE DEVELOPMENTS

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

ENVIRONMENTAL REGULATION

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

DIRECTORS & OFFICERS

The names of the directors in office at any time during or since the end of the year are:

Nicholas Bolton	Chief Executive Officer and Managing Director
Jeremy Kriewaldt	Non-executive Chairman
Antony Catalano	Non-executive Director

Mr John Patton is the Company Secretary.

DIRECTORS' REPORT

Further details on each of the directors is outlined below:

NICHOLAS BOLTON		MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER
<i>Appointed</i>	28 May 2019 ¹ as CEO; 13 October 2019 as Managing Director ²	
<i>Experience</i>	Nicholas Bolton has managed operational investments and restructured assets in the aviation, finance, property, energy, shipping, infrastructure and IT sectors. Mr Bolton has invested in and led activist investments in a number of ASX-listed entities with a foundation in shareholder advocacy. Mr Bolton is focused on delivering superior risk adjusted returns through active management and innovative solutions to challenging issues for investors.	
<i>Relevant interest in securities</i>	8,836,036 – KBC shares	
<i>Special Responsibilities</i>	CEO	
<i>Other current directorships in listed entities</i>	Yowie Group Limited (since 30 November 2020).	
<i>Former directorships in other listed entities in past 3 years</i>	None	
JEREMY KRIEVALDT		NON-EXECUTIVE CHAIRMAN
<i>Appointed</i>	13 October 2016	
<i>Qualifications</i>	BA (Hons), LLM (Hons) (Sydney)	
<i>Experience</i>	Jeremy Kriewaldt is a lawyer in private practice, specialising in corporate and commercial law, including mergers and acquisitions, capital raisings and foreign investment, financial product development and securities markets. He started his own practice in 2018 and was previously a partner of Atanaskovic Hartnell (2004 - 2018), Blake Dawson Waldron (now Ashurst) (1990-2003) and also served as Counsel to the Takeovers Panel in 2003-2004.	
<i>Relevant interest in securities</i>	41,516 – KBC shares	
<i>Special Responsibilities</i>	None	
<i>Other current directorships in listed entities</i>	None	
<i>Former directorships in other listed entities in past 3 years</i>	None	
ANTONY CATALANO		NON- EXECUTIVE DIRECTOR
<i>Appointed</i>	17 April 2020 ³	
<i>Experience</i>	Antony Catalano was formerly the Managing Director of Domain Holdings Australia Limited and is presently the Executive Chairman of Australian Community Media, a major regional media company.	
<i>Relevant interest in securities</i>	22,324,631 – KBC shares (beneficial/economic interest) held by Catalano Super Investments Pty Ltd ATF Catalano Superannuation Fund (11,304,347 ordinary shares) and Antstef Pty Ltd ATF Antstef Trust (11,020,284 ordinary shares)	
<i>Special Responsibilities</i>	None	

¹ Refer KBC ASX Announcement dated 29 May 2019: CEO & Other Management Changes

² Refer KBC ASX Announcement dated 14 October 2019: Company Update & Board Appointments

³ Refer KBC ASX Announcement dated 17 April 2020

DIRECTORS' REPORT

Other current directorships in listed entities None

Former directorships in other listed entities in past 3 years None

DIRECTORS' MEETINGS

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

Name of Director	Board	
	Attended	Max. Possible Meetings
Nicholas Bolton	20	20
Jeremy Kriewaldt	20	20
Antony Catalano	20	20

REMUNERATION REPORT

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

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

(1) Key Management Personnel (KMP)

Name	Position	Tenure
Nicholas Bolton	Managing Director	Appointed 13 October 2019
Jeremy Kriewaldt	Non-Executive Chairman	Appointed 13 October 2016; re-elected at AGM on 23 November 2016; re-elected at general meeting on 17 April 2020
Antony Catalano	Non-Executive Director	Appointed 17 April 2020; re-elected at AGM on 22 December 2020
Nicholas Bolton	Chief Executive Officer (CEO)	Appointed 28 May 2019
John Patton	Company Secretary	Appointed 13 October 2019

(2) Remuneration Policy

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

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

Fixed Cash Short-term Employment Benefits: The Key Management Personnel of the Company are paid a fixed amount per annum plus applicable employer superannuation contributions. Prior to 21 January 2020, the maximum aggregate base remuneration for Non-Executive Directors of the Company was capped at \$550,000. At the Annual General Meeting held on 21 January 2020, it was resolved that the maximum aggregate base remuneration would be reduced to \$100,000 per annum, to be divided as the Board determines appropriate.

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

Non-Executive Directors

- (1) Jeremy Kriewaldt – a base fee of \$50,000 per annum including statutory employer superannuation contributions.
- (2) Antony Catalano – a base fee of \$50,000 per annum including statutory employer superannuation contributions.

Company Executives/Senior Managers

- (3) Nicholas Bolton (Chief Executive Officer) – a base salary of \$440,000 (on a full-time basis; Mr Bolton is required by the Company to work only on a part-time basis on a pro-rata part-time base salary of \$330,000) per annum plus statutory employer superannuation contributions
- (4) John Patton (Company Secretary) – a base fee of \$60,000 per annum (excluding GST).

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

- (a) Payment for reimbursement of all travelling and other expenses incurred by a Director in attending to the Company's affairs, including attending to meetings of the Company and the Board or Committees; and
- (b) Payment for the performance of extra services or the making of special exertions for the benefit of the Company (with the concurrence of the Board).

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

REMUNERATION REPORT

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

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

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

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

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

	2021	2020	2019	2018	2017
Profit/(Loss) Before Income Tax (\$'000)	3,029	(3,848)	(3,611)	(6,805)	(6,446)
Profit/(Loss) After Income Tax (\$'000)	3,029	(3,848)	(3,611)	(6,805)	(6,446)
Basic Earnings/(Loss) per share (cents)	1.68	(2.30)	(2.29)	(4.30)	(4.06)
Total Dividends Paid (\$'000)	-	-	790	790	-
Dividends Paid (cent per share)	-	-	0.5	0.5	-
Total Capital Returns Paid (\$'000)	-	-	-	-	-
Capital Returns Paid (cents per share)	-	-	-	-	-
VWAP Share Price on ASX for financial year (\$)	0.070	N/A^	0.065	0.089	0.14
Closing (Last Bid) Share Price on ASX as at 30 June (\$)	0.071	N/A^	0.069	0.079	0.10

^ The Company was suspended from trading on the ASX on 16 July 2019, with the suspension being lifted on 11 December 2020. The last closing price was 7.1 cents per share.

(3) Details of Remuneration of Key Management Personnel

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

2021		Short-term Benefits			Post-Employment Benefits	Other Long-term Benefits	
Key Management Personnel	Performance-related %	Cash salary and fees \$	Annual Leave	Non-cash benefit \$	Superannuation \$	Long service leave	Total \$
Non-Executive Directors:							
Jeremy Kriewaldt	-	45,653	-	-	4,347	-	50,000
Antony Catalano	-	45,653	-	-	4,347	-	50,000
Chief Executive Officer:							
Nicholas Bolton	-	330,006	25,385	-	25,000	5,500	385,891
Company Secretary:							
John Patton	-	69,185	-	-	-	-	69,185

REMUNERATION REPORT

2020					Post-Employment Benefits	Other Long-term Benefits	
Key Management Personnel	Performance-related %	Short-term Benefits			Superannuation \$	Long service leave	Total \$
		Cash salary and fees \$	Annual Leave	Non-cash benefit \$			
Directors:							
Jeremy Kriewaldt	-	35,000	-	-	3,800	-	38,800
Anthony Catalano	-	-	-	-	-	-	-
John Patton	-	78,021	-	-	-	-	78,021
Richard Dukes	-	18,064	-	-	-	-	18,064
William Johnson	-	35,000	-	-	3,800	-	38,800
Simon Cato	-	25,000	-	-	3,325	-	28,325
Chief Executive Officer:							
Nicholas Bolton	-	330,006	27,680	-	23,513	52,004*	433,203
Company Secretary:							
Victor Ho	-	55,242	-	-	-	-	55,242
John Patton	-	-	-	-	-	-	-

*Represents the accrual from the period of initial inception as an employee under the respective employment agreement, being the cumulative amount since inception of agreement.

(4) Executive Share Plan (ESP)

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

The primary objectives of the ESP are to:

- assist with the attraction, motivation and retention of directors and senior management and more closely align the interest of directors and senior management with shareholders by matching rewards with the long-term performance of the Company, and accordingly drive the Company's improved performance;
- align the incentives provided to participants with current market practice; and
- provide the Company with flexibility to accommodate changes in the Company's circumstances and shifts in regulatory and market practice from time to time.

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

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

The Company has issued shares to and entered into loan arrangements with previous Key Management Personnel (including Nicholas Bolton, who is currently a Key Management Personnel from 28 May 2019) pursuant to the ESP. Further details are set out in:

- Keybridge's ASX Announcement dated 19 December 2014: Appendix 3B and Further Detail Regarding Issuance of Loan Funded Shares);
- Keybridge's ASX Announcement dated 28 April 2015: Appendix 3B; and
- Note 22(d)(v) (Related Party Transactions) in the accompanying financial statements.

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

Save for Nicholas Bolton as outlined below, no other Key Management Personnel are involved in the ESP vis a vis holding or being issued ESP shares.

REMUNERATION REPORT

On 19 December 2014, the Company issued 9 million ESP shares to Nicholas Bolton (in his capacity as Managing Director at the time) with the initial cost (\$1,678,500) funded by an ESP loan granted to Mr Bolton (ESP Loan). After allowing for dividends and capital returns (\$362,500) paid by the Company (Adjustment Amounts), the balance of the ESP Loan principal (\$1,316,000) and accrued interest at 6.45% pa (\$336,164) to 31 December 2017 was \$1,652,164. The principal component of the ESP Loan is limited recourse to the ESP shares issued – as such, the Company is entitled to cancel Mr Bolton's ESP shares against the \$1.316 million principal loan balance; the Company has not recognised the principal component as a receivable asset. The interest component is full-recourse – as such, Mr Bolton is liable to pay this balance to the Company; the Company has recognised the interest component as a receivable asset.

