



HALF YEAR REPORT

31 December 2018

THIS DOCUMENT SHOULD BE READ IN CONJUNCTION WITH THE
COMPANY'S 2018 ANNUAL REPORT



ASX Codes: KBC and KBCPA

Keybridge Capital Limited

A.B.N. 16 088 267 190

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CORPORATE DIRECTORY**BOARD**

John D. Patton	Chairman
William M. Johnson	Non-Executive Director
Simon K. Cato	Non-Executive Director
Jeremy M. Kriewaldt	Non-Executive Director

COMPANY SECRETARY

Victor P. H. Ho

REGISTERED AND PRINCIPAL OFFICE

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AUDITORS

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STOCK EXCHANGE

Australian Securities Exchange
Sydney, New South Wales

Website: www.asx.com.au

ASX CODES

KBC (Shares)
KBCPA (Convertible Redeemable Promissory Notes)

SHARE REGISTRY

Advanced Share Registry Services
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APPENDIX 4D HALF YEAR REPORT

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

Current Reporting Period:	1 July 2018 to 31 December 2018
Previous Corresponding Period:	1 July 2017 to 31 December 2017
Reporting Date:	31 December 2018
Company:	Keybridge Capital Limited (KBC or the Company)
Consolidated Entity:	KBC and controlled entities (Keybridge)

RESULTS FOR ANNOUNCEMENT TO THE MARKET

CONSOLIDATED	December 2018 \$'000	December 2017 \$'000	% Change	Up / Down
Fees income	29	46	37%	Down
Unrealised loss on financial assets at fair value through profit or loss	(1,097)	(405)	171%	Up
Gain on revaluation of foreign currency assets	269	13	2038%	Up
Unrealised gain on derivative liabilities	35	70	50%	Down
Realised gain on sale of investments	150	964	84%	Down
Excess of net assets over cost on acquisition	243	-	N/A	N/A
Share of Associate entity's profit/(loss)	(271)	419	165%	Profit
Interest	227	396	43%	Down
Dividend	2	6	68%	Down
Other income	239	31	677%	Up
Total revenue/ Other income/ Other gains and losses	(174)	1,540	111%	Revenue Down
Impairment expenses	(20)	(20)	2%	Down
Personnel expenses	(241)	(287)	16%	Down
Corporate expenses	(513)	(727)	29%	Down
Administration expenses	(149)	(148)	0.1%	Up
Other expenses	(55)	(70)	22%	Down
Total expenses	(978)	(1,252)	22%	Down
Finance expenses	(154)	(154)	-	-
Profit before tax	(1,306)	134	1084%	Profit Down
Income tax benefit/(expense)	-	-		
Profit after tax attributable to members	(1,306)	134	1084%	Profit Down
Basic and diluted earnings/(loss) per share (cents)	(0.83)	0.08	1087%	Earnings Down
CONSOLIDATED	December 2018	Jun 2018	% Change	Up / Down
Pre-Tax Net Asset Backing per share (cents)	8.6	9.9	13%	Down
Post-Tax Net Asset Backing per share (cents)	8.6	9.9	13%	Down
Pre- and Post-Tax Net Asset backing per share (with dividends paid during the half year added back)	9.1	9.9	8%	Down
Based on total issued capital	157,552,806	158,080,432		

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

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

APPENDIX 4D HALF YEAR REPORT

Keybridge's \$1.306 million net loss position for the half year was caused principally by:

- \$0.438 million unrealised loss on the investment in Metgasco Limited (ASX:MEL);
- a \$0.271 million loss attributable to its 30.98% interest in Associate entity, HHY Fund (ASX:HHY), primarily due to the adverse share price performance of Copper Strike Limited (ASX:CSE) and Metgasco Limited (ASX:MEL);
- a \$0.35 million provision for impairment in respect of its shareholding in Molopo Energy Limited (ASX:MPO) (suspended from ASX since 25 July 2017). The Directors have reduced the carrying value of Molopo from 2.6 cents (as at 30 June 2018) to 1.84 cents (as at 31 December 2018) per share during the half year based on the reduced cash position of Molopo - further details are outlined in the Directors' Report;
- a \$0.28 million net unrealised loss on other (ie. other than Metgasco, HHY and Molopo referred to above) investments; and
- the \$0.154 million interest distributions paid to Convertible Redeemable Promissory Note (CRPN) holders, which is recognised as an expense.

Keybridge generated a total net realised and unrealised loss of \$0.947 million (pre- and post-tax) for the half year from its securities investment and trading activities, comprising:

- Realised gains of \$0.15 million (from cost);
- Unrealised loss of \$1.068 million, which includes:
 - \$0.194 million unrealised gain attributable to Yowie Group Ltd (ASX:YOW);
 - \$0.438 million unrealised loss attributable to Metgasco Limited (ASX:MEL);
 - \$0.16 million unrealised loss attributable to Copper Strike Limited (ASX:CSE);
 - \$0.141 million unrealised loss attributable to Monash Absolute Investment Company Limited (ASX:MA1);
 - \$0.102 million unrealised loss attributable to Pershing Square Holdings Ltd (PSH); and
 - \$0.35 million unrealised loss attributable to its 46 million shareholding in Molopo Energy Limited (ASX:MPO).
- The accounting reversal of prior year unrealised gain/loss on investments sold (including foreign currency revaluation effects) during the half year of \$0.029 million (which is offset against the unrealised loss of \$1.068 million (in (b) above) to arrive at the \$1.097 million unrealised loss on financial assets at fair value through profit or loss shown in the Operating Results).

Keybridge reduced its personnel, corporate, administration and miscellaneous expenses from the Previous Corresponding Period by 22% from \$1.232 million to \$0.958 million.

Please refer to the Directors' Report and financial statements and notes thereto for further information on a review of Keybridge's operations and financial position and performance for the half year ended 31 December 2018.

DIVIDENDS

Keybridge has not declared a dividend in respect of the half year ended 31 December 2018.

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

Dividend Rate	Record Date	Payment Date	Franking
0.5 cent per share	21 September 2018	28 September 2018	100% franked

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

APPENDIX 4D HALF YEAR REPORT

As at 31 December 2018, Keybridge had:

- \$1.025 million in its Profits Reserve account, which is available to fund the payment of dividends to shareholders in the future; and
- \$7.059 million Franking Credits, which is sufficient to fund the payment of fully franked (at Keybridge's applicable 27.5% company tax rate) dividends totalling \$18.611 million.

Dividend Policy

Keybridge's Dividend Policy (announced on 8 November 2017¹) is as follows:

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

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

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

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

CRPN DISTRIBUTIONS

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

Distribution Rate	Record Date	Payment Date	Franking ²
1.75 cent per note	11 December 2018	20 December 2018	100% franked
1.75 cent per note	11 September 2018	20 September 2018	100% franked

CONTROLLED ENTITIES and ASSOCIATES and JOINT VENTURE ENTITIES

Keybridge has accounted for the following investment as an Associate entity (on an equity accounting basis):

- 30.89% interest (25,149,218 units) in HHY Fund (ASX:HHY) (30 June 2018: 30.89%; 25,146,973 units; 31 December 2017: 25,146,973 units (30.17%)).

For and on behalf of the Directors,



Victor Ho
Company Secretary

Date: 28 February 2019

Telephone: (08) 9214 9767

Email: cosec@keybridge.com.au

DIRECTORS' REPORT

The Directors present their Directors' Report on Keybridge Capital Limited ABN 16 088 267 190 (**Company** or **KBC**) and its controlled entities (the **Consolidated Entity** or **Keybridge**) for the financial half year ended 31 December 2018 (**Balance Date**).

Keybridge is a company limited by shares that was incorporated in New South Wales in June 1999 and has been listed on the Australian Securities Exchange (**ASX**) since December 1999 (ASX Code:KBC).

The Company has prepared a consolidated financial report incorporating the entities that it controlled during the half year, being wholly owned subsidiaries.

PRINCIPAL ACTIVITIES

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

NET ASSET BACKING

	December 2018 \$'000	June 2018 \$'000
CONSOLIDATED		
Gross assets	17,872	20,021
Less: Liabilities	(4,339)	(4,373)
Net assets	13,533	15,648
Pre-tax Net Asset Backing per share (cents)	8.6	9.9
Less: Net deferred tax asset/liabilities /tax provision		-
Net assets (after tax)	13,533	15,648
Post-tax Net Asset Backing per share (cents)	8.6	9.9
Value of dividend paid in previous 6 months	791	791
Adjusted Pre and Post-tax Net Asset Backing per share (cents) (with the dividend paid during the half year added back)	9.1	N/A
Based on total issued shares	157,552,806	158,080,432

FINANCIAL POSITION

	December 2018 \$'000	June 2018 \$'000
CONSOLIDATED		
Cash	2,927	5,008
Investments	6,447	7,278
Loans and receivables	6,439	5,401
Investment in Associate entity	1,811	2,082
Other assets	248	252
Gross Assets	17,872	20,021
Convertible redeemable promissory notes liability	(4,018)	(4,053)
Other liabilities	(321)	(320)
Total Liabilities	(4,339)	(4,373)
Net deferred tax asset / liabilities		-
Net Assets	13,533	15,648
Issued capital	253,603	253,638
Share-based payments reserve	322	322
Profits reserve	1,025	1,815
Foreign currency translation reserve	13	(3)
Accumulated losses	(241,430)	(240,124)
Total Equity	13,533	15,648

DIRECTORS' REPORT

OPERATING RESULTS

CONSOLIDATED	December 2018 \$	December 2017 \$
Fees income	29,071	46,482
Interest	226,970	395,677
Dividend	1,816	5,754
Other income	239,044	30,779
Realised gain on financial assets at fair value through profit or loss	149,913	963,992
Unrealised loss on financial assets at fair value through profit or loss	(1,096,860)	(405,345)
	(946,947)	558,647
Impairment of loans and receivables	(20,141)	(20,498)
Excess of net assets over cost on acquisition	242,797	-
Realised gain on derivative liabilities	35,208	70,417
Gain on revaluation of foreign currency assets	269,464	12,605
Share of Associate entity's profit/(loss)	(270,837)	418,881
Total revenue/ Other income/ Other gains and losses	(193,555)	1,518,744
Personnel expenses	(241,363)	(287,091)
Corporate expenses	(513,410)	(726,502)
Administration expenses	(148,515)	(148,380)
Other expenses	(54,904)	(70,047)
Total expenses	(958,192)	(1,232,020)
Finance expenses	(154,037)	(154,037)
Profit before tax	(1,305,784)	132,687
Income tax benefit/(expense)	-	-
Profit after tax attributable to members	(1,305,784)	132,687

Keybridge's \$1.306 million net loss position for the half year was caused principally by:

- \$0.438 million unrealised loss on the investment in Metgasco Limited (ASX:MEL);
- a \$0.271 million loss attributable to its 30.98% interest in Associate entity, HHY Fund (ASX:HHY), primarily due to the adverse share price performance of Copper Strike Limited (ASX:CSE) and Metgasco Limited (ASX:MEL);
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- a \$0.28 million net unrealised loss on other (ie. other than Metgasco, HHY and Molopo referred to above) investments; and
- the \$0.154 million interest distributions paid to Convertible Redeemable Promissory Note (CRPN) holders, which is recognised as an expense.

Keybridge generated a total net realised and unrealised loss of \$0.947 million (pre- and post-tax) for the half year from its securities investment and trading activities, comprising:

- Realised gains of \$0.15 million (from cost);
- Unrealised loss of \$1.068 million, which includes:
 - \$0.194 million unrealised gain attributable to Yowie Group Ltd (ASX:YOW);
 - \$0.438 million unrealised loss attributable to Metgasco Limited (ASX:MEL);
 - \$0.16 million unrealised loss attributable to Copper Strike Limited (ASX:CSE);

DIRECTORS' REPORT

- (iv) \$0.141 million unrealised loss attributable to Monash Absolute Investment Company Limited (ASX:MA1);
 - (v) \$0.102 million unrealised loss attributable to Pershing Square Holdings Ltd (PSH); and
 - (vi) \$0.35 million unrealised loss attributable to its 46 million shareholding in Molopo Energy Limited (ASX:MPO).
- (c) The accounting reversal of prior year unrealised gain/loss of \$0.029 million on investments sold (including foreign currency revaluation effects) during the half year (which is offset against the unrealised loss of \$1.068 million (in (b) above) to arrive at the \$1.097 million unrealised loss on financial assets at fair value through profit or loss shown in the Operating Results).

Keybridge reduced its personnel, corporate, administration and miscellaneous expenses from the previous half year by 22% from \$1.232 million to \$0.958 million.

LOSS PER SHARE

CONSOLIDATED	December 2018 cents	December 2017 cents
Earnings/(loss) per share (cents)	(0.83)	0.08

DIVIDENDS

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

Dividend Rate	Record Date	Payment Date	Franking
0.5 cent per share	21 September 2018	28 September 2018	100% franked

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

As at 31 December 2018, the Company had:

- \$1.025 million in its Profits Reserve account, which is available to fund the payment of dividends to shareholders in the future; and
- \$7.059 million Franking Credits, which is sufficient to fund the payment of fully franked (at Keybridge's applicable 27.5% company tax rate) dividends totalling \$18.611 million.

Dividend Policy

Keybridge's Dividend Policy (announced on 8 November 2017¹) is as follows:

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

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

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

¹ Refer KBC ASX Announcement dated 8 November 2017: Dividend Policy

DIRECTORS' REPORT

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

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

CRPN DISTRIBUTIONS

During the half year, the Company paid interest distributions to holders of its Convertible Redeemable Promissory Notes (ASX:KBCPA) (CRPN), as follows:

Distribution Rate	Record Date	Payment Date	Franking ²
1.75 cent per note	11 December 2018	20 December 2018	100% franked
1.75 cent per note	11 September 2018	20 September 2018	100% franked

SECURITIES ON ISSUE

Class of Security	31 December 2018		30 June 2018	
	Quoted on ASX	Unlisted	Quoted on ASX	Unlisted
Fully paid ordinary shares (ASX:KBC)	157,552,806	-	158,080,432	-
Executive Share Plan shares ³	-	9,000,000	-	9,000,000
Convertible Redeemable Promissory Notes (ASX:KBCPA) ⁴	4,401,047	-	4,401,047	-

On 19 February 2019⁵, the Company completed a \$3.6 million capital raising via the issue of 3,598,953 new CRPNs at a face value of \$1.00 each to professional/institutional investors. The funds raised will be applied towards the investment capital base of Keybridge.

The issue was completed within the placement capacity approved by shareholders at the Company's Annual General Meeting (AGM) held on 22 November 2018⁶.

² A fixed interest rate of 7% per annum is generally payable in arrears on 20 March, 20 June, 20 September and 20 December of each year. CRPNs are regarded as an 'equity interest' under Australian tax law with interest payments regarded as a 'non-share dividend'. Interest payments will be fully franked (where possible) or grossed up with additional cash payments to compensate for any unfranked component. 'Qualified' Australian resident holders will have access to franking credits in this regard. Further details are in Note 8 of the financial statements in the 2018 Annual Report and in the CRPN Prospectus (dated 17 June 2015) and ATO Class Ruling CR 2015/54.

³ Issued on 10 December 2014 (refer KBC ASX Announcement dated 19 December 2014: Appendix 3B and Further Detail Regarding Issuance of Loan Funded Shares) after receipt of shareholder approval at an annual general meeting held on 28 November 2014 (refer KBC Notice of AGM released on ASX on 30 October 2014 and KBC ASX announcement dated 1 December 2014: Results of AGM).

⁴ Keybridge issued Convertible Redeemable Promissory Notes on 30 June 2015 (refer KBC ASX Announcement dated 18 June 2015: Appendix 3B) after receipt of shareholder approval on 28 November 2014 (refer KBC Notice of AGM released on ASX on 30 October 2014 and KBC ASX announcement dated 1 December 2014: Results of AGM). The notes have a face value of \$1.00, pay interest at 7% pa and matures on 31 July 2020 (unless redeemed or bought-back by Keybridge earlier). Further details are in Note 8 of the financial statements in the 2018 Annual Report and in the CRPN Prospectus (dated 17 June 2015) and ATO Class Ruling CR 2015/54.

⁵ Refer KBC ASX Announcements dated 20 February 2019: Completion of \$3.6 Million Fund Raising and 20 February 2019: Appendix 3B New Issue and Quotation

⁶ Refer KBC Notice of AGM dated 18 October 2018 and released on ASX on 23 October 2018

DIRECTORS' REPORT

ON-MARKET BUY BACKS

The Company's 12 month on-market buy-back programmes in respect of its shares (announced on 5 December 2017) and CRPNs (announced on 24 January 2018) have recently completed with:

- 527,626 shares being bought-back (at a price of \$0.065 per share) at a total cost of \$34,296 under the programme (and also during the half year), as outlined in the Company's Final Buy-Back Notice lodged on ASX on 3 December 2018; and
- No CRPN's being bought-back under the programme, as outlined in the Company's Final Buy-Back Notice lodged on ASX on 5 February 2019.

On 3 January 2019, Keybridge announced an intention to undertake a fresh on-market buy-back of up to 14,179,752 shares (being ~9% of 157,552,806 total shares on issue) on or before 17 January 2020.

No shares have been bought-back under this fresh market buy-back programme as at the date of this report.

REVIEW OF OPERATIONS

Net Assets Weightings

A summary of Keybridge's net asset weighting (by value and as a percentage of net assets) is:

	31 December 2018		30 June 2018		31 December 2017	
	\$'m	% Net Assets	\$'m	% Net Assets	\$'m	% Net Assets
Cash	2.927	22%	5.008	32%	1.821	8%
Investment in Associated entity	1.811	13%	2.082	13%	3.261	14%
Other Listed Securities	6.133	45%	6.879	44%	8.918	39%
Managed Funds	0.210	1%	0.300	2%	0.203	1%
Other Investments	0.103	1%	0.100	1%	0.099	1%
Loan Receivables:						
• Private Equity	0.558	4%	0.533	3%	0.504	2%
• Property	0.885	7%	0.885	6%	0.885	4%
• Insurance	3.397	25%	3.135	20%	3.173	14%
• Infrastructure	-	-%	-	-%	6.482	28%
• Other	0.506	4%	0.533	5%	0.672	3%
Other Assets	1.342	10%	0.567	2%	1.163	5%
Convertible Redeemable Promissory Notes	(4.018)	(30)%	(4.053)	(26)%	(4.071)	(18)%
Provision for tax	-	-%	-	-%	-	-%
Other Liabilities	(0.321)	(2)%	(0.320)	(2)%	(0.185)	(1)%
Net Assets	13.533	100%	15.649	100%	22.925	100%

Currency Exposure

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

% of Net Assets	31 December 2018	30 June 2018	31 December 2017
Australian Dollars	66%	27%	54%
Euros	3%	47%	28%
US Dollars	5%	4%	2%
New Zealand Dollars	26%	22%	16%

DIRECTORS' REPORT

Major Investment Holdings

A summary of Keybridge's major investment holdings (by value and as a percentage of net assets) is:

Security	Code	Industry Sector	31 December 2018		30 June 2018		31 December 2017	
			\$'m	% Net Assets	\$'m	% Net Assets	\$'m	% Net Assets
Molopo Energy Limited	MPO	Energy	0.847	6%	1.196	8%	6.442	28%
Metgasco Limited	MEL	Energy	1.715	13%	2.150	14%	1.961	9%
HHY Fund	HHY	Financials	1.811	13%	2.082	13%	3.261	14%
Pershing Square Holdings Ltd	PSH	Financials	1.376	10%	1.478	9%	-	-
Monash Absolute Investment Company Limited	MA1	Financials	1.058	8%	1.199	7%	-	-
Yowie Group Ltd	YOW	Food, Beverage	0.985	7%	0.521	3%	-	-
Copper Strike Limited	CSE	Materials	0.152	1%	0.312	2%	0.514	2%
Other managed funds	-	-	0.210	2%	0.300	2%	0.203	1%
Other listed securities	-	-	0.001	<1%	0.022	<1%	0.001	<1%
Other unlisted securities	-	-	0.103	<1%	0.100	<1%	0.099	<1%

Major Loan Receivable Holdings

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

Loan Exposure to Industry Sector	31 December 2018 (\$'m)			30 June 2018 (\$'m)			31 December 2017 (\$'m)		
	Gross Value	Impairment	Carrying Value	Gross Value	Impairment	Carrying Value	Gross Value	Impairment	Carrying Value
Private Equity	6.553	(5.995)	0.558	6.528	(5.996)	0.533	6.500	(5.996)	0.504
Infrastructure	-	-	-	-	-	-	12.564	(6.082)	6.482
Insurance	3.397	-	3.397	3.135	-	3.135	3.173	-	3.173
Property	4.189	(3.304)	0.885	4.189	(3.304)	0.885	4.189	(3.304)	0.885
Other	1.906	(1.400)	0.506	1.913	(1.380)	0.533	0.957	(0.285)	0.672
Total	16.045	(10.699)	5.346	15.765	(10.680)	5.086	27.383	(15.667)	11.716

Investment in HHY Fund (ASX:HHY)

Keybridge is the largest shareholder in the HHY Fund with 25,162,524 units held currently (31%) (31 December 2018: 25,149,128 units (30.89%); 30 June 2018: 25,146,973 units (30.89%); 31 December 2017: 25,146,973 units (30.17%)), which were acquired at an average cost of \$0.1115 per unit.

HHY is regarded as an Associated Entity (i.e. an entity in which the Company has a greater than 20% interest and is considered to have 'significant influence' over) and is accounted for under the equity method in the Keybridge consolidated financial statements. Under the equity method, the carrying amount of such investment is cost plus a share of the Associate Entity's net profit or loss (after tax) as provided to the Company by such Associated Entity (refer Note 20 (Investment in Associate Entity – Accounting Policy) of the 2018 Annual Report).

As at 31 December 2018, Keybridge's investment in HHY had a carrying value of \$0.072 per unit (\$1.811 million); this compares with HHY's last bid price on the ASX of \$0.053 per unit (\$1.333 million) and HHY's after-tax net tangible asset (NTA) backing of \$0.0729 per unit (\$1.834 million) as at 31 December 2018.

During the half year, HHY units traded on the ASX within a range of \$0.051 to \$0.08 with a closing price of \$0.052 (and \$4.233 million market capitalisation) as at 31 December 2018 and a current closing price of \$0.052 (as at 22 February 2019).

DIRECTORS' REPORT

Aurora Funds Management Limited (**AFML**) is the Responsible Entity (**RE**) of HHY and Keybridge is the Investment Manager⁷ of HHY. During the half year, the Company earned \$19,585 management fees income in respect of its investment management of HHY.

HHY is currently predominately invested in listed equities but its investment strategy includes investments in listed and unlisted Australian and international equities, options, convertible securities and other derivative securities.

Information concerning HHY may be viewed on its website: www.aurorafunds.com.au/

HHY's market announcements may also be viewed from the ASX website (www.asx.com.au) under ASX code "HHY".

Investment in Molopo Energy Limited (ASX:MPO)

As at 31 December 2018, Keybridge is the second largest shareholder in Molopo with 46,017,543 shares (18.48%⁸) (30 June 2018 and 31 December 2017: 46,017,543 shares and 18.48%), which were acquired at an average cost of \$0.15 per share.

Molopo shares have been suspended from trading on ASX since 27 July 2017.

At Balance Date, Keybridge has adopted a carrying value of \$0.0184 per Molopo share (30 June 2018: \$0.026), resulting in a provision for impairment expense of \$0.35 million being recognised for the half year.

The \$0.0184 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:

- (a) Molopo's gross cash position of A\$13.311 million as at 31 December 2018⁹;
- (b) Molopo's C\$8.4 million (A\$8.74 million¹⁰) provision in respect of Canadian litigation matters¹¹;
- (c) No value has been ascribed to Molopo's 30% shareholding in Drawbridge Energy Holdings Ltd (**Drawbridge**)¹²; and
- (d) Molopo's estimated cash outflows of \$0.49 million for the 3 month period between January and March 2019¹³ have not been taken into account - this outflow translates to a value of 0.2 cent per Molopo share.

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

Further background details concerning Keybridge's investment in Molopo and Molopo's conduct and affairs are set out in Keybridge's 2018 Annual Report.

Information concerning Molopo may be viewed on its website: www.molopoenergy.com.

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

7 Refer KBC's ASX Announcement 1 July 2016: Sale of Aurora Funds Management

8 Refer KBC's ASX Announcement dated 11 July 2017: Change of Substantial Holder Notice for MPO

9 Refer MPO Quarterly Cashflow Report for the quarter ending 31 December 2018 dated 31 January 2019 and released on ASX on 31 January 2019

10 Based on an exchange rate of A\$1.00 : C\$0.9612 (per IRESS) as at 31 December 2018

11 Refer MPO Annual Report for the year ended 31 December 2017 released on ASX on 8 May 2018

12 For further relevant information in relation to Drawbridge in this regard, refer MPO's ASX announcements dated 8 May 2018: Molopo De-Risks By Diversifying its Oil and Gas Exploration Portfolio and 4 February 2019: Quarterly Activities Report the quarter ending 31 December 2018

13 As disclosed in MPO's Quarterly Cashflow Report for the quarter ending 31 December 2018 dated 31 January 2019 and released on ASX on 31 January 2019

DIRECTORS' REPORT

Takeovers Panel Proceedings - Molopo Energy Limited 10 & 11 and 12R

On 30 July 2018, the Takeovers Panel published its Final Reasons in the matter of Molopo Energy Limited 10 & 11¹⁴.

On 20 July 2018, Molopo applied for a review of the Panel's decision on final orders in Molopo Energy Limited 10 & 11¹⁵ (which Keybridge supported).

On 26 September 2018, the Takeovers Panel announced its decision in the matter of Molopo Energy Limited 12R¹⁶, which varied the final orders in Molopo Energy Limited 10 & 11 to include, inter alia:

- An order that the Former Directors (Messrs Baljit Singh Johal (former Chairman and Managing Director), Richard Matthews (former Finance Director and Company Secretary) and Matthew Edward Cudmore (former Non-Executive Director)) must pay to Keybridge within 2 months \$46,235 (representing Keybridge's cost incurred in the course of the Molopo Energy Limited 10 & 11 proceedings).

As at the date of this report, the Former Directors have not paid Keybridge this amount (which Keybridge has recognised as a receivable asset (against past legal expenses incurred) as at 31 December 2018). Keybridge is pursuing payment of this amount from the Former Directors.

For further details, refer to the following publications released by the Takeovers Panel (available from their website - <https://www.takeovers.gov.au/>):

- 18 October 2018 Reasons for Decision in Molopo Energy Limited 12R [2018] ATP 19;
- 26 September 2018: Media Release TP18/69: Molopo Energy Limited 12R – Review Panel Decision;
- 30 July 2018 Reasons for Decision in Molopo Energy Limited 10 & 11 [2018] ATP 12;
- 20 July 2018: Media Release TP18/54: Molopo Energy Limited 12R – Panel Receives Review Application;
- 18 July 2018 Media Release TP18/53: Molopo Energy Limited 10 & 11 – Orders; and
- 8 June 2018 Media Release TP18/42: Molopo Energy Limited 10 & 11 – Declaration of Unacceptable Circumstances.

Takeovers Panel Matter: Molopo Energy Limited 03R, 04R & 05R

(a) Vested Molopo Shares

On 7 July 2017, 3,666,285 shares in Molopo were vested in the Commonwealth (on trust for Keybridge) under the declaration and orders of the Panel in the matter of Molopo Energy Limited 03R, 04R & 05R.¹⁷ These shares will be sold by ASIC with the proceeds of sale accounted to Keybridge (net of the costs, fees and expenses of the sale and any costs, fees and expenses incurred by ASIC and the Commonwealth (if any)). Keybridge remains the second largest shareholder in Molopo with 46,017,543 shares (18.478%)¹⁸.

As at the date of this report, ASIC has not yet sold these vested Molopo shares – Keybridge is unable to ascertain when (or if at all) these shares will be sold with the proceeds accounted backed to Keybridge.

14 Refer Takeovers Panel Reasons for Decision in Molopo Energy Limited 10 & 11 [2018] ATP 12

15 Refer Takeovers Panel Media Releases No. TP18/54 dated 20 July 2018: Molopo Energy Limited 12R – Panel Receives Review Application

16 Refer Takeovers Panel Media Releases No. TP18/69 dated 26 September 2018: Molopo Energy Limited 12R – Review Panel Decision

17 Refer Takeovers Panel Reasons for Decision dated 22 August 2017: Molopo Energy Limited 03R, 04R & 05R [2017] ATP 12; Takeovers Panel Media Release No. TP17/37 dated 10 July 2017: Molopo Energy Limited 03R, 04R & 05R - Orders; Takeovers Panel Media Release No. TP17/34 dated 30 June 2017: Molopo Energy Limited 03R, 04R & 05R – Declaration of Unacceptable Circumstances

18 Refer KBC's ASX Announcement 11 July 2017: Change of Substantial Holder Notice for MPO

DIRECTORS' REPORT

As these vested 3.67 million Molopo shares are held on trust for Keybridge pending sale by ASIC, Keybridge continues to recognise the shares as company assets at the same carrying value per share as its holding of 46 million Molopo shares (i.e. 1.84 cents per share as at 31 December 2018), less an estimate (provisionally 2.5%) in respect of selling costs. This has resulted in a provision for impairment expense of \$0.027 million being recognised in respect of this 3.67 million parcel of Molopo shares for the half year.

(b) Judicial Review

AFML has sought a judicial review¹⁹ of the Panel's decision in Molopo Energy Limited 03R, 04R & 05R. Keybridge entered a submitting appearance in respect of this proceeding such that Keybridge has agreed to submit to any order that the Court may make in the proceeding. This matter was heard in the Federal Court of Australia in Sydney on or about 22 October 2018²⁰ with the matter being adjourned with judgement reserved.

Investment in Metgasco Limited (ASX:MEL)

Keybridge is the second largest shareholder in Metgasco with 36,490,957 shares (9.34%) held currently (30 June 2018: 36,437,345 shares (9.32%); 31 December 2017: 32,688,633 shares (8.2%)), which were acquired at an average cost of 3.23 cents per share (adjusted for the 2.5 cents per share (\$0.58 million) return of capital received on 16 November 2016).

Keybridge notes that HHY is also a major shareholder in Metgasco with 42,170,181 shares (10.8%) held currently (30 June 2018: 42,170,181 (10.78%); 31 December 2017: 40,540,753 shares (10.17%)).

During the half year, MEL shares traded on the ASX within a range of 4.2 to 7.5 cents with a closing price of 4.6 cents (and a \$17.97 million market capitalisation) as at 31 December 2018 and a current closing price of 5 cents (as at 22 February 2019).

The Metgasco investment generated a \$0.438 million unrealised loss for the half year.

Based on Metgasco's December 2018 Quarterly Activities Report (lodged on ASX on 31 January 2019):

- Metgasco had cash reserves of \$5.678 million as at 31 December 2018. Metgasco has estimated cash outflows for the January to March 2019 quarter to be \$6.578 million (including \$6.078 million in exploration and evaluation costs);
- Metgasco has issued a convertible note²¹ to Byron Energy Limited (ASX:BYE) secured²² over Byron's assets (principally located in the Gulf of Mexico) - the note was originally \$8 million and Byron had repaid \$6 million to 31 December 2018 with Metgasco exercising its right to convert \$1 million into 3,766,479 Byron shares in September 2018²³. The outstanding \$1 million balance was converted into 4,669,904 Byron shares on or about 5 February 2019²⁴ (at Metgasco's election);

19 Refer AIB and ABW ASX Announcements dated 11 September 2017: AFARF, ABW and AIB – Takeovers Panel 03R, 04R & 05R and Takeovers Panel Media Release No. TP14/48 dated 15 September 2017: Molopo Energy Limited 03R, 04R & 05R – Application for Judicial Review

20 Aurora Funds Management Limited, including as responsible entity for Aurora Fortitude Absolute Return Fund and Aurora Global Income Trust vs. Australian Government Takeovers Panel and Others, Federal Court of Australia (New South Wales District Registry), No. NSD1583/2017

21 Refer MEL's ASX Announcement dated 23 January 2017: Byron Subscription Notice Received

22 Refer MEL's ASX Announcement dated 22 July 2016: Execution of Convertible Note and General Security Deeds

23 Refer MEL's ASX Announcements dated 19 September 2018: Metgasco Elects to Convert Portion of Byron Energy Notes and 26 September 2018: Metgasco Receives Byron Energy Shares and BYE's ASX Announcement dated: 25 September 2018: Appendix 3B and Section 708A Notice

24 Refer MEL's ASX Announcement dated 31 January 2019: Convertible Note Conversion and BYE's ASX Announcement dated: 5 February 2019: Appendix 3B and Section 708A Notice

DIRECTORS' REPORT

- Metgasco held 41,663,479 shares (6.05%²⁵) (30 June 2018: 37,897,000 shares (5.77%²⁶) in BYE and 10 million options over BYE shares (with an exercise price of 25 cents per share and expiring on 24 June 2019) as at 31 December 2018. On or about 5 February 2019, Metgasco received 4,669,904 additional BYE shares (on conversion of a \$1 million convertible note), taking its total interest to 46,333,383 BYE shares (~6.7%²⁴). The BYE share price was 21.5 cents as at 31 December 2018 (30 June 2018: 35.5 cents) and 33.5 cents as at 22 February 2019;
- Metgasco has interests in the following oil and gas projects:
 - (a) A farm-in (30% working) interest in Byron's South Marsh Island Block 74 (Gulf of Mexico), with Byron scheduled to spud the SM74-Raptor exploration well in early March 2019. Metgasco will fund 40% of the costs in this regard²⁷ and has advised that it is *'fully funded for its expected US\$4.4 million drilling costs...and does not expect the need to raise further capital or dispose of any equity investment assets to meet these commitments'*²⁸;
 - (b) Petroleum and gas exploration rights (Authority to Prospect ATP's 2020 and 2021) in the Cooper and Eromanga basins in Queensland²⁹; Metgasco has initiated a farm-out process to find suitable partner(s) to partly fund an exploration drilling programme (of at least one well) planned for the second half of calendar 2019³⁰.

Keybridge's Chairman, John Patton, was appointed to the Metgasco Board on 19 September 2016.

Information concerning Metgasco may be viewed on its website: www.metgasco.com.au.

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

Investment in Yowie Group Ltd (ASX:YOW)

Keybridge is a major shareholder in YOW with 12,845,721 shares (5.9%) held currently (31 December 2018: 10,827,743 shares (4.97%); 30 June 2018: 36,437,345 shares (9.32%); 31 December 2017: 32,688,633 shares (8.2%)), which were acquired at an average cost of ~10.31 cents per share (31 December 2018: 10.58 cents).

Keybridge notes that HHY is also a major shareholder in YOW with 26,526,643 shares (12.18%) (30 June 2018: 26,526,643 shares (12.24%)).

During the half year, YOW shares have traded on the ASX within a range of 6.8 to 12.5 cents with a current closing price of 6.9 cents (and a ~\$15 million market capitalisation) (as at 22 February 2019).

The Yowie investment generated a \$0.194 million unrealised gain for the half year.

Yowie Group is a global brand licensing company specialising in the development of consumer products designed to promote learning, understanding and engagement with the natural world through the adventures and exploits of Yowie characters. Yowie Group employs its intellectual property rights to supply Yowie branded chocolate confectionery product, a digital platform and Yowie branded licensed consumer products. Yowie's vision for the Yowie brand is to distribute on a widening basis the Yowie product in the US, Australia and New Zealand with further international expansion.³¹

25 Refer MEL's ASX Announcement dated 26 September 2018: Metgasco Receives Byron Energy Shares

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

27 Refer MEL's ASX Announcement dated 19 July 2018: Metgasco Farms-In to South Marsh Island 74: Initial Test Well to be Drilled in October 2018

28 Refer MEL's ASX Announcement dated 31 January 2019: Quarterly Activities Report for the period ended 31 December 2018

29 Refer MEL's ASX Announcements dated 29 May 2018: Grant of Cooper Basin ATP 2021 and ATP 2020 By Queensland Government, 26 November 2018: ATP 2021 Cooper/Eromanga Prospective Resources

30 Refer MEL's ASX Announcement dated 30 October 2018: Quarterly Activities Report for the period ended 30 September 2018

31 Refer YOW's 2018 Annual Report released on ASX on 27 August 2018 and YOW's December 2018 Half Year Report released on ASX on 27 February 2019

DIRECTORS' REPORT

Keybridge Director, William Johnson, was appointed to the Yowie Board on 10 April 2018³² but resigned as a Director on 8 October 2018³³ (prior to Yowie's 2018 annual general meeting on 8 October 2018).

Information concerning Yowie Group may be viewed on its website: www.yowiegroup.com.

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

Loan Receivables - Private Equity

Keybridge holds a US\$4.3 million limited recourse promissory note (**Note**) issued by RPE I Investor LLC (**RPE Investor**) (a subsidiary of Republic Financial Corporation (**RPC**)), a US private investment company) secured (via collateral pledged) over RPE Investor's ~50% Limited Partners' (contributed capital) interest in the Republic Private Equity I Limited Liability Limited Partnership, a private equity fund (managed by a related party to RPC) with investments in US-based manufacturing/distribution businesses (**RPE Fund**).

By way of background, the Note arose out of a restructure in April 2013 where, as part of arrangements to exit legacy aviation investments³⁴, Keybridge restructured its participation in a US closed-end private equity fund which was managed by RPC, which also managed the aviation investment.³⁵

Under the April 2013 restructure:

- Keybridge received US\$29.7 million cash from the sale of the Company's remaining aircraft investments; and
- Keybridge sold its private equity asset to RPC for US\$4.3 million fully funded by a Keybridge loan with recourse only to the asset sold (ie. the Note) - no cash was derived from this transaction.

Keybridge notes that none of the current Board members were involved in the above RPC related restructure.

The principal and accrued interest (at 14.5% pa) under the Note was repayable on maturity on 29 December 2017 (subject to extension/re-finance by mutual agreement of the parties).

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.

In light of these matters, the Board reduced the carrying value of the Note (receivable) to US\$0.394 million (A\$0.511 million) as at 30 June 2017³⁶, with this value maintained at (30 June 2018) Balance Date and currently.

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

32 Refer YOW's ASX Announcement dated 10 April 2018: Appointment of Non-Executive Director

33 Refer YOW's ASX Announcement dated 8 October 2018: Cancelling of Meeting to Pursuant to Section 249D

34 Made whilst Keybridge was known as Mariner Bridge Investments Limited in 2006/2007 - refer 2007 Annual Report released on 24 October 2007

35 Refer KBC's ASX Announcements dated 1 May 2013: Sale of Aircraft and Full Repayment of Corporate Debt Facility and 10 April 2013: Quarterly Update – January to March 2013

36 Refer KBC's ASX announcement dated 25 August 2017: Update – Private Equity Loan Receivable

DIRECTORS' REPORT

Loan Receivables and Equity – Insurance

In September 2014, Keybridge invested NZ\$3.8 million (A\$3.4 million) (via NZ\$0.109 million (10.13%) equity and NZ\$3.691 million notes) into Foundation Life to finance Foundation's acquisition of Tower Limited's life insurance business in New Zealand.

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).

Keybridge received a NZ\$0.109 million equity (A\$0.105 million) return of capital distribution in March 2015, which (for accounting purposes) reduced the carrying value of this 10.13% equity component to nil. With effect as at the previous (30 June 2017) balance date, the Directors have revalued this equity investment at cost of NZ\$0.109 million equity (A\$0.103 million), which is supported by the underlying value of Foundation Life.

During the half year, Keybridge earned NZ\$0.155 million (A\$0.143 million) interest income. In January 2019, Keybridge, received cash distributions (in respect of previously accrued interest) of NZ\$0.191 million (A\$0.18 million) from Foundation Life.

As at 31 December 2018, the loan balance was NZ\$3.57m (A\$3.397m) (30 June 2018: NZ\$3.418 million and A\$3.135 million) and Keybridge retains its 10.13% equity interest in Foundation Life valued at A\$0.103 million (30 June 2018: A\$0.103 million).

Loan Receivables – Property

In September 2014, Keybridge took direct control of loans that were held in a fund (where Keybridge was the remaining sole lender) which invested in first ranking mortgage loans over commercial properties.

Keybridge has registered mortgages over strata title lots comprising Conference Facilities at a Hotel located in Manly, Sydney as security for the loans, which are owed by private companies (which are in liquidation).

As at 31 December 2018, the loan was carried at Directors' valuation (net of impairments) of \$0.885 million (30 June 2018: \$0.885 million) – this was based on an independent valuation received in respect of the lots in May 2016.

The liquidator's costs are being funded from income generated from the Conference Facilities.

Other Loans and Receivables

Keybridge has a number of legacy loan receivables due from various Australian and overseas entities (some of which are in liquidation or another form of administration). These loans have previously been impaired to nil and are not generally reflected in the Loans and Receivables table (above) or in Note 7 (Loans and Receivables) of the accompanying financial statements.

As such, Keybridge has not historically commented on these Loans and Receivables unless there has been a material development such as the receipt of a material distribution/repayment or a settlement of a dispute with relevant parties.

Keybridge continues to manage and monitor these Loans and Receivables as potential 'assets' in this regard.

DIRECTORS' REPORT

DIRECTORS

JOHN D. PATTON	Chairman
<i>Appointed</i>	10 August 2016; Chairman since 13 October 2016; re-elected at AGM on 23 November 2016
<i>Qualifications</i>	B.Ec (Monash), CA (ICAA), F Fin
<i>Experience</i>	<p>John Patton is a senior executive with extensive finance experience in the corporate and professional services sectors. Mr Patton was previously a Partner with Ernst & Young in the Transactions Advisory Services division. With over 25 years of professional services and industry experience, Mr Patton has extensive corporate finance credentials, having been involved in over 150 corporate transactions, including mergers & acquisitions (lead advisory), structuring, debt and equity raisings, IPO's, management buy-outs, valuations (including Independent Expert Reports), due diligence, financial modelling, restructuring and corporate advisory.</p> <p>In addition, Mr Patton held the positions of CFO, acting CEO and alternate director of the Epic Energy group, a major infrastructure owner of high-pressure gas transmission pipelines in Australia. This business was the core asset within the ASX-listed Hastings Diversified Utilities Fund. As a result, Mr Patton has solid hands-on operational experience with, and a strong appreciation of, the regulatory, commercial, financial, capital structure and external stakeholder management issues and requirements associated with major assets within an ASX-listed environment in Australia.</p>
<i>Relevant interest in securities</i>	150,000 – KBC shares ³⁷ 4,166 – KBCPA Convertible Redeemable Promissory Notes
<i>Special Responsibilities</i>	Member of Investment Committee Member of Audit, Finance and Risk Committee
<i>Other current directorships in listed entities</i>	<p>(1) Non-Executive Director of Metgasco Limited (ASX:MEL) (appointed 19 September 2016).</p> <p>(2) Managing Director of Aurora Funds Management Limited, a Responsible Entity of HHY Fund (ASX:HHY), Aurora Global Income Trust (ASX:AIB), Aurora Absolute Return Fund (ASX:ABW), Aurora Property Buy-Write Income Trust (ASX:AUP), Aurora Dividend Income Trust (ASX:AOD).</p>
<i>Former directorships in other listed entities in past 3 years</i>	None

³⁷ Refer John Patton's Initial Director's Interest Notice dated 10 August 2016

DIRECTORS' REPORT

WILLIAM M. JOHNSON		Non-Executive Director
<i>Appointed</i>	29 July 2016 (elected by shareholders at a general meeting); re-elected at AGM on 22 November 2018	
<i>Qualifications</i>	MA (Oxon), MBA, MAICD	
<i>Experience</i>	William Johnson holds a Masters degree in engineering science from Oxford University, England and an MBA from Victoria University, New Zealand. His 30-year business career spans multiple industries and countries, with executive/CEO experience in mineral exploration and investment (Australia, Peru, Chile, Saudi Arabia, Oman, North Africa and Indonesia), telecommunications infrastructure investment (New Zealand, India, Thailand and Malaysia) and information technology and Internet ventures (New Zealand, Philippines and Australia). Mr Johnson is a highly-experienced public company director and has considerable depth of experience in corporate governance, business strategy and operations, investment analysis, finance and execution.	
<i>Relevant interest in securities</i>	None	
<i>Special Responsibilities</i>	Member of Investment Committee Member of Remuneration and Nomination Committee	
<i>Other current directorships in listed entities</i>	(1) Managing Director of Strike Resources Limited (ASX:SRK) (since 25 March 2013; Director since 14 July 2006). (2) Executive Director of Bentley Capital Limited (ASX:BEL) (since 1 January 2016; Director since 13 March 2009). (3) Non-Executive Director of Molopo Energy Limited (ASX:MPO) (elected 31 May 2018).	
<i>Former directorships in other listed entities in past 3 years</i>	Non-Executive Director of Yowie Group Ltd (ASX:YOW) (10 April to 8 October 2018)	

SIMON K. CATO		Non-Executive Director
<i>Appointed</i>	29 July 2016; re-elected at AGM on 23 November 2017	
<i>Qualifications</i>	B.A. (Sydney)	
<i>Experience</i>	Simon Cato has had over 30 years' capital markets experience in broking, regulatory roles (with ASX in Sydney and Perth) and as a director of listed companies. From 1991 until 2006, he was an executive director and/or responsible executive of three stockbroking firms. During that time, Mr Cato was involved in the formation of a number of companies, including writing prospectuses and managing the listing process and has been through the process of IPO listing in the dual role of broker and director. Since 2006, Mr Cato has been an executive and non-executive director of a number of public listed companies with a range of different business activities and was a founding director of Greenland Minerals and Energy Limited.	
<i>Relevant interest in securities</i>	None	
<i>Special Responsibilities</i>	Chairman of Audit, Finance and Risk Committee Member of Remuneration and Nomination Committee	
<i>Other current directorships in listed entities</i>	(1) Non-Executive Chairman of Advanced Share Registry Limited (ASX:ASW) (since 22 August 2007). (2) Non-Executive Director of Greenland Minerals and Energy Limited (ASX:GGG) (since 21 February 2006). (3) Non-Executive Director of Bentley Capital Limited (ASX:BEL) (since 7 January 2015; also February 2004 to April 2010).	
<i>Former directorships in other listed entities in past 3 years</i>	None	

DIRECTORS' REPORT

JEREMY M. KRIEWALDT	Non-Executive Director
<i>Appointed</i>	13 October 2016; re-elected at AGM on 23 November 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>	5,000 – KBC shares ³⁸ 1,138 – KBCPA Convertible Redeemable Promissory Notes
<i>Special Responsibilities</i>	Chairman of Remuneration and Nomination Committee Member of Audit, Finance and Risk Committee
<i>Other current directorships in listed entities</i>	None
<i>Former directorships in other listed entities in past 3 years</i>	None

COMPANY SECRETARY

VICTOR P. H. HO	Company Secretary
<i>Appointed</i>	13 October 2016
<i>Qualifications</i>	BCom, LLB (Western Australia), CTA
<i>Experience</i>	Victor Ho has been in Executive roles with a number of ASX-listed companies across the investments, resources and technology sectors over the past 19 years. Mr Ho is a Chartered Tax Adviser (CTA) and previously had 9 years' experience in the taxation profession with the Australian Tax Office (ATO) and in a specialist tax law firm. Mr Ho has been actively involved in the investment management of listed investment companies (as an Executive Director and/or a member of the Investment Committee), the structuring and execution of a number of corporate, M&A and international joint venture (in South America, Indonesia and the Middle East) transactions, capital raisings and capital management initiatives and has extensive experience in public company administration, corporations' law and stock exchange compliance and investor/shareholder relations
<i>Relevant interest in securities</i>	None
<i>Other current positions in listed entities</i>	Executive Director and Company Secretary of: <ol style="list-style-type: none"> (1) Orion Equities Limited (ASX:OEQ) (Secretary since 2 August 2000 and Director since 4 July 2003). (2) Queste Communications Ltd (ASX:QUE) (Secretary since 30 August 2000 and Director since 3 April 2013). (3) Strike Resources Limited (ASX:SRK) (Director since 24 January 2014 and Company Secretary since 1 October 2015). Company Secretary of Bentley Capital Limited (ASX:BEL) (since 5 February 2004).
<i>Former position in other listed entities in past 3 years</i>	None

³⁸ Refer Jeremy Kriewaldt's Initial Director's Interest Notice dated 13 October 2016

DIRECTORS' REPORT

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* forms part of this Directors Report and is set out on page 21. This relates to the Auditor's Independent Review Report, where the Auditors state that they have issued an independence declaration.

Signed for and on behalf of the Directors in accordance with a resolution of the Board,



John Patton
Chairman



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

28 February 2019

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

28 February 2019

Dear Sirs,

Keybridge Capital Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the Directors of Keybridge Capital Limited.

As lead audit partner for the review of the half year financial report of Keybridge Capital Limited for the half year ended 31 December 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours faithfully

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU



Ian Skelton
Partner
Chartered Accountants

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the half year ended 31 December 2018

			RESTATED
	Note	31 Dec 18	31 Dec 17
		\$	\$
Revenue	2		
Fees		29,071	46,482
Total revenue		29,071	46,482
Other Income	2		
Interest revenue		226,970	395,677
Dividend revenue		1,816	5,754
Other income		239,044	30,779
Total Revenue and Other Income		496,901	478,692
Other gains and losses:			
Net gain /(loss) on financial assets at fair value through profit or loss		(946,947)	558,647
Impairment expense		(20,141)	(20,498)
Excess of net assets over cost on acquisition		242,797	-
Net gain on derivative liabilities		35,208	70,417
Gain on revaluation of foreign currency assets		269,464	12,605
Share of Associate entity's profit/(loss)		(270,837)	418,881
Expenses	3		
Personnel expenses		(241,363)	(287,091)
Corporate expenses		(513,410)	(726,502)
Administration expenses		(148,515)	(148,380)
Other expenses		(54,904)	(70,047)
Results from operating activities		(1,151,747)	286,724
Finance expenses		(154,037)	(154,037)
Profit/(Loss) before Income Tax		(1,305,784)	132,687
Income tax benefit/(expense)		-	-
Profit/(Loss) after income tax for the half year		(1,305,784)	132,687
Other Comprehensive Income			
Foreign currency translation reserve		15,764	-
Total Comprehensive Income/(Loss) for the half year		(1,290,020)	132,687
Basic and diluted earnings/(loss) per share (cents) attributable to the ordinary equity holders of the Company	5	(0.83)	0.08

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2018

	Note	31 Dec 18 \$	30 Jun 18 \$
Current Assets			
Cash and cash equivalents		2,927,098	5,007,980
Financial assets at fair value through profit or loss	6	6,446,840	7,278,327
Receivables	7	1,093,549	421,297
Other assets		248,530	146,138
Total Current Assets		10,716,017	12,853,742
Non-Current Assets			
Loans and receivables	8	5,345,284	5,085,649
Investment in Associate entity	13	1,811,021	2,081,631
Property, plant and equipment		39	275
Deferred tax asset		-	-
Total Non-Current Assets		7,156,344	7,167,555
Total Assets		17,872,361	20,021,297
Current Liabilities			
Payables		321,108	320,116
Total Current Liabilities		321,108	320,116
Non-Current Liabilities			
Financial liabilities at fair value through profit or loss	6	4,018,156	4,053,364
Deferred tax liability		-	-
Total Non-Current Liabilities		4,018,156	4,053,364
Total Liabilities		4,339,264	4,373,480
Net Assets		13,533,097	15,647,817
Equity			
Issued capital	10	253,603,428	253,637,724
Reserves	11	1,359,798	2,134,438
Accumulated losses		(241,430,129)	(240,124,345)
Total Equity		13,533,097	15,647,817

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the half year ended 31 December 2018

	Note	Reserves				Accumulated losses	Total
		Issued capital	Share -based payments	Profit reserve	Foreign currency translation		
		\$	\$	\$	\$	\$	\$
Balance at 1 Jul 2017		253,717,174	692,988	2,466,025	-	(233,178,715)	23,697,472
Profit for the half year		-	-	-	-	132,687	132,687
Profits reserve transfer		-	-	139,772	-	(139,772)	-
Total comprehensive income for the half year		-	-	139,772	-	(7,085)	132,687
Transactions with owners in their capacity as owners:							
Share based payment		-	(35,224)	-	-	-	(35,224)
Dividends paid		-	-	(790,402)	-	-	(790,402)
Share buy-backs		(79,450)	-	-	-	-	(79,450)
Balance at 31 Dec 2017		253,637,724	657,764	1,815,395	-	(233,185,800)	22,925,083
Balance at 1 Jul 2018		253,637,724	321,600	1,815,395	(2,557)	(240,124,345)	15,647,817
Loss for the half year		-	-	-	-	(1,305,784)	(1,305,784)
Profits reserve transfer		-	-	-	-	-	-
Foreign currency reserve	11	-	-	-	15,764	-	15,764
Total comprehensive income for the half year		-	-	-	15,764	(1,305,784)	(1,290,020)
Transactions with owners in their capacity as owners:							
Share buy-backs	10	(34,296)	-	-	-	-	(34,296)
Dividends paid	12	-	-	(790,402)	-	-	(790,402)
Balance at 31 Dec 2018		253,603,428	321,600	1,024,993	13,207	(241,430,129)	13,533,099

CONSOLIDATED STATEMENT OF CASH FLOWS

for the half year ended 31 December 2018

	31 Dec 18 \$	31 Dec 17 \$
Cash Flows from Operating Activities		
Fees received	-	14,440
Interest received	8,753	20,681
Other income received	136,030	30,780
Payments to suppliers and employees	(1,089,799)	(1,445,574)
CRPN Interest payments	(154,037)	(154,037)
Net Cash used in Operating Activities	(1,099,053)	(1,533,710)
Cash Flows from Investing Activities		
Proceeds from sale of financial assets at fair value through profit or loss	231,283	3,101,707
Payments for financial assets at fair value through profit or loss	(273,934)	(456,561)
Payments for loans and receivables advanced	(1,491,800)	-
Proceeds from repayments of loans and receivables	1,060,031	-
Dividends received	14,800	5,754
Return of capital received	17,426	11,851
Purchase of shares in Associate entity	(227)	(258,455)
Net Cash provided by/(used in) Investing Activities	(442,421)	2,404,296
Cash Flows from Financing Activities		
Share buy-backs	(34,296)	(79,450)
Dividends paid	(790,401)	(790,402)
Repayment of loans and borrowings	242,797	486,416
Loans provided	-	(72,647)
Net Cash used in Financing Activities	(581,900)	(456,083)
Net increase/(decrease) in cash held	(2,123,374)	414,503
Cash and cash equivalents at beginning of financial year	5,007,980	1,414,476
Effect of exchange rate fluctuations on cash held	42,492	(7,663)
Cash and Cash Equivalents at the end of financial half year	2,927,098	1,821,316

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the half year ended 31 December 2018

1. BASIS OF PREPARATION

Keybridge Capital Limited (ASX:KBC) (**KBC** or **Company**) is a company incorporated and domiciled in Australia and listed on the Australian Securities Exchange (**ASX**). The Consolidated Financial Statements as at and for the financial half year ended 31 December 2018 comprise the Company and its subsidiaries (**Keybridge** or **Consolidated Entity** or **Group**) and its interest in Associate entities. Keybridge is a 'for-profit' investment and financial services group with a diversified portfolio of listed and unlisted investments/loan assets. The condensed consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets.

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

The accounting policies and methods of computation adopted in the preparation of the half year financial statements are consistent with those adopted and disclosed in the Company's financial statements for the financial year ended 30 June 2018. The Keybridge 2018 Annual Report is available upon request and may be downloaded from the Company's website: www.keybridge.com.au or the ASX website (www.asx.com.au).

Statement of Compliance

The half year financial statements are a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half-year report complies with Australian Accounting Standards – Reduced Disclosure Requirements issued by the Australian Accounting Standards Board.

These half year financial statements do not include notes of the type normally included in the annual financial statements and should be read in conjunction with the most recent annual financial statements and the Company's ASX announcements released from 1 July 2018 to the date of this report.

Uses of estimates and judgements

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

The significant judgements made by management in applying the Consolidated Entity's accounting policies and key sources of estimation uncertainty were the same as those applied to the Consolidated Financial Statements as at and for the year ended 30 June 2018.

Restatement of Comparatives

As disclosed in Note 1.8 in the 30 June 2018 annual financial report, the Company determined to adopt a change in presentation in respect of certain aspects of the Statement of Profit or Loss and Other Comprehensive Income to better align with industry practice and the Accounting Standards. Accordingly, the comparative information for 31 December 2017 has been restated to be consistent with the current year presentation. There is no change to the Statement of Financial Position as a consequence of the adoption of the new presentation. Furthermore, there is no impact on the profit before tax, other comprehensive income or earnings / (loss) per share as a result of these changes.

Amendments to Accounting Standards and new Interpretations that are mandatorily effective for the current reporting period

In the current reporting period, the Consolidated Entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for the current reporting period.

The following new and revised Standards and Interpretations effective for the current reporting period that are relevant to the Consolidated Entity include:

- AASB 15 *Revenue from Contracts with Customers*, and relevant amending standards

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the half year ended 31 December 2018

1. BASIS OF PREPARATION (continued)

Amendments to Accounting Standards and New Interpretations that are mandatorily effective for the current reporting period (continued)

- AASB 9 *Financial Instruments*, and relevant amending standards
- AASB 2016-5 *Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions*

AASB Interpretation 22 *Foreign Currency Transactions and Advance Consideration*

Impact on Application

The adoption of the aforementioned standards has not had a quantitatively material impact on the interim financial statements of the Consolidated Entity as at 31 December 2018. A more detailed discussion on the impact of the adoption of AASB 9 and AASB 15 is included below.

AASB 15: Revenue from Contracts with Customers (AASB 15)

AASB 15 establishes a comprehensive five-step framework for determining the timing and quantum of revenue recognised. It has replaced the existing guidance, including AASB 118 *Revenue* and AASB 111 *Construction Contracts*. The core principle of AASB 15 is that an entity shall recognise revenue as control of a good or service transfers to a customer. The Consolidated Entity has adopted the modified transition approach. The adoption of AASB 15 from 1 July 2018 has not resulted in any adjustments.

AASB 9: Financial Instruments (AASB 9)

The Consolidated Entity has adopted AASB 9 from 1 July 2018 which have resulted in changes to accounting policies and the analysis for possible adjustments to amounts recognised in the Interim Financial Report. In accordance with the transitional provisions in AASB 9, the reclassifications and adjustments are not reflected in the statement of financial position as at 30 June 2018 but recognised in the opening statement of financial position as at 1 July 2018. As per the new impairment model introduced by AASB 9, the Consolidated Entity has not recognised a loss allowance on trade and other receivables as at 1 July 2018.

Classification and Measurement

On 1 July 2018, the Consolidated Entity has assessed which business models apply to the financial instruments held by the Consolidated Entity and have classified them into the appropriate AASB 9 categories. The main effects resulting from this reclassification are shown in the table below.

On adoption of AASB 9, 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. There were no changes in the measurement of the Consolidated Entity's financial instruments.

There was no impact on the statement of comprehensive income or the statement of changes in equity on adoption of AASB 9 in relation to classification and measurement of financial assets and liabilities.

The following table summarises the impact on the classification and measurement of the Consolidated Entity's financial instruments at 1 July 2018:

Presentation on Statement of Financial Position	AASB 139 Classification	AASB 9 Classification	AASB 139 Carrying amount	AASB 9 Carrying amount
Cash and cash equivalents	Loans and receivables	Amortised cost	No change	No change
Receivables	Loans and receivables	Amortised cost or fair value	No change	No change
Financial assets at fair value through Profit or Loss (FVTPL)	Financial assets at FVTPL	Financial assets at FVTPL	No change	No change
Loans and receivables	Loans and receivables	Amortised cost	No change	No change

Notes:

- (1) The Consolidated Entity may at times hold bank deposits. These items would previously meet the classification of loans and receivables under AASB 139 but will be now measured at amortised cost under AASB 9.
- (2) These investments in other listed securities were classified as FVTPL under AASB 139. The Consolidated Entity has elected to maintain this classification on transition to AASB 9.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the half year ended 31 December 2018

1. BASIS OF PREPARATION (continued)

The Consolidated Entity does not currently enter into any hedge accounting and therefore there is no impact to the Consolidated Entity's Interim Financial Report.

Impairment

AASB 9 introduces a new expected credit loss (**ECL**) impairment model that requires the Consolidated Entity to adopt an ECL position across the Consolidated Entity's financial assets at 1 July 2018. The Consolidated Entity's receivables balance comprises trade receivables from customers, GST refunds from the Australian Tax Office, interest receivables and amounts owing to it from the sale of an asset in a previous period. Whilst cash and cash equivalents are also subject to the impairment requirements of AASB 9, an impairment loss would be considered immaterial. Additionally, the Consolidated Entity holds non-current loans and receivables as state in Note 8.

At each reporting date, the Consolidated Entity reviews the carrying value of its financial assets based on the ECL model under AASB 9, which proposes three approaches in assessing impairment:

(i) the simplified approach (which will be applied to most trade receivables) which requires the recognition of lifetime ECLs by considering forward-looking assumptions and information regarding expected future conditions affecting historical customer default rates;

(ii) the general approach (which will be applied to most loans and debt securities) whereby ECL is recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, the Consolidated Entity will provide for credit losses that result from default events that are possible within the next 12 months. For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance will arise for credit losses expected over the remaining life of exposure, irrespective of the timing of the default; and

(iii) For purchased or originated credit-impaired receivables, the fair value at initial recognition already takes into account lifetime expected losses. At each reporting date, the Consolidated Entity updates its estimated cash flows and adjusts the loss allowance accordingly.

The loss allowances for financial assets are based on the assumptions about risk of default and expected loss rates. The Consolidated Entity uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Consolidated Entity's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. The Consolidated Entity has not recognised any additional impairment to its current receivables or non-current loans and receivables as a result of the application of AASB 9. This is due to the fact that the Consolidated Entity does not consider that there are any further ECL to the current carrying values of its current receivables or its non-current loans and receivables. Detailed information on these balances are contained in Notes 7 and 8.

Accounting Policies

Due to the mandatory application of AASB 9, the Consolidated Entity has been required to update its accounting policies to meet the requirements of the new standard. The updated policies are detailed in the respective notes to the financial statements as applicable.

Other standards

Other standards that become effective this period that are relevant to the Consolidated Entity include:

- AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions; and
- AASB Interpretation 22 Foreign Currency Transactions and Advance Consideration.

They do not affect the Consolidated Entity's accounting policies or any of the amounts recognised in the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the half year ended 31 December 2018

2. REVENUE AND INCOME

	31 Dec 18	RESTATED 31 Dec 17
	\$	\$
The consolidated loss before income tax includes the following items of revenue:		
Revenue		
Fees		
Investment management fees	29,071	46,482
	29,071	46,482
Other income		
Interest revenue	226,970	395,677
Dividend revenue	1,816	5,754
Other income		
Litigation settlement	-	19,668
Unit trust distributions	-	11,111
Other income	239,044	-
	467,830	432,210
Other gains and losses		
Realised gain on sale of financial assets at fair value through profit or loss	149,913	963,992
Unrealised loss on financial assets at fair value through profit or loss	(1,096,860)	(405,345)
Net gain /(loss) on financial assets at fair value through profit or loss	(946,947)	558,647
Impairment of loans and receivables	(20,141)	(20,498)
Excess of net assets over cost on acquisition	242,797	-
Net gain on derivative liabilities	35,208	70,417
Gain on revaluation of foreign currency assets	269,464	12,605
Share of Associate entity's profit/(loss)	(270,837)	418,881
	(690,456)	1,040,052
	(193,555)	1,518,744

3. EXPENSES

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

Personnel expenses		
Directors' fees	208,255	194,362
Salaries and wages	22,100	26,975
Executive Share Plan	-	49,852
Other	11,008	15,902
Corporate expenses		
Professional and consulting fees	288,446	275,878
Auditing, accounting and tax services	135,475	177,161
Legal fees	89,489	273,463
Administration expenses	148,515	148,380
Other expenses	54,904	70,047
	958,192	1,232,020

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the half year ended 31 December 2018

4. SEGMENT INFORMATION

31 Dec 18	Investments		Corporate	Total
	Equity	Debt		
Segment profit and loss	\$	\$	\$	\$
Revenue and income	(1,218,505)	607,839	417,111	(193,555)
Expenses	(147,352)	(107,263)	(857,614)	(1,112,229)
Results from operating activities	(1,365,857)	500,576	(440,503)	(1,305,784)
Finance expenses	-	-	-	-
Profit/(Loss) before Income Tax	(1,365,857)	500,576	(440,503)	(1,305,784)
Income tax expense	-	-	-	-
Profit/(Loss) for the half year	(1,365,857)	500,576	(440,503)	(1,305,784)
Segment assets	8,521,234	6,438,832	2,912,295	17,872,361
Segment liabilities	(4,018,156)	-	(321,108)	(4,339,264)
Net assets	4,503,078	6,438,832	2,591,187	13,533,097

31 Dec 17	Investments		Corporate	Total
	Equity	Debt		
Segment profit and loss				
Revenue and income	469,279	958,977	90,488	1,518,744
Expenses	(399,648)	(106,855)	(725,517)	(1,232,020)
Results from operating activities	69,631	852,122	(635,029)	286,724
Finance expenses	-	-	(154,037)	(154,037)
Profit/(Loss) before Income Tax	69,631	852,122	(789,066)	132,687
Income tax expense	-	-	-	-
Profit/(Loss) for the half year	69,631	852,122	(789,066)	132,687

30 Jun 18	Investments		Corporate	Total
	Equity	Debt		
Segment assets	10,672,484	5,307,966	4,040,847	20,021,297
Segment liabilities	-	(70,151)	(4,303,329)	(4,373,480)
Net assets	10,672,484	5,237,815	(262,482)	15,647,817

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

- Equity Investments comprise investments in listed and unlisted equities with exposure to various sectors from time to time;
- Debt investments comprise loans advanced, debts secured via assignment and investments in debt instruments with exposure to a number of different sectors, as follows:
 - Infrastructure: Loans advanced to finance the development and construction of a Solar Plant in Spain. The asset was sold and the loans repaid/discharged on 27 April 2018.
 - Private Equity: Promissory note issued by a US private investment company secured (via collateral pledged) over its interest in a private equity fund which has investments in US based manufacturing/distribution businesses.
 - Insurance: Notes issued by the owner of a life insurance business in New Zealand.
 - Property: Creditor of private companies (both in liquidation) with security held via registered mortgages over strata title lots comprising Conference Facilities at a Hotel located in Manly, Sydney.

An additional Corporate segment relates to corporate assets and operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the half year ended 31 December 2018

5. EARNINGS/(LOSS) PER SHARE

	31 Dec 18 cents	31 Dec 17 cents
Basic and diluted earnings/(loss) per share	(0.83)	0.08
The following represents the profit/(loss) and weighted average number of shares used in the Earnings per Share calculations:	2018	2017
	\$	\$
Net profit/(loss) after income tax	(1,305,784)	132,687
	Number of shares	
Weighted average number of ordinary shares	157,988,410	158,508,839

The Company has 9 million (31 December 2017: 9 million) unlisted Executive Share Plan shares and 4,401,047 (31 December 2017: 4,401,047) listed Convertible Redeemable Promissory Notes (ASX:KBCPA) which have not been included in the calculation of the weighted average number of ordinary shares as they are considered to be antidilutive pursuant to AASB 133 (Earnings per Share). Potential ordinary shares are considered antidilutive when their conversion to ordinary shares would increase earnings per share or decrease loss per share from continuing operations. The calculation of diluted earnings/loss per share (above) does not assume conversion, exercise, or other issue of potential ordinary shares that would have an antidilutive effect on earnings/(loss) per share.

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

	31 Dec 18 \$	30 Jun 18 \$
Financial assets at fair value through profit or loss		
Shares in listed investments	6,343,626	7,155,396
Unlisted investments at fair value	103,214	99,579
Futures derivatives at fair value	-	23,352
	6,446,840	7,278,327
Financial liabilities at fair value through profit or loss		
Convertible redeemable promissory notes (CRPN)	4,018,156	4,053,364
Movement in CRPN		
Opening balance	4,053,364	4,141,385
Unrealised loss/(gain) on revaluation	(35,208)	(88,021)
Closing balance	4,018,156	4,053,364

Futures derivatives comprise exchange traded index futures contracts.

Convertible redeemable promissory notes (CRPN)

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

- face value of \$1.00 each with maturity on 31 July 2020;
- fixed interest rate of 7% per annum generally payable in arrears on 20 March, 20 June, 20 September and 20 December each year;
- regarded as an 'equity interest' under Australian tax law with interest payments regarded as a 'non-share 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;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the half year ended 31 December 2018

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

- 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
- 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 (ASX:MPO) (suspended from ASX since 25 July 2017)

As at the (31 December 2018) balance date, Keybridge has adopted a carrying value of \$0.0184 per MPO share (30 June 2018: \$0.026 per MPO share) – which has resulted in a \$0.35 million provision for impairment expense being recognised for the financial half year.

The \$0.0184 per share carrying value for MPO was