

ASX MARKET ANNOUNCEMENT

Friday, 24 March 2017

ASX Codes : KBC; KBCPA

NET ASSET BACKING – FEBRUARY 2017

Keybridge Capital Limited (ASX:KBC) gives notice that its unaudited after-tax Net Asset Backing as at 28 February 2017 was \$0.1902 per share.

Net Asset Backing

Net Asset Backing for Period Ending:	% Change	Current Month 28 February 2017	Previous Month 31 January 2017
Pre-Tax Net Asset Backing per share	-%	\$0.1902	\$0.1902
Post-Tax Net Asset Backing per share	-%	\$0.1902	\$0.1902
Based on total issued (listed) share capital ⁽¹⁾		158,812,237	158,812,237

Net Assets

	Current Month 28 February 2017		Previous Month 31 January 2017	
	\$'million	% of Net Assets	\$'million	% of Net Assets
Cash	1.867	6.2%	2.015	6.7%
Investment in Associated entity ⁽²⁾	2.809	9.3%	2.826	9.4%
Other Listed Securities	12.767	42.3%	12.266	40.6%
Managed Funds	0.252	0.8%	0.276	0.9%
Loan Receivables:				
• Private Equity ⁽³⁾	6.511	21.5%	6.615	21.9%
• Infrastructure ⁽⁴⁾	5.818	19.3%	5.936	19.6%
• Insurance ⁽⁵⁾	3.100	10.3%	3.171	10.5%
• Property ⁽⁶⁾	0.885	2.9%	0.885	2.9%
• Other ⁽⁷⁾	0.661	2.2%	0.661	2.2%
Other Assets	0.433	1.4%	0.450	1.5%
Convertible Redeemable Promissory Notes (ASX: KBCPA) ⁽⁸⁾	(4.177)	(13.8%)	(4.159)	(13.8%)
Provision for tax	-	-	-	-
Other Liabilities	(0.722)	(2.4)	(0.738)	(2.4%)
Net Assets	30.204	100%	30.204	100%

Currency Exposure

% of Net Assets	Current Month 28 February 2017	Previous Month 31 January 2017
Australian Dollars	47%	46%
Euros	20%	21%
US Dollars	22%	22%
New Zealand Dollars	11%	11%

Major Investment Holdings

Security	ASX Code	Industry Sector	Current Month 28 February 2017		Previous Month 31 January 2017	
			Value \$'million	% of Net Assets	Value \$'million	% of Net Assets
Molopo Energy Limited	MPO	Energy	7.632	25.3%	6.678	22.1%
PTB Group Limited	PTB	Capital goods	3.628	12.0%	3.977	13.2%
HHY Fund	HHY	Financials	2.809	9.3%	2.826	9.4%
Metgasco Limited	MEL	Energy	1.000	3.2%	1.044	3.5%
Copper Strike Limited	CSE	Materials	0.388	1.3%	0.421	1.4%
Other managed funds	-	-	0.252	0.8%	0.276	0.9%
Other listed securities	-	-	0.120	0.5%	0.146	0.5%

Loan Receivable Holdings

Loan Exposure to Industry Sector	Current Month 28 February 2017 \$'million			Previous Month 31 January 2017 \$'million		
	Gross Value	Impairment	Carrying Value	Gross Value	Impairment	Carrying Value
Private Equity	6.511	-	6.511	6.615	-	6.615
Infrastructure	11.900	(6.082)	5.818	12.019	(6.082)	5.937
Insurance	3.100	-	3.100	3.171	-	3.171
Property	4.189	(3.304)	0.885	4.189	(3.304)	0.885
Other	0.738	(0.077)	0.661	0.741	(0.080)	0.661
Total	26.438	(9.463)	16.975	26.735	(9.466)	17.269

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ABOUT [KEYBRIDGE CAPITAL LIMITED](#) (ASX: [KBC](#))

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

NOTES:

- (1) Net Asset Backing per share is based on Keybridge's total listed shares on issue and excludes unlisted shares issued under the Company's Executive Share Plan (for further details, refer KBC's [Notice of AGM](#) released on ASX on 30 October 2014 and KBC's ASX announcement dated 19 December 2014: [Appendix 3B and Further Detail Regarding Issuance of Loan Funded Shares](#)).
- (2) **Investment in Associated entity:** Keybridge's investment in [HHY Fund](#) (ASX:HHY), an Associated Entity (i.e. an entity in which the Company has a [greater than 20% interest](#) and is considered to have 'significant influence' over), is accounted for under the equity method in the consolidated financial statements. Under the equity method, the carrying amount of such investment is cost plus a share of the Associate Entity's net profit or loss (after tax) as provided to the Company by such Associated Entity (refer Note 3a(iv) (Significant Accounting Policies - Basis of Consolidation - Investments in equity-accounted investees) at page 37 of the Company's [2016 Annual Report](#)).
- As at month end, Keybridge's 22,646,973 units ([26.46%](#) interest) (31 January 2017: 22,646,973 units and 26.46%) in HHY have a carrying value of \$0.124 per unit (\$2.809m) (31 January 2017: \$0.125 per unit (\$2.826m); this compares with HHY's last bid price on ASX of \$0.105 per unit (\$2.378m) (31 January 2017: \$0.105 per unit (\$2.378) and HHY's after-tax net asset backing of \$0.1206 per unit (\$2.731m) (31 January 2017: \$0.1213 per unit (\$2.747m) at month end.
- (3) **Loan Receivables - Private Equity:** Keybridge holds a US\$4.3m a limited recourse promissory note issued by RPE I Investor LLC (**RPE Investor**) (a subsidiary of [Republic Financial Corporation](#) (**RPC**), a US private investment company) secured (via collateral pledged) over RPE Investor's ~53.5% interest in the Republic Private Equity I Limited Liability Partnership, a private equity fund (managed by a related party to RPC) with investments in two active US based manufacturing/distribution businesses (**RPE Fund**). The principal and accrued interest (at 14.5% pa) under the note is repayable on maturity on 29 December 2017 (which is subject to extension/re-finance by mutual agreement of the parties).
- As at month end, the loan was carried at Directors' valuation (net of impairments) of US\$5.01m (A\$6.51m) (31 January 2017: US\$5.01m (A\$6.61m)) – this compares with the US\$5.99m value of the security interest being 53.5% of RPE Fund's (unaudited) net assets of US\$11.19m (based on the fund's latest available 31 December 2016 Quarterly Report).
- (4) **Loan Receivables – Infrastructure:** In 2007/2008, Keybridge financed the development and construction of the Totana 1.05MWp Solar Photovoltaic Park in the Murcia region in southern Spain. Under Spanish [Royal Decree](#), Spanish energy supplier, [Iberdrola](#), (which has a 25 year (plus two 5 year extensions) purchase off-take arrangement) is required to purchase all electricity produced by Totana at Government mandated feed-in tariff prices plus (since [July 2013 under Royal Decree](#)) additional compensation payments (which are intended to provide a reasonable return on operations and capital invested for renewable energy sources and is subject to review every 3 years). The loan (which currently accrues interest at 7.25% pa) is repayable on maturity on or about December 2038. During the financial year to month end, Keybridge received €0.215m (A\$0.319m) in cash loan repayments. As at month end, the loan was carried at Directors' valuation (net of impairments) of €4.22m (A\$5.82m) (31 January 2017: €4.20m (A\$5.94m)) against the accrued gross value of ~€8.29m (~A\$12m) (31 January 2017: ~€8.27m (~A\$12m)).
- (5) **Loan Receivables – Insurance:** Keybridge has invested NZ\$3.8m (A\$3.4m) (via NZ\$0.109m (10.13%) equity and NZ\$3.691m notes) into [Foundation Life](#), to finance Foundation's acquisition of Tower Limited's life insurance business in New Zealand in 2014. Interest of 9% pa is payable under the note, which is redeemable by noteholders in 10 years (May 2024) or by Foundation (from time to time). Keybridge received a NZ\$0.109m equity (A\$0.105m) return of capital distribution in March 2015, which (for accounting purposes) reduced the carrying value of this 10.13% equity component to nil. During the financial year to month end, Keybridge received NZ\$0.289m (A\$0.275m) interest and NZ\$24k (A\$23k) redemption proceeds from Foundation. As at month end, the loan balance is NZ\$3.31m (A\$3.10m) (31 January 2017: NZ\$3.29m and A\$3.17m) and Keybridge retains its 10.13% equity interest in Foundation Life.
- (6) **Loan Receivables – Property:** Keybridge has registered mortgages over strata title lots comprising Conference Facilities at a Hotel located in a beachside suburb in north Sydney as security for loans to private companies (which are in liquidation). As at month end, the loan was carried at Directors' valuation (net of impairments) of A\$0.885m (31 January 2017: A\$0.885m) – this was based on an independent valuation received in respect of the lots in May 2016. Keybridge has also fully impaired a loan of \$3.304m (in 2012/13) in respect of a multi-staged residential development in Sydney where Keybridge is (indirectly) the sole holder in unit trusts where the corporate trustees are in liquidation.
- (7) **Loan Receivables – Other:** Includes \$0.37m accrued interest receivable in respect of Executive Share Plan (**ESP**) loans attributable to Directors.
- (8) **Convertible Redeemable Promissory Notes** (ASX: KBCPA): Keybridge issued 4,956,936 listed Convertible Redeemable Promissory Notes on [30 June 2015](#). The notes have a face value of \$1.00, pays interest at 7% pa and matures on 31 July 2020 (unless redeemed or bought-back by Keybridge earlier). Interest distributions are generally payable quarterly and have a franking credit component under Australian taxation law. Further details are contained in the [Prospectus dated 17 June 2015](#). As at month end, 4,401,047 notes are on issue (31 January 2017: 4,401,047 notes).