As at 30 June 2018 balance sheet date, the Company determined to make a full provision in respect of recognising the interest component as a receivable asset (based on the Directors' judgement); an amount of \$336,164 was reduced from Loans and Receivables (Other) with a corresponding decrease in the Share based payments reserve in equity (there was no impact on the Statement of Profit or Loss). This provision does not prejudice the Company's rights (including recovery) under the terms of the ESP Loan. If the Company receives a payment in respect of this interest component, the Company will recognise a corresponding increase in the Share based payments reserve in equity to the extent of such receipt. During the year ended 30 June 2020, the Company sold 3 million ESP shares which had not vested with Mr Bolton, realising \$210,000.

The Company acknowledges that Mr Bolton has a contrary view in relation to, inter alia, the application of the Adjustment Amounts to reduce the principal amount of the ESP Loan ahead of reducing the accrued interest component of the ESP Loan. Mr Bolton has reserved his rights in the matter, as has the Company, in respect of its view and position in the matter.

Without prejudice to each party's rights under the terms of the ESP Loan, pursuant to an amendment (dated 27 May 2019) to Mr Bolton's employment agreement, Mr Bolton has agreed and has been making payments in respect of this balance and will continue to reduce this balance going forward.

(5) Formal Terms of Employment/Engagement

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

KMP and Position(s) Held	Relevant Date(s)	Base Salary/Fees per annum	Other Terms
Nicholas Bolton (Chief Executive Officer)	19 February 2017 (date of employment agreement) 17 December 2015 (date of suspension of employment) 27 May 2019 (date of amendments to employment agreement) 28 May 2019 (date of commencement as CEO)	\$440,000 base salary per annum (full-time basis) \$330,000 actual part-time salary per annum (agreed with the Company) plus statutory employer superannuation contributions (currently 9.5% of salary)	<ul style="list-style-type: none"> The employment agreement (as amended) has no fixed term or fixed rolling terms of service. Required part-time 30 hours per week over the course of a 5-day working week (averaged out over the course of a month) plus pre-agreed reasonable additional time required by the Company in order to satisfy Company business or operational requirements. Employment may convert from part-time to full-time (and vice versa) by mutual written agreement. If the CEO requests reinstatement on a full-time basis, which is denied by the Company, the Company is liable to pay the CEO between 6.25% - 18.75% of his full-time salary. 20 days annual leave and 15 days (paid) personal/sick leave entitlements. Three months' notice of termination by the CEO; Immediate termination by the Company (with notice and without cause) on payment of 25% of CEO's full-time salary; Immediate termination without notice if CEO commits any serious act of misconduct.
John Patton (Company Secretary)	13 October 2019 (date of commencement as Company Secretary)	\$60,000 base retainer fees per annum (excluding GST) plus additional fees (at an agreed day or hourly rate) in respect of approved/agreed excess hours	<ul style="list-style-type: none"> The Company does not presently have a formal agreement with Mr Patton

REMUNERATION REPORT

(6) Other Benefits Provided to Key Management Personnel

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

- (a) During the financial year, Wilson Hanna Consulting Group (an entity controlled by/associated with/related to the Company Secretary, John Patton, and his spouse) received \$69,185 (excluding GST) in respect of services provided in relation to the preparation of the financial statements and liaison with the auditors for the year ended 30 June 2021. This contribution was approved by the Board.
- (b) The Company previously agreed to advance \$440,000 as loan funds in respect of Nicholas Bolton's legal costs incurred in circumstances where Mr Bolton's Director's Deed with the Company provided a procedure for the advancement of monies in this regard. Mr Bolton previously served as a Director between 30 December 2011 and 9 October 2012 and between 2 January 2013 and 17 December 2015 (as Executive Director from 22 February 2013 and as Managing Director from March 2014). As at 30 June 2021, \$440,000 (2020: \$440,000) had 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 a monetary cap (initially \$400,000 and increased to \$440,000 in March 2018), 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). The relevant proceeding had not yet been decided as at 30 June 2021.

The \$440,000 advance is accounted as a loan receivable asset, and a provision (ie. impairment expense) was recognised in a prior period for the full amount of \$440,000 (based on the Directors' judgement). This provision/impairment does not prejudice the Company's rights (including recovery) under the terms of the advance to Mr Bolton. If the Company receives a repayment (or recovery payment) in respect of this advance, the provision (impairment expense) will be reversed to the extent of such receipt.

Refer also Note 22 (Related Party Transactions) in the accompanying financial statements for other KMP related disclosures.

(7) Engagement of Remuneration Consultants

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

REMUNERATION REPORT

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

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

Key Management Personnel	Balance at commencement/ 30 June 2020	Additions	Received as part of remuneration	Disposals	Balance at cessation/ 30 June 2021
Directors:					
Jeremy Kriewaldt	5,000	36,516	-	-	41,516
Antony Catalano	19,275,000	3,049,631	-	-	22,324,631
Chief Executive Officer:					
Nicholas Bolton	2,380,100	455,936	-	-	2,836,036 ^(a)
Company Secretary:					
John Patton	150,000	60,464	-	-	210,464

The number of unlisted ordinary shares in the Company (issued under the ESP) held by Key Management Personnel is set below:

Key Management Personnel	Balance at commencement/ 30 June 2020	Additions	Received as part of remuneration	Disposals	Balance at cessation/ 30 June 2021
Directors:					
Jeremy Kriewaldt	-	-	-	-	-
Antony Catalano	N/A	-	-	-	-
Chief Executive Officer:					
Nicholas Bolton	6,000,000	-	-	-	6,000,000
Company Secretary:					
John Patton	-	-	-	-	-

Notes to tables:

- (a) Nicholas Bolton has advised that he has an economic (but not a legal or beneficial) interest in a further 963,179 KBC shares held via cash-settled swap positions taken in respect of the same
- (b) The disclosures of security holdings above are in accordance with the accounting standards which require disclosure of shares held directly, indirectly or beneficially by each Key Management person, a close member of the family of that person, or an entity over which either of these persons have, directly or indirectly, control, joint control or significant influence (as defined under Accounting Standard AASB 124 Related Party Disclosures)

(9) Voting and Comments on the Remuneration Report at the 2020 AGM

At the Company's most recent AGM, held on 22 December 2020, a resolution to adopt the prior year (2020) Remuneration Report was put to a vote on a poll and more than 25% of votes cast were against the adoption. This constituted a "first strike" under the executive remuneration related provisions of the Corporations Act.⁴

This concludes the audited Remuneration Report.

⁴ The Corporations Act was amended in June 2011 to introduce the so-called "two-strikes" rule - if at least 25% of the votes cast on the adoption of the remuneration report at two consecutive AGM's are against adopting the remuneration report, shareholders will have the opportunity to immediately vote on a "Board Spill Resolution" at the second AGM, as required by section 250V of the Corporations Act. If the Board Spill Resolution is approved, a further meeting of shareholders must be held within 90 days (the Board Re-election Meeting). The directors (save for a managing director, where applicable) of a company will cease to hold office prior to the Board Re-election Meeting but are eligible to stand for re-election at the same. Key Management Personnel and their Closely Related Parties" are restricted from voting on the adoption of the remuneration report or the Board Spill Resolution but are not restricted from voting at the Board Re-election Meeting

DIRECTORS' REPORT

LEGAL PROCEEDINGS ON BEHALF OF COMPANY

The Company has been a party to the following legal proceedings during and since the financial year:

- A claim against Bell Potter for a breach of warranty in relation to the sale of 41,264,667 shares in Molopo Energy Limited;
- As announced on the ASX on 10 September 2021, Keybridge unsuccessfully appealed the substantive decision against WAM Active Limited for improperly transferring Keybridge securities into its name. Keybridge was however successful in appealing the order that it pay all of the costs of the previous hearing. Keybridge is to pay the costs of the appeal; and
- A claim against the former directors of PR Finance Group Limited (in Liquidation) which is yet to be heard. Keybridge acquired the company relying upon representations and warranties of directors that were not accurate. Keybridge seeks to recover its loss.

EVENTS SUBSEQUENT TO BALANCE SHEET DATE

On 31 July 2021, Keybridge redeemed 28,755 CRPN for \$28,755 and converted 140,247 CRPN into 2,028,565 Ordinary Shares. The conversion of CRPN was Net Tangible Asset accretive for Keybridge.

In August 2021, Keybridge subscribed for 49,050,266 units in RNY Property Trust at 1.1 cents per unit, pursuant to a Wholesale Placement conducted by RNY's responsible entity, Huntley Management Limited;

On 27 August 2021, Keybridge acquired 11,919,802 shares in Metgasco Ltd for cash consideration of \$297,995.05, being its allocation pursuant to a sub-underwriting commitment;

The Directors are not aware of any matters or circumstances at the date of this Directors' Report, other than those referred to in this Directors' Report (in particular, in the Review of Operations) or the accompanying financial statements or notes thereto (in particular Note 26 (Events occurring after the reporting period)), that have significantly affected or may significantly affect the operations, the results of operations or the state of affairs of the Company in subsequent financial years.

LEGAL PROCEEDINGS (LEAVE OF COURT)

No person has applied for leave of court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

INDEMNITY AND INSURANCE OF OFFICERS

The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

NON-AUDIT SERVICES

During the year William Buck Audit (Vic) Pty Ltd, the Company's auditor, did not perform other services in addition to their statutory duties for the Company as disclosed in Note 23 to the financial statements.

Where other services are to be provided by the Company's auditor, the Board needs to be satisfied that the provision of other services is compatible with the general standard of independence of auditors imposed by the Corporations Act 2001. The Directors are satisfied that the services disclosed in Note 23 did not compromise the external auditor's independence for the following reasons:

- All non-audit services are reviewed and approved by the Board prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- The nature of the services provided do not compromise the general principles relating to the auditor independence in accordance with the APES 110 Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

DIRECTORS' REPORT

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001 (Cth)* forms part of this Directors Report and is set out on page 13. This relates to the Audit 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.



Jeremy Kriewaldt
Chairman

31 October 2021

**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, during the year ended 30 June 2021 there have been:

- no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.



William Buck Audit (Vic) Pty Ltd
ABN 59 116 151 136



J.C. Luckins
Director

Melbourne, 31 October 2021

ACCOUNTANTS & ADVISORS

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Melbourne VIC 3000
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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME for the year ended 30 June 2021

	Note	2021 \$	2020 \$
Revenue	2	70,679,360	-
Cost of sales	3	(70,235,715)	-
Gross profit		443,645	-
Other Revenue	2		
Fees		34,875	11,799
Interest revenue		307,236	306,775
Dividend revenue		74,421	29,892
Other income		171,621	87,859
Total other revenue		588,153	436,325
Other gains and losses	2		
Net gain /(loss) on financial assets and financial liabilities at fair value through profit or loss		4,541,890	(164,824)
Impairment expense		(197,519)	(538,741)
Gain/(loss) on revaluation of foreign currency assets		(72,111)	(286,085)
Total other gains and losses		4,272,260	(989,650)
Expenses	3		
Personnel expenses		(673,070)	(698,835)
Corporate expenses		(1,445,596)	(1,715,442)
Administration expenses		(118,553)	(233,820)
Other expenses		(86,482)	(176,123)
Total Expenses		(2,323,701)	(2,821,220)
Results from operating activities		2,980,357	(3,377,545)
Finance expenses		(50,111)	(470,805)
Profit/(loss) before income tax		2,930,246	(3,848,350)
Income tax benefit/(expense)	5	-	-
Profit/(loss) after income tax for the year		2,930,246	(3,848,350)
Other comprehensive income			
Amounts that may be subsequently reclassified to the profit or loss - translation of foreign operations		29,519	97,825
Total comprehensive income/(loss) for the year		2,959,765	(3,750,525)
Basic and diluted earnings/(loss) per share (cents) attributable to the ordinary equity holders of the company	6	1.50	(2.30)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION as at 30 June 2021

	Note	2021 \$	2020 \$
Current Assets			
Cash and cash equivalents	7	127,062	456,648
Financial assets at fair value through profit or loss	8	7,448,920	2,851,183
Inventories	9	1,577,762	-
Other assets	10	58,594	5,088,128
Receivables	11	100,436	1,529,313
Total Current Assets		9,312,774	9,925,272
Non-Current Assets			
Financial assets at fair value through profit or loss	8	1,135,754	1,329,028
Loans receivable	12	4,474,792	4,396,421
Total Non-Current Assets		5,610,546	5,725,449
Total Assets		14,923,320	15,650,721
Current Liabilities			
Payables	15	1,248,714	765,623
Annual leave provision		64,327	32,913
Financial liabilities at fair value through profit or loss	8	169,022	5,602,056
Total Current Liabilities		1,482,063	6,400,592
Non-Current Liabilities			
Long service leave provision		77,904	71,628
Total Non-Current Liabilities		77,904	71,628
Total Liabilities		1,559,967	6,472,220
Net Assets		13,363,353	9,178,501
Equity			
Issued capital	16	256,531,006	255,305,919
Reserves	17	4,413,572	1,453,807
Accumulated losses		(247,581,225)	(247,581,225)
Total Equity		13,363,353	9,178,501

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY for the year ended 30 June 2021

	Note	Issued capital \$	Share -based payments \$	Profits reserve \$	Foreign currency translation \$	Accumulated losses \$	Total \$
Balance at 1 July 2019		253,577,894	321,600	1,024,993	9,389	(243,732,875)	11,201,001
Profit/(loss) for the year		-	-	-	-	(3,848,350)	(3,848,350)
Other comprehensive income	17	-	-	-	97,825	-	97,825
Total comprehensive income for the year		-	-	-	97,825	(3,848,350)	(3,750,525)
Transactions with owners in their capacity as owners:							
Shares issued/(buy-backs)	16	1,728,025	-	-	-	-	1,728,025
Balance at 30 June 2020		255,305,919	321,600	1,024,993	107,214	(247,581,225)	9,178,501
Balance at 1 July 2020		255,305,919	321,600	1,024,993	107,214	(247,581,225)	9,178,501
Profit/(loss) for the year		-	-	2,930,246	-	-	2,930,246
Other comprehensive income	17	-	-	-	29,519	-	29,519
Total comprehensive income for the year		-	-	2,930,246	29,519	-	2,959,765
Transactions with owners in their capacity as owners:							
Shares issued	16	1,225,087	-	-	-	-	1,225,087
Balance at 30 June 2021		256,531,006	321,600	3,955,239	136,733	(247,581,225)	13,363,353

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 June 2021

	Note	2021 \$	2020 \$
Cash Flows from Operating Activities			
Receipts from Cryptocurrency trading		70,679,360	-
Payments for Cryptocurrency trading		(71,813,477)	-
Fees received		-	11,799
Other income received		89,539	25,859
Receipt of government grants		120,550	62,000
Payments to suppliers and employees		(1,470,421)	(3,802,824)
Net Cash used in Operating Activities	7(a)	(2,394,449)	(3,703,166)
Cash Flows from Investing Activities			
Proceeds from sale of financial assets at fair value through profit or loss		3,241,345	6,925,657
Payments for financial assets at fair value through profit or loss		(2,950,459)	(3,391,350)
Proceeds from repayments of loans and receivables advanced		5,000,000	42,021
Drawdown from margin loan facility		-	122,737
Receipt of deferred consideration from sale of asset		327,279	-
Interest received		307,236	8,006
Dividends received		74,421	29,892
Return of capital received		951,473	342,558
Payments for plant and equipment		(3,236)	-
Net Cash provided by Investing Activities		6,948,059	4,079,521
Cash Flows from Financing Activities			
Share issues		-	1,728,025
Convertible redeemable promissory notes interest payments		(50,111)	(470,805)
Convertible redeemable promissory notes redemption		(4,858,396)	(2,397,944)
Net Cash used in Financing Activities		(4,908,507)	(1,140,724)
Net increase/(decrease) in cash held		(354,897)	(764,369)
Cash and cash equivalents at beginning of financial year		456,648	1,549,219
Effect of exchange rate fluctuations on cash held		25,311	(328,202)
Cash and Cash Equivalents at the end of financial half year	7	127,062	456,648

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2021

ABOUT THIS FINANCIAL REPORT

1.1 Background

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

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

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

Information is considered material and relevant if, for example:

- (a) the amount in question is significant because of its size or nature;
- (b) it is important for understanding the results of the Consolidated Entity;
- (c) it helps to explain the impact of significant changes in the Consolidated Entity's business; or
- (d) it relates to an aspect of the Consolidated Entity's operations that may be important to its future performance.

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

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

Notes

2	Revenue and income
3	Expenses
4	Segment information
5	Income tax
6	Earnings/(loss) per share

- (b) **Financial Risk Management:** Provides information about the Consolidated Entity's exposure and management of various financial risks and explains how these affect the Consolidated Entity's financial position and performance:

Notes

7	Cash and cash equivalents
8	Financial assets and liabilities at fair value through profit or loss
9	Inventories
10	Other assets
11	Receivables
12	Loans receivable
13	Financial risk management
15	Payables

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

Notes

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

Notes

16	Issued capital
17	Reserves
18	Dividends and CRPN interest payments
19	Capital risk management

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

Notes

20	Parent entity information
21	Investment in controlled entities
22	Related party transactions

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

Notes

23	Auditors' remuneration
24	Loan commitments
25	Contingencies
26	Events occurring after the reporting period

Significant and other accounting policies

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2021

Critical accounting judgements and estimates

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

Notes

5	Income tax
8	Financial assets at fair value through profit or loss
9	Inventories
10	Other assets
11	Receivables

1.2 Basis of Preparation

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

Compliance with International Financial Reporting Standards (IFRS)

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

Reporting Basis and Financial Statement Presentation

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

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

1.3 Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of the Company as at 30 June 2021 and the results of its subsidiaries for the year then ended. The Company, being Keybridge, and its subsidiaries are together referred to in this financial report as the Consolidated Entity.

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

1.4 Comparative Figures

Where required by the Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial period. Refer to Note 1.8 for details of changes made.

1.5 Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST. Cash flows are presented in the Statement of Cash Flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

1.6 Impairment of Non-financial Assets

At each reporting date, the directors review the values of tangible and intangible assets which are not held at fair value to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the Statement of Profit or Loss and Other Comprehensive Income. Impairment testing is performed annually for goodwill and intangible assets (where applicable) with indefinite lives. Where it is not possible to estimate the recoverable amount of an individual asset, the Consolidated Entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

1.7 New, revised or amending Accounting Standards and Interpretations adopted

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

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

The directors expect that none of these Standards or Interpretations have or will materially impact these financial statements or those in future financial reporting periods.

1.8 Accounting for Stablecoin transactions

During the year the Group commenced trading in Stablecoin, cryptocurrency assets which have an underlying backing of a widely traded market price. Payments for and proceeds from Stablecoin are recognised in the financial statements upon the date of settlement of the trade with the counterparty. As the Group directly transacts in the purchase and sale of Stablecoin and wears risk for any fluctuation in the value of the Stablecoin for the duration of the period that it owns the asset, as well as any risk arising from the default of a counterparty trading in the Stablecoin, it recognises its purchases and sales of the asset on a gross basis in the Statement of Financial Position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 30 June 2021

2. REVENUE AND INCOME

The consolidated profit/(loss) before income tax includes the following items of revenue:

	2021 \$	2020 \$
Revenue		
Sale of StableCoin	70,679,360	-
Other revenue		
Investment management fees	34,875	11,799
Interest received	307,236	306,775
Dividend received	74,421	29,892
Other income		
Discounts received	4,278	24,819
Government grants - PAYGW Cash Flow Boost	50,000	50,000
Government grants - JobKeeper	50,550	12,000
Government grants - Victorian Business Support Fund	20,000	-
Other income	46,793	1,040
Total other revenue	588,153	436,325

Accounting policy

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

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

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

(b) Fees and interest revenue

Interest revenue is recognised in profit or loss using the effective interest method. The effective interest rate is the rate that discounts the estimated future cash payments and receipts through the expected life of the financial asset to the carrying amount of the financial asset. When calculating the effective interest rate, the Consolidated Entity estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses. Where there are uncertainties in relation to the collectability of interest income, the Consolidated Entity will determine whether income is probable. Where it is not probable, the interest is accordingly not accrued. The Consolidated Entity may receive fees for such services as loan extensions or debt facility management. Fees that are integrated into the effective yield of financial assets are included in the measurement of the effective interest rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 30 June 2021

2. REVENUE AND INCOME (continued)

Accounting policy(continued)

(c) Dividend revenue

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

(d) Other revenues

Other revenues are recognised on an accruals basis.

(e) Government grants

Government grants are recognised as revenue in accordance with *AASB 120*, which applies in the accounting for and in the disclosure of, *government grants* and in the disclosure of other forms of *government assistance*. A government grant is not recognised until there is reasonable assurance that the entity will comply with the conditions attaching to it, and that the grant will be received.

The Company received JobKeeper subsidy, the PAYGW Cash Flow Boost and Victorian Business Support Fund grants which have been presented as other income in the financial report.

3. EXPENSES

The consolidated profit/(loss) before income tax includes the following items of expenses:

	2021 \$	2020 \$
Cost of sales		
Cost of Stablecoin sold	70,235,715	-
Personnel expenses		
Directors' fees	169,185	202,010
Salaries and wages	464,457	407,195
Other	39,428	89,630
Corporate expenses		
Professional and consulting fees	-	81,109
Auditing, accounting and tax services	151,481	201,276
Legal fees	1,294,115	1,433,057
Administration expenses	118,553	233,820
Other expenses	86,482	176,123
	72,559,416	2,824,220

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 30 June 2021

4. SEGMENT INFORMATION

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

- (a) Equity Investments comprise investments in listed and unlisted equities with exposure to various sectors from time to time;
- (b) Debt Investments comprise loans advanced, debts secured via assignment and investments in debt instruments with exposure to a number of different sectors; and
- (c) Cryptocurrency Trading with the purpose of generating a profit from fluctuations in price and broker-traders' margin.

	Investments		Crypto- currency Trading	Corporate	Total
2021	Equity	Debt			
Segment profit and loss	\$	\$	\$	\$	\$
Revenue and income	4,581,853	113,560	70,679,360	165,000	75,539,773
Expenses	(963,279)	(286,889)	(70,235,715)	(1,073,533)	(72,559,416)
Results from operating activities	3,618,574	(173,329)	443,645	(908,533)	2,980,357
Finance expenses	-	-	-	(50,111)	(50,111)
Profit/(Loss) before Income Tax	3,618,574	(173,329)	443,645	(958,644)	2,930,246
Income tax expense	-	-	-	-	-
Profit/(Loss) for the year	3,618,574	(173,329)	443,645	(958,644)	2,930,246
Segment assets	8,640,786	4,526,133	1,577,762	178,639	14,923,320
Segment liabilities	(250,000)	-	-	(1,309,967)	(1,559,967)
	8,390,786	4,526,133	1,577,762	(1,131,328)	13,363,353

2020	Equity	Debt	Crypto- currency Trading	Corporate	Total
Segment profit and loss					
Revenue and income	265,069	(239,972)	-	(578,422)	(553,325)
Expenses	(1,044,660)	(276,241)	-	(1,503,319)	(2,824,220)
Results from operating activities	(779,591)	(516,213)	-	(2,081,741)	(3,377,545)
Finance expenses	-	-	-	(470,805)	(470,805)
Profit/(Loss) before Income Tax	(779,591)	(516,213)	-	(2,552,546)	(3,848,350)
Income tax expense	-	-	-	-	-
Profit/(Loss) for the year	(779,591)	(516,213)	-	(2,552,546)	(3,848,350)
Segment assets	4,326,503	5,751,020	-	5,573,198	15,650,721
Segment liabilities	-	-	-	(6,472,220)	(6,472,220)
Net assets	4,326,503	5,751,020	-	(899,022)	9,178,501

Accounting policy

The Consolidated Entity operates principally in the Australian geographical area. An operating segment is a component of the Consolidated Entity that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Consolidated Entity's other components. All operating segments' operating results for which discrete financial information is available are regularly reviewed by the Company's Board of Directors/Chief Executive Officer (as applicable, the case may be) (being the 'Chief Operating Decision-Maker' under *AASB 8 Operating Segments*) to make decisions about resources to be allocated to the segment and to assess its performance.

Segment results that are reported to the Chief Operating Decision-Maker include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The Company has no key customers which account for more than 10% of its revenues.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 30 June 2021

5. INCOME TAX

	2021	2020
	\$	\$
(a) The components of tax expense comprise:		
Current tax	-	-
Deferred tax	-	-
	-	-

(b) The prima facie tax on operating loss before income tax is reconciled to the income tax as follows:

Prima facie tax payable on operating profit/(loss) before income tax at 30% (2020: 27.5%)	879,074	(1,018,325)
Adjust tax effect of:		
Non-deductible expenses	-	71
Franking credits	-	3,368
Current year tax losses not brought to account	-	1,014,886
Prior year tax losses recouped	(879,074)	-
Income tax attributable to entity	-	-

	2020	Annual movement recognised	2021
	\$	\$	\$
(c) Deferred taxes			
Deferred tax assets			
Loans and receivables	3,050,884	525,404	3,576,288
Other investments	2,217,036	(659,895)	1,557,141
Other	89,221	(41,003)	48,218
Tax losses	(5,357,141)	175,494	(5,181,647)
	-	-	-

	2021	2020
	\$	\$
(d) Unrecognised deferred tax balances		
Unrecognised deferred tax asset - revenue losses	48,626,010	44,944,209
Unrecognised deferred tax asset - capital losses	164,015	150,347
	48,790,025	45,094,556

Critical accounting judgement and estimate

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

Deferred tax assets have not been recognised as, in the Directors' opinion, it is not probable that future taxable profit will be available against which the Consolidated Entity can utilise the benefits. The utilisation of revenue and capital tax losses are subject to compliance with taxation legislation. The increase in unrecognised deferred tax assets in regards to revenue and capital losses since last period reflects the increase in applicable tax rate from 27.5% to 30%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 30 June 2021

5. INCOME TAX (continued)

Tax Consolidation

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

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

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

Accounting policy

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

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

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. The amount of deferred tax assets benefits brought to account, or which may be realised in the future, is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Consolidated Entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 30 June 2021

6. EARNINGS/(LOSS) PER SHARE

	2021	2020
	cents	cents
Basic and diluted earnings/(loss) per share	1.50	(2.30)

The following represents the loss and weighted average number of shares used in the earnings per share calculations:

	2021	2020
	\$	\$
Net profit/(loss) after income tax	2,930,246	(3,848,350)

	Number of shares	
	2021	2020
Weighted average number of ordinary shares	195,678,367	167,592,771

Accounting policy

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 30 June 2021

7. CASH AND CASH EQUIVALENTS

	2021 \$	2020 \$
Cash at bank	127,062	456,648
	2021 \$	2020 \$
(a) Reconciliation of operating loss provided by operating activities after income tax to net cash		
Profit/(Loss) after income tax	2,930,246	(3,848,350)
Add non-cash items:		
Net unrealised (gains)/losses	(2,134,338)	785,713
Impairment expenses/(reversal)	197,519	538,741
Depreciation	3,236	4,763
Changes in assets and liabilities:		
Financial assets at fair value through profit or loss	(1,910,562)	(95,044)
Inventories	(1,577,762)	-
Loans and receivables	(578,918)	(634,102)
Receivables	75,704	(200,804)
Other assets	29,534	83,629
Payables	570,892	(337,712)
Cash flow from operating activities	(2,394,449)	(3,703,166)

Accounting policy

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts (if any) are shown within short-term borrowings in current liabilities on the Statement of Financial Position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 30 June 2021

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

	2021 \$	2020 \$
Financial assets at fair value through profit or loss		
Current		
Shares in listed investments	5,632,895	2,263,968
Unlisted investments at fair value	218,081	283,049
Futures derivatives at fair value	386,522	-
Cash instruments held in derivative trading portfolio	1,211,422	304,166
	7,448,920	2,851,183
Non-Current		
Shares in listed investments	1,135,754	1,329,028
Financial liabilities at fair value through profit or loss		
Convertible redeemable promissory notes (CRPN)	169,022	5,602,056
Movement in CRPN		
Opening balance	5,602,056	7,600,000
Cash Redemption of CRPN	(4,858,396)	(2,397,944)
Conversion of CRPN to share capital	(571,155)	-
Unrealised loss/(gain) on revaluation	(3,483)	400,000
Closing balance	169,022	5,602,056

Futures derivatives comprise exchange traded index futures contracts. Cash instruments held in the derivative trading portfolio have not been classified as cash or cash equivalents in the Statement of Financial Position as the directors intended as at 30 June 2021 to not liquidate their holdings in the portfolio within 3 months of report date.

Financial instruments carried at fair value are categorised under a three level hierarchy, reflecting the availability of observable market inputs when estimating the fair value. If different levels of inputs are used to measure a financial instrument's fair value, the classification within the hierarchy is based on the lowest level input that is significant to the fair value measurement.

The following table shows the financial assets recorded at fair value, analysed by the following categories:

Level 1 – valued at a quoted market price

Level 2 – a valuation technique based upon market observable inputs

Level 3 – a valuation technique based upon non-market observable inputs

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
2021				
Financial assets at fair value through profit or loss				
Shares in listed investments	5,632,895	1,135,754	-	6,768,649
Unlisted investments at fair value	-	-	218,081	218,081
Futures derivatives at fair value	386,522	-	-	386,522
Cash instruments held in derivative trading portfolio	1,211,422	-	-	1,211,422
Total financial assets	7,230,839	1,135,754	218,081	8,584,674
Financial liabilities at fair value through profit or loss				
CRPN	169,022	-	-	169,022
Total financial liabilities	169,022	-	-	169,022

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 30 June 2021

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

	Level 1	Level 2	Level 3	Total
2020	\$	\$	\$	\$
Financial assets at fair value through profit or loss				
Shares in listed investments	1,997,066	1,329,028	266,902	3,592,996
Unlisted investments at fair value	-	-	283,049	283,049
Cash instruments held in derivative trading portfolio	304,166	-	-	304,166
Total financial assets	2,301,232	1,329,028	549,951	4,180,211
Financial liabilities at fair value through profit or loss				
CRPN	5,602,056	-	-	5,602,056
Total financial liabilities	5,602,056	-	-	5,602,056

There have been no transfers between the levels of the fair value hierarchy during the reporting period.

The following table shows a reconciliation of the movement in fair value of financial instruments categorised within Level 3 between the beginning and the end of the half year:

	Listed investments	Unlisted Investments	Total
	\$	\$	\$
As at 1 July 2020	266,902	283,049	549,951
Total fair value gains and losses in profit or loss	(266,902)	(64,968)	(331,870)
Purchases	-	-	-
Sales	-	-	-
As at 30 June 2021	-	218,081	218,081

As at year end 30 June 2021, there has been no reasonable movement in the unobservable inputs used in the fair value measurement of Level 3 financial assets that would materially influence the results presented in these financial statements (2020: no material impact).

Convertible redeemable promissory notes (CRPN)

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

- face value of \$1.00 each with maturity that has been extended to 31 July 2021;
- 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 'non-share dividends';
- 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 on winding up;
- at maturity, a holder has the ability to request a conversion of their CRPN to ordinary shares at a 2.5% discount to the volume weighted average price (VWAP) of the Company's listed shares (ASX:KBC) at the time. The Company may respond to the holder's request by either converting the CRPN into ordinary shares or redeeming the CRPN for cash at face value; and

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 30 June 2021

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

- the Company may also elect to convert the CRPN to ordinary shares at a 5% discount to VWAP at maturity 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.

Critical accounting judgement and estimate

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

Investment in Molopo Energy Limited (Molopo) (suspended from ASX since 25 July 2017)

As at the balance date, Keybridge has adopted a carrying value of \$0.00 per Molopo share (2020: \$0.042 per Molopo share) – which has resulted in an unrealised loss of \$0.2 million being recognised for the financial year.

The \$0.00 per share carrying value for Molopo was based on the Keybridge Board's judgement of Molopo's estimated net asset backing having regard to the following matters:

- Molopo's gross cash position of A\$8.368 million as at 31 December 2020 (per Molopo's Quarterly Cashflow Report for the quarter ending 31 December 2020, being the last report filed prior to its removal from the Official List on 1 April 2021); and
- Molopo's C\$8.4 million (A\$9.01 million, at an exchange rate of A\$1.00 : C\$0.9318 as at 30 June 2021) provision in respect of Canadian litigation matters (per Molopo's Annual Report for the year ended 31 December 2017 released on ASX on 8 May 2018)

No value has been ascribed to Molopo's 30% shareholding in Drawbridge Energy Holdings Ltd (**Drawbridge**).

Keybridge will re-assess the carrying value of its investment in Molopo based on further information about Molopo's financial position, as released by Molopo.

Accounting policy

Under AASB 9 *Financial Instruments*, the Consolidated Entity classified financial assets and liabilities as subsequently measured at either amortised cost or fair value, depending on the business model for those assets and on the asset's contractual cash flow characteristics.

Financial assets at fair value through profit or loss

Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either:

- held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or
- designated as such upon initial recognition where permitted.

Fair value movements are recognised in the Statement of Profit or Loss in the period in which they arise.

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income include equity investments which the Consolidated Entity intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

The fair value of these financial assets traded in active markets (such as publicly traded derivatives and trading and available-for-sale securities) is based on quoted market prices (being the prevailing bid price) at the balance sheet date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 30 June 2021

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

Financial liabilities at fair value through profit or loss

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

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

9. INVENTORIES

	2021	2020
	\$	\$
Current		
Cryptocurrency - Stablecoin	1,577,762	-
	<u>1,577,762</u>	<u>-</u>

In the second half of the reporting period, the Company began actively trading "Stablecoin" (a tokenised digital currency) collateralised by USD on the cryptocurrency markets. The intention of holding the currency of "Stablecoin" is to generate a profit through exchange rate fluctuation and margin spread from the sale of these assets rather than long-term capital appreciation.

Critical accounting judgement and estimate

Judgements have been made in the determination of the recognition and measurement of "Stablecoin". The widely accepted view is that tokenised digital currencies should be recorded as intangible assets under *AASB 138*. However, *paragraph 3(a) of AASB 138* excludes from its scope intangible assets held by an entity for sale in the ordinary course of business, the Directors have adopted the view that "Stablecoin" is held for such purpose, therefore it is appropriate to recognise the currency in accordance with *AASB 102 Inventories* as a current asset in the Consolidated Statement of Financial Position given the frequency of the trading and the liquid nature of the asset. Furthermore, as the manner in which KBC transacts "Stablecoin" fits the entity within the definition of a broker-trader, "Stablecoin" is measured at fair value less cost to sell as contemplated in *paragraph 3(b) of AASB 102*. Fair value is measured in accordance with the fair value hierarchy under *AASB 13*, of which level 1 measurement is considered applicable. In converting "Stablecoin" into the Consolidated Entity's presentational currency (AUD) under *AASB 121*, spot exchange rate at the date of purchase is used at initial recognition whereas exchange rate at balance date is used for the purposes of fair value measurement.

10. OTHER ASSETS

	2021	2020
	\$	\$
Deposit for Potential Transaction – pending completion or refund	-	5,000,000
Prepayment	32,697	48,213
GST receivable	25,898	39,914
	<u>58,595</u>	<u>5,088,127</u>

On 27 July 2020, the Company announced the return of the \$5 million deposit for a potential transaction which was received on 24 July 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 30 June 2021

10. OTHER ASSETS (continued)

Critical accounting judgement and estimate

Judgements have been made in the determination of the carrying value, fair value, recoverability, credit risk and loss allowance pertaining to the Investment in financial asset at fair value through profit or loss (pending completion or refund). In making these judgements, the Consolidated Entity has given consideration to counterparty risk (including in relation to financial capacities), legal rights (including contractually, in equity and or under general law) and the existence of a guarantee provided to support the return of funds invested by the Consolidated Entity.

11. RECEIVABLES

	2021	2020
	\$	\$
Current		
Loans and receivables	-	951,473
Deferred consideration	-	327,279
Other amounts receivable	100,436	250,561
	100,436	1,529,313

The above receivables have been assessed to have low credit risk; furthermore, the credit risk has not increased significantly since initial recognition. As such, no loss allowance has been recognised for expected credit loss under AASB 9 *Financial Instruments*.

12. LOANS RECEIVABLE

	2021			2020		
	Gross value	Impairment	Total	Gross value	Impairment	Total
	\$	\$	\$	\$	\$	\$
Non-current						
Private equity	6,547,158	(6,547,158)	-	6,568,944	(6,368,944)	200,000
Property	4,288,735	(3,453,279)	835,456	4,288,735	(3,453,279)	835,456
Insurance	3,639,336	-	3,639,336	3,346,251	-	3,346,251
Other	1,557,785	(1,557,785)	-	1,557,785	(1,543,071)	14,714
	16,033,014	(11,558,222)	4,474,792	15,761,715	(11,365,294)	4,396,421

Movement in impairment	2021	2020
	\$	\$
Opening balance	11,365,294	10,828,552
Previous impairments written back/(off)	(383)	(1,999)
Impairment expense/(reversal)	193,311	538,741
Closing balance	11,558,222	11,365,294

- (a) **Loans Receivable – Private Equity:** Keybridge advanced ~US\$4.3 million 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 30 June 2021

12. LOANS RECEIVABLE (continued)

On 24 August 2017, Keybridge received notice from an RPC Executive (**Republic**) advising that it was 'highly unlikely that the Note would 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.

The Board reduced the carrying value of the Note (receivable) to Nil as at Balance Sheet Date (based on the Directors' judgement) (2020: A\$0.2 million).

- (b) **Loans Receivable – Property:** Keybridge has registered mortgages over strata title lots as security for loans to private companies (which are in liquidation) and is the first ranked creditor to the Loan assets. As at Balance Sheet Date, no amount of principal or accrued interest was overdue for payment that had not been impaired and the loan was carried at \$0.835m (2020: \$0.835m) (based on the Directors' judgement, after having regard to historical valuations conducted on the property).
- (c) **Loans Receivable – Insurance:** Loan Receivables – Insurance: Keybridge 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) or by Foundation (from time to time). As at Balance Sheet Date, the loan balance is NZ\$3.91m (A\$3.639m) (2020: NZ\$3.57m and A\$3.346m).

Critical Estimate – the Consolidated Entity has assessed lifetime credit losses for this balance and determined that a loss allowance should be recognised for expected credit loss under AASB 9 Financial Instruments. The loan amount recorded is based upon correct information on the counter part, including their ability to settle their obligation in a COVID-19 economic environment.

Critical accounting judgement and estimate

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

Accounting policy

Loans receivable are recognised at amortised cost, less any allowance for expected credit losses (**ECL**) as:

- (i) it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- (ii) the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest and is not designated as at FVTPL.

13. FINANCIAL RISK MANAGEMENT

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

Financial risk management is undertaken by Management/the Board (as appropriate, as applicable) under policies approved by the Board. During the year, Management continued to monitor the Consolidated Entity's policies and sought Board approval for any necessary changes to manage financial risks.

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

The Consolidated Entity's principal financial assets comprise cash and cash equivalents, trade and other receivables, loans and loan receivables, debt instruments/securities; investments in listed and unlisted securities and derivatives. The Consolidated Entity's principal financial liabilities comprise the listed CRPNs (which matured on 31 July 2021) and trade and other payables. The Consolidated Entity's activities expose it to a variety of direct and indirect financial risks comprising market risk, interest rate risk, credit risk, liquidity risk and foreign currency risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 30 June 2021

13. FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk

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

(i) Price risk

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

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

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

Sensitivity analysis

The Consolidated Entity has performed a sensitivity analysis on its exposure to equity securities price risk for its listed financial assets at fair value through profit or loss. The analysis demonstrates the effect on the current year results and equity which could result from a change in these risks. The ASX/S&P 200 Accumulation Index was utilised as the benchmark for the investment portfolio.

	Profit		Equity	
	2021	2020	2021	2020
	\$	\$	\$	\$
5% increase	281,645	113,198	281,645	113,198
5% decrease	(281,645)	(113,198)	(281,645)	(113,198)

(i) Interest rate risk

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

The Consolidated Entity's Loans and Receivables are generally at fixed rates and where applicable, asset-specific debt may be 'term matched' with fixed interest rates to endeavour to hedge those specific cash flows. The Consolidated Entity's policy is to ensure that, where appropriate, all material interest rates in relation to non-recourse financing within an investment are fixed for the term of the non-recourse financing.

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

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates throughout the reporting period would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates remain constant. As at 30 June 2021 the Consolidated Entity is exposed to cash-on-hand deposit interest rates. Cash flow sensitivity analysis for variable rate instruments are as follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 30 June 2021

13. FINANCIAL RISK MANAGEMENT (continued)

	Profit		Equity	
	2021	2020	2021	2020
	\$	\$	\$	\$
100bp increase				
Variable rate instruments	17,080	4,566	-	-
Cash flow sensitivity (net)	17,080	4,566	-	-
100bp decrease				
Variable rate instruments	(17,080)	(4,566)	-	-
Cash flow sensitivity (net)	(17,080)	(4,566)	-	-

(b) Credit risk

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

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

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

	2021	2020
	\$	\$
Cash and cash equivalents	1,708,028	456,648
Loans and receivables	4,474,792	4,396,421
Trade and other receivables	90,910	1,529,313
Other assets	58,403	5,088,127
	6,332,133	11,470,509

Trade receivables

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

Cash and cash equivalents

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

Loans and receivables

Detailed discussions around credit risk of loans is addressed in note 12. The Consolidated Entity's most significant counterparty exposure relates to non-current Loans and Receivables totalling \$4.475 million as at 30 June 2021 (30 June 2020: \$4.396 million), being the amortised cost less accumulated impairment losses. These loan assets are not impaired for expected credit losses as the assets are backed by the underlying tangible assets in the entities in which the investments are held.

(c) Liquidity risk

Liquidity risk is the risk that the Consolidated Entity may encounter difficulty in meeting obligations associated with financial liabilities. The Consolidated Entity has CRPNs on issue and has no other borrowings at Balance Sheet Date. The Consolidated Entity's non-cash investments can be realised to meet payables arising in the normal course of business and to meet the quarterly interest payments to CRPN holders. The Company may elect to convert the CRPN into ordinary shares (at any time and at maturity). Refer Note 8 for further details in relation to the CRPN.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 30 June 2021

13. FINANCIAL RISK MANAGEMENT (continued)

	2021	2020
CRPN - expected cash outflow	\$	\$
Not more than 1 year	169,022	5,476,243
Longer than 1 year but not longer than 4 years	-	184,799
	169,022	5,661,042

(d) Foreign currency risk

Foreign currency risk arises from assets and liabilities that are denominated in a currency that is not the Consolidated Entity's functional currency, being Australian dollars (AUD). The Consolidated Entity has a significant loan receivable denominated in New Zealand dollars (NZD) (Insurance) (refer Note 12), material investments denominated in US dollars (USD) and minor investments denominated in other currencies. The Consolidated Entity also holds cash reserves denominated in foreign currencies from time to time, with a material exposure to Euros (EUR) at Balance Sheet Date. The Consolidated Entity does not hedge its assets denominated in foreign currencies and is therefore exposed to foreign exchange (FX) movements when the value of such assets are translated into Australian dollars. Any loss or gain arising on translation is recorded in the profit or loss statement. The Consolidated Entity's exposure to foreign currency risk at Balance Sheet Date was as follows:

	USD	Euro	NZD
AUD equivalents	\$	\$	\$
2021			
Cash and cash equivalent	3,784	1,159	897
Financial assets at fair value through profit or loss	-	-	281,942
Loans and Receivables	-	-	3,639,336
Total asset exposure	3,784	1,159	3,922,176
2020			
Cash and cash equivalent	122,737	4,246	921
Financial assets at fair value through profit or loss	(24,048)	-	283,049
Loans and Receivables	200,000	327,279	3,346,251
Net exposure at carrying value	298,689	331,524	3,630,221

Sensitivity analysis

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

	USD	Euro	NZD
2021	\$	\$	\$
10% increase	(378)	(116)	(392,218)
10% decrease	378	116	392,218
2020			
10% increase	(29,869)	(33,152)	(363,022)
10% decrease	29,869	33,152	363,022

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 30 June 2021

14. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Accounting policy

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

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

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

The Consolidated Entity's "financial assets at fair value through profit and loss" and "financial liabilities at fair value through profit and loss" is carried at fair value based on the quoted last bid prices at the reporting date (refer Note 8).

Valuation techniques

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

The difference between the carrying amount and the fair value of the Loans and Receivables is as a result of discounting the estimated future cash flows of the loan and receivable using prevailing market rates (ie. if the Consolidated Entity were to provide new loans and advances or acquire new borrowing facilities as at Balance Sheet Date instead of the original effective interest rate).

Fair values of other financial instruments

Financial assets

Cash and cash equivalents
Trade and other receivables

2021	2020
\$	\$
1,708,028	456,648
90,910	1,529,313
1,798,938	1,985,961

Financial liabilities

Payables

(1,206,761)	(765,623)
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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 year ended 30 June 2021

15. PAYABLES

	2021	2020
	\$	\$
Trade creditors	882,907	398,883
Accrued expenses	45,869	285,225
Other payables	299,688	81,515
	<u>1,228,464</u>	<u>765,623</u>

Accounting policy

Trade creditors and accrued expenses represent liabilities for goods and services provided (or to be provided) to the Consolidated Entity prior to the end of financial period which are unpaid. These amounts are unsecured and are usually paid within 30 days of recognition.

Risk exposure

The Consolidated Entity's exposure to risks arising from current payables is set out in Note 13.

16. ISSUED CAPITAL

	2021	2020
	\$	\$
205,878,068 (2020: 188,136,486) Fully paid ordinary shares	<u>256,531,006</u>	<u>255,305,919</u>

The Company also have on issue listed Convertible Redeemable Promissory Notes (CRPNs), which are convertible into fully paid ordinary shares (refer Note 8), and unlisted fully paid ordinary shares (subject to dividend/voting restrictions) issued under the Executive Share Plan.

	Number of shares	Total \$
Movement in ordinary shares		
At 30 June 2019	157,136,486	253,577,894
Share issue/(buy-back)	31,000,000	1,728,025
At 30 June 2020	188,136,486	255,305,919
Share issue - conversion of CRPNs	8,288,835	571,155
Share issue - acquisition of RNY units	9,452,747	653,932
At 30 June 2021	205,878,068	256,531,006

Accounting policy

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 30 June 2021

17. RESERVES

	2021	2020
	\$	\$
Profits reserve	3,955,239	1,024,993
Share-based payment reserve	321,600	321,600
Foreign currency translation reserve	136,733	107,214
	4,413,572	1,453,807
Movements in Profits reserve		
Opening balance	1,024,993	1,024,993
Profits reserve transfer	2,930,246	-
Dividends paid (Note 18)	-	-
Closing balance	3,955,239	1,024,993
Movements in Share based payment reserve		
Opening balance	321,600	321,600
Recognition of Share based payment reserve	-	-
Reversal of Share based payment reserve	-	-
Closing balance	321,600	321,600

Profits reserve

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

Share-based payment reserve

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

Foreign currency translation reserve

Exchange differences arising on translation of the foreign controlled entities are taken to the foreign currency translation reserve as described in the accounting policy note below and accumulate in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

Accounting policy

Foreign currency translation reserve

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- (ii) income and expenses for Consolidated Statement of Profit or Loss and Other Comprehensive Income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- (iii) all resulting exchange differences are recognised in Other Comprehensive Income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in Other Comprehensive Income.

Profits reserve

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 30 June 2021

18. DIVIDENDS AND CRPN INTEREST PAYMENTS

	Paid on	2021 \$	2020 \$
Dividends paid:		-	-
CRPN interest paid:			
CRPN interest payment (fully franked)	20-Sep-19	-	140,000
CRPN interest payment (fully franked)	20-Dec-19	-	135,395
CRPN interest payment (fully franked)	20-Mar-20	-	97,705
CRPN interest payment (fully franked)	20-Jun-20	-	97,705
CRPN interest payment (fully franked)	05-Aug-20	38,279	
CRPN interest payment (fully franked)	20-Sep-20	2,958	-
CRPN interest payment (fully franked)	20-Dec-20	2,958	-
CRPN interest payment (fully franked)	20-Mar-21	2,958	-
CRPN interest payment (fully franked)	20-Jun-21	2,958	-
		50,111	470,805

Convertible Redeemable Promissory Notes (ASX:KBCPA) (CRPNs) are regarded as an 'equity interest' under Australian tax law with interest payments (7% per annum payable in arrears generally on 20 March, 20 June, 20 September and 20 December each year) 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. Refer Note 8 for further details in relation to the CRPN terms.

	2021 \$	2020 \$
Franking credits available for subsequent periods based on corporate tax rate for imputation purposes of 30% (2020: 27.5%)	6,773,020	6,790,627

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

- (a) Franking credits that will arise from the receipt of dividends recognised as receivables at balance date;
- (b) Franking credits that will arise from the payment of the amount of the provision for income tax; and
- (c) Franking debits that will arise from the payment of dividends and CRPN interest recognised as a liability at Balance Sheet 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.

Accounting policy

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 30 June 2021

19. CAPITAL RISK MANAGEMENT

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

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

The Consolidated Entity has no external borrowings (other than CRPNs (refer Note 8)). The Consolidated Entity's non-cash investments can be realised to meet accounts payable arising in the normal course of business and to meet the quarterly interest payments to CRPN holders. The Company may also elect to convert the CRPN into ordinary shares (at any time and at maturity). Refer Note 8 for further details in relation to the CRPN.

20. PARENT ENTITY INFORMATION

The following information provided relates to the Company, Keybridge Capital Limited, as at 30 June 2021

	2021 \$	2020 \$
Statement of profit or loss and other comprehensive income		
Profit/(loss) for the year	3,134,466	(4,111,710)
Income tax	-	-
Total comprehensive income for the year	3,134,466	(4,111,710)
Statement of financial position		
Current assets	10,448,331	9,608,461
Non-current assets	3,560,466	4,935,995
Current liabilities	(1,365,536)	(827,713)
Non-current liabilities	(169,022)	(5,602,056)
Net assets	12,474,239	8,114,687
Issued capital	256,531,006	255,305,919
Reserves	5,094,477	1,960,012
Accumulated losses	(249,151,244)	(249,151,244)
Equity	12,474,239	8,114,687

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 30 June 2021

21. INVESTMENT IN CONTROLLED ENTITIES

Investment in controlled entities	Incorporated	Ownership interest	
		2021	2020
Bridge Financial Pty Limited	Australia	100%	100%
Bridge Property Investments Pty Limited	Australia	100%	100%
KBC Telco Infrastructure Pty Limited	Australia	100%	100%
MB Finance Pty Limited	Australia	100%	100%
Bridge Infrastructure Capital Pty Limited	Australia	100%	100%
Bridge Infrastructure Capital (Midlum) Pty Limited	Australia	100%	100%
Pacific Bridge Cyprus Limited	Cyprus	100%	100%
BIC Europe Limited	Malta	100%	100%
Australian Media Holdings Unit Trust	Australia	100%	100%
Electron-1 Pty Ltd	Australia	100%	N/A

Accounting policy

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

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

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

22. RELATED PARTY TRANSACTIONS

(a) Transactions with Key Management Personnel (KMP)

Refer to the Remuneration Report contained in the Directors' Report for details of the remuneration paid or payable to each member of the Consolidated Entity's KMP for the year ended 30 June 2021. The total remuneration paid to KMP of the Consolidated Entity during the year is as follows:

	2021	2020
	\$	\$
Non-executive Directors		
Short-term employee benefits	91,307	191,085
Post-employment benefits	8,693	10,925
	<hr/> 100,000	<hr/> 202,010
Other KMP – Executive Director		
Short-term employee benefits	424,576	412,928
Post-employment benefits	25,000	23,513
Other Long-term employee benefits	5,500	52,004
	<hr/> 455,076	<hr/> 488,445
	<hr/> 555,076	<hr/> 690,455

During the financial year, Wilson Hanna Consulting Group (an entity controlled by/associated with/related to the Company Secretary, John Patton, and his spouse) received \$69,185 (excluding GST) in respect of services provided in relation to the preparation of the financial statements and liaison with the auditors for the year ended 30 June 2021. This contribution was approved by the Board

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 30 June 2021

22. RELATED PARTY TRANSACTIONS (continued)

(b) Transactions with Directors (continued)

- i. During the financial year, the Company's Non-Executive Director, Jeremy Kriewaldt received (or was entitled to receive) \$TBC (2020: \$12,750) (excluding GST) from the Company pursuant to legal services rendered by Jeremy Kriewaldt Lawyers. Mr Kriewaldt's engagement was approved by the Board (excluding Mr Kriewaldt) and were on usual terms consistent with those offered to other clients.
- ii. On 29 June 2020, the Company announced that it had received notice from the trustee of the Australian Media Unit Trust (a unit trust wholly owned by Keybridge), that the other shareholders in the investment syndicate that acquired Australian Community Media from Nine Entertainment Co. on 30 June 2019, had determined that they would not consent to the vesting of shares to the Australian Media Unit Trust to satisfy Keybridge's investment deposit. Mr Catalano, as sole director of the trustee confirmed that Keybridge's \$5 million cash investment would be returned to it no later than 25 July 2020. As Announced on 27 July 2020, the funds were actually received by Keybridge on 24 July 2020.
- iii. 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 a monetary cap (initially \$400,000 and increased to \$440,000 in March 2018), 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). The relevant proceeding had not yet been decided as at 30 June 2021.
- iv. The \$440,000 advance is accounted as a loan receivable asset, however, as noted earlier, a provision (ie. Impairment expense) has previously been recognised in respect of the full amount of \$440,000 (based on the Directors' judgement). This provision/impairment does not prejudice the Company's rights (including recovery) under the terms of the advance to Mr Bolton. If the Company receives a repayment (or recovery payment) in respect of this advance, the provision (impairment expense) will be reversed to the extent of such receipt.
- v. On 28 November 2014, shareholders approved the Company's Executive Share Plan (ESP). On 19 December 2014, the Company issued 9 million ESP shares to Nicholas Bolton (who was the Managing Director at the time) with the initial cost (\$1,678,500) funded by an ESP loan granted to Mr Bolton (ESP Loan).

As at 30 June 2018 Balance Sheet Date, the Company determined to make a full provision in respect of recognising the interest component as a receivable asset (based on the Directors' judgement); an amount of \$336,164 was reduced from Loans and Receivables (Other) with a corresponding decrease in the Share based payments reserve in equity (there was no impact on the Statement of Profit or Loss). This provision does not prejudice the Company's rights (including recovery) under the terms of the ESP Loan. If the Company receives a payment in respect of this interest component, the Company will recognise a corresponding increase in the Share based payments reserve in equity to the extent of such receipt. Without prejudice to each party's rights under the terms of the ESP Loan, pursuant to an amendment (dated 27 May 2019) to Mr Bolton's employment agreement, Mr Bolton agreed to pay \$42,020.51 to the Company each quarter (commencing on 30 September 2019 and ending on 30 June 2021) towards reducing the \$336,164 interest component of Mr Bolton's ESP Loan. The parties have also agreed that Mr Bolton is entitled to assert his rights in relation to the matter and if the matter is resolved in favour of Mr Bolton (subject to compliance with the Corporations Act and ASX Listing Rules) and Mr Bolton has paid quarterly amounts in excess of what the Company was entitled to receive, the Company will repay Mr Bolton with interest calculated at 6.45% pa. On 16 April 2020, the Company sold 3 million of the ESP shares that had not vested with Mr Bolton, realising \$210,000 for the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 30 June 2021

23. AUDITORS' REMUNERATION

During the year, the following fees were paid or payable for services provided by the Auditor of the parent entity, the Auditor's related practices and other non-related audit firms (as applicable):

	2021	2020
	\$	\$
Deloitte Touche Tohmatsu		
Audit and review of financial statements	-	151,908
Other payments – disbursements	-	12,311
William Buck Audit (Vic) Pty Ltd		
Audit and review of financial statements	70,756	-
Other payments - disbursements	-	-
	70,756	164,219

24. LOAN COMMITMENTS

The Consolidated Entity does not have any loan commitments (2020: Nil), save for Financial Liabilities related to Convertible Redeemable Promissory Notes (CRPNs) repayable/convertible on 31 July 2021 (refer Note 8).

25. CONTINGENCIES

The directors have assessed that the Consolidated Entity has no material exposures to any contingent liabilities as at 30 June 2021. Details of other claims or actions undertaken by the directors of behalf of the Consolidated Entity are disclosed in the Directors' Report.

26. EVENTS OCCURRING AFTER THE REPORTING PERIOD

- (i) On 31 July 2021, Keybridge redeemed 28,755 CRPN for \$28,755 and converted 140,247 CRPN into 2,028,565 Ordinary Shares. The conversion of CRPN was Net Tangible Asset accretive for Keybridge.
- (ii) The off-market takeover bid for all of the units in the RNY Property Trust (RNY), via the issuance of Keybridge shares at the ratio 0.16 share to 1 RNY unit, closed on 13 August 2021. Keybridge received total acceptances of 27.7% of the ordinary units in RNY, with 6,243,328 Ordinary Shares being allotted after year end.
- (iii) In August 2021, Keybridge subscribed for 49,050,266 units in RNY Property Trust at 1.1 cents per unit, pursuant to a Wholesale Placement conducted by RNY's responsible entity, Huntley Management Limited;
- (iv) On 27 August 2021, Keybridge acquired 11,919,802 shares in Metgasco Ltd for cash consideration of \$297,995.05, being its allocation pursuant to a sub-underwriting commitment; and
- (v) As announced on the ASX on 10 September 2021, Keybridge unsuccessfully appealed the substantive decision against WAM Active Limited for improperly transferring Keybridge securities into its name. Keybridge was however successful in appealing the order that it pay all of the costs of the previous hearing. Keybridge is to pay the costs of the appeal.

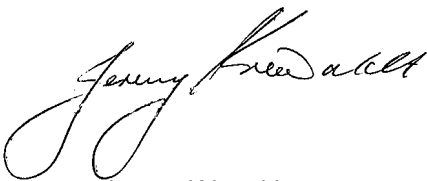
No other matter or circumstance has arisen since the end of the financial year that significantly affected, or may significantly affect, the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity in future financial years.

DIRECTORS' DECLARATION

The Directors of the Company declare that:

- (1) The financial statements, comprising the Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Cash Flows, Consolidated Statement of Changes in Equity, and accompanying notes as set out on pages 15 to 44 are in accordance with the *Corporations Act 2001 (Cth)* and:
 - (a) comply with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting; and
 - (b) give a true and fair view of the Consolidated Entity's financial position as at 30 June 2021 and of their performance for the year ended on that date;
- (2) In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
- (3) The Directors have been given the declarations required by section 295A of the *Corporations Act 2001 (Cth)* by the Company's Chief Executive Officer and Company Secretary (the person who, in the opinion of the Directors, performs the Chief Financial Officer function); and
- (4) The Company has included in the notes to the Financial Statements an explicit and unreserved statement of compliance with the International Financial Reporting Standards.

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



Jeremy Kriewaldt
Chairman

31 October 2021

Keybridge Capital Limited

Independent auditor's report to members

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Keybridge Capital Limited (the Company) and its controlled entities (together, the Group), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

- (i) giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

Key Audit Matters

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

ACCOUNTANTS & ADVISORS

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FINANCIAL ASSETS THROUGH THE PROFIT OR LOSS	
Area of focus	How our audit addressed it
<p>Consistent with the prior year the Company continues to hold shares in various listed and unlisted entities, term deposits and futures derivatives that it carries at fair value and records fair value shifts in the profit or loss.</p> <p>This is a key audit matter due to complexities around the accounting treatment for the initial classification and subsequent valuations of the investments. There are significant judgements involved in the valuation of level 2 and level 3 investments in accordance with AASB 9 <i>Financial Instruments</i> and there is a risk that they have not been valued appropriately.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> - Assessing the classification of the assets as Level 1, Level 2 or Level 3 in the fair value hierarchy - Agreeing the number of listed and unlisted securities held to external holding statements or announcements to the market. - Agreeing the value of listed securities to the market price as at 30 June 2021. - Agreeing the value of unlisted securities to the most recent available market price as at 30 June 2021. - Assess available information which may impact the value of the unlisted securities. - Agreeing the value of futures derivatives to external mark to market reports - Agreeing the restricted cash held for derivative trading to external reports - Reviewed management's valuation of their investment in Foundation Life - Recalculated the fair value movement in the investments from the previous balance date and ensured it was accounted for in Consolidated Statement of Profit or Loss and Other Comprehensive Income; and - Examining the underlying investment, including its exposure to equity market prices and restrictions on the liquidity profile of the investment. - Recalculating the exposures of the investments for its susceptibility to those aforesaid financial statement risks and comparing those exposures to those disclosed in the notes to the financial statements; and <p>We also assessed the adequacy of the Company's disclosures in the financial report in accordance with AASB 9 and AASB 7.</p>

NON-CURRENT LOANS AND RECEIVABLES	
Area of focus	How our audit addressed it
<p>The Group has non-current loans and receivables of \$16,033,014 (gross) and \$4,474,792 (after impairment) as at 30 June 2021.</p> <p>As disclosed in Note 12, the unimpaired amount consists of a loan balance of \$3,639,336 provided to Foundation Life which derives interest income of 9% per annum and \$835,456 for registered mortgages that it holds over strata title lots as securities for loans in private companies which are in liquidation.</p> <p>The other non-current loans and receivables have been fully impaired as at 30 June 2021.</p> <p>There is a risk that the long-term loans have not been valued appropriately and are carried in excess of their recoverable value.</p>	<p>Our procedures included.</p> <ul style="list-style-type: none"> — Evaluating recoverability of the loan with Foundation Life based on the net asset position of the Company. — Evaluating the valuation of the strata title lots which are held as security for the loans in private companies which are in liquidation and — Assessing the appropriateness of the disclosure in Note 12 to the Financial Statements in line with AASB 9, AASB 101 and AASB 108 requirements. <p>We also assessed the adequacy of the Company's disclosures in the financial report.</p>
ACCOUNTING FOR CRYPTOCURRENCIES	
Area of focus	How our audit addressed it
<p>The Group holds inventory in the form of Stablecoin cryptocurrency of \$1,577,762 as at 30 June 2021.</p> <p>The classification of the Stablecoin as inventory in line with AASB 102 <i>Inventories</i> requires judgement and subsequently has been measured at fair value less costs to sell in line with this standard. The assessment of the fair value also requires significant judgement as the Stablecoins are pegged 1 to 1 with the US dollar resulting in the value of the Stablecoin on hand needing to be translated as at year end into the presentation currency of Australian dollars.</p> <p>There is also the risk that the transactions conducted using the Stablecoin has not been appropriately presented in the Consolidated Statement of Profit or Loss and Other Comprehensive Income and the Consolidated Statement of Cash Flows. This is because the Stablecoin has been classified as inventory resulting the transactions and cash flows being recognised on a gross basis.</p>	<p>Our procedures included</p> <ul style="list-style-type: none"> — Evaluating the classification of Stablecoin and its transactions under AASB 102 <i>Inventories</i>. — Evaluating the appropriate recognition and subsequent measurement of Stablecoins under AASB 121 <i>Effects of Changes in Foreign Exchange Rates</i> and AASB 13 <i>Fair Value Measurement</i>. — Evaluating the presentation of the cash flows from Stablecoin transactions under AASB 107 <i>Statement of Cash Flows</i> and AASB 101 <i>(Presentation of Financial Statements)</i>. — Obtaining the external trade report which documents each trade of Stablecoin during the period and assessing the revenue and expenses recognised from the transactions during the period. — Assessing the appropriateness of the disclosure in Note 9 to the Financial Statements in line with AASB 102, AASB 13 and AASB 107 requirements. <p>We also assessed the adequacy of the Company's disclosures in the financial report.</p>

CONTINGENT ASSETS AND LIABILITIES	
Area of focus	How our audit addressed it
<p>The Group has multiple contingent assets and liabilities which are currently at various stages of legal action which have been disclosed in the notes to the financial statements and in the Directors' Report.</p> <p>Assessment of contingent assets and liabilities involves significant judgement and assessment by management.</p> <p>There is a risk that all contingencies are not disclosed under AASB 137 <i>Provisions, Contingent Liabilities and Contingent Assets</i>, and that the values disclosed may be materially different when or if settled.</p>	<p>Our procedures included</p> <ul style="list-style-type: none"> — Having discussions with the Group's in-house counsel on the progress of outstanding legal actions that the Group is involved in; and — Reviewing Solicitor Representation Letters which have been sent to each Solicitor which the Group has used during the year. <p>We also assessed the adequacy of the Company's disclosures in the financial report.</p>

Other Information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2021 but does not include the financial report and the auditor's report thereon.

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report, or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

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

aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of these financial statements is located at the Auditing and Assurance Standards Board website at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our independent auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Keybridge Capital Limited, for the year ended 30 June 2021, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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



William Buck Audit (Vic) Pty Ltd
ABN 59 116 151 136



J.C. Luckins
Director

Melbourne, 31 October 2021

SECURITIES INFORMATION

as at 19 October 2021

SECURITIES ON ISSUE

Class of Security	Quoted on ASX	Unlisted
Fully paid ordinary shares (ASX:KBC)	208,149,961	-
Executive Share Plan shares		6,000,000

SUBSTANTIAL SHAREHOLDERS

Substantial Shareholder	Registered Shareholder	Number of Shares held	%Voting Power ⁽⁵⁾
Australian Style Group Pty Ltd	Australian Style Group Pty Ltd	33,608,425	17.11%
	BNP Paribas Nominees Pty Ltd	2,012,267	
Wilson Asset Management Group (WAM Capital Limited (ASX:WAM) WAM Active Limited (ASX:WAA) Wilson Asset Management Equity Fund)		94,612,457*	45.45%
Catalano Super Investments Pty. Ltd. ATF Catalano Superannuation Fund and Associates		22,324,631	10.72%
Aurora Funds Management Limited (AFML) (ABN 69 092 626 885) as responsible entity of the Aurora Global Income Trust ARSN 127 692 406 (AIB); and Aurora Dividend Income Trust ARSN 151 947 732 (ADIT)		20,669,479	9.93%

* This reflects the disclosures made by WAM in its Substantial Shareholding notifications, however it includes shares that accepted into the WAM Active takeover bid but were withdrawn pursuant to Takeover Panel Orders.

SECURITIES INFORMATION

as at 19 October 2021

DISTRIBUTION OF LISTED ORDINARY SHARES

Spread of Holdings	Number of Holders	Number of Shares	% of Total Issued Capital
1 - 1,000	57	15,166	0.01%
1,001 - 5,000	122	435,603	0.20%
5,001 - 10,000	93	728,997	0.34%
10,001 - 100,000	167	5,493,509	2.57%
100,001 - and over	53	207,476,686	96.88%
TOTAL	492	214,149,961	100%

UNMARKETABLE PARCELS

Spread of Holdings	Number of Holders	Number of Shares	% of Total Issued Capital
1 - 7,042	218	698,770	0.33%
7,043 - over	274	213,451,191	99.67%
TOTAL	448	214,149,961	100%

An unmarketable parcel is considered, for the purposes of the above table, to be a shareholding of 7,142 shares or less, being a value of \$500 or less in total, based upon an adopted last transaction price of 7.0 cents per share, being the most off-market offer for the Company.

TOP TWENTY LISTED ORDINARY FULLY PAID SHAREHOLDERS

Rank	Registered Shareholder	Shares Held	Total Shares Held	% Issued Capital
1	Botanical Nominees Pty Limited <Wilson Asset Mgt Eqty A/C> WAM Active Limited WAM Capital Limited	1,343,781 11,364,437 31,645,808		
		Sub-total	44,366,026	20.72%
2	WAM Active Limited		35,171,702	16.42%
3	Australian Style Group Pty Ltd		33,680,848	15.73%
4	Antstef Pty Ltd <Antstef A/C> Catalano Super Investments Pty Ltd <Catalano Super Fund A/C>	9,676,611 11,304,347		
		Sub-total	20,980,958	9.80%
5	BNP Paribas Nominees Pty Ltd		15,136,594	7.07%
6	WAM Active Limited*		14,351,971	6.70%
7	Mr Nicholas Bolton Australian Style Holdings Pty Ltd <NFJB Superfund A/C> Mr Nicholas Bolton + Mr John Bolton <NFJB Superfund A/C> Mr Nicholas Francis John Bolton	1,563,000 948,036 325,000 6,000,000		
		Sub-total	8,836,036	4.13%
8	Aurora Funds Management Limited <AFARF A/C> Aurora Funds Management Limited <Aurora Dividend Income A/C> Aurora Dividend Income Trust	1,949,588 2,633,599 3,863,216		
		Sub-total	8,446,403	3.94%
9	Roadnight Capital Pty Ltd		6,112,684	2.85%
10	HSBC Custody Nominees (Australia) Limited <GSCO Customers A/C>		5,885,827	2.75%
11	MCPI-Bushwick LLC		1,625,908	0.76%
12	National Nominees Limited		1,412,576	0.66%
13	The Jeffrey Schwarz Children's Trust		1,099,092	0.51%
14	APPWAM Pty Ltd		1,000,000	0.47%
15	CS Fourth Nominees Pty Limited <HSBC Cust Nom AU Ltd 11 A/C>		963,179	0.45%
16	Citicorp Nominees Pty Limited		894,756	0.42%
17	A & G Siciliano Superannuation Pty		797,955	0.37%

SECURITIES INFORMATION

as at 19 October 2021

18	Ltd <A & G Siciliano S/F A/C> Peter Davies Pty Ltd <Richard Davies Will A/C>	550,000	0.26%
19	Ryan Constructions Pty Limited <John Ryan Superfund A/C>	528,000	0.25%
20	Mr John Joseph Ryan	510,000	0.24%
TOTAL		202,350,515	94.49%

*This includes shares that accepted into the WAM Active takeover bid but were withdrawn pursuant to Takeover Panel Orders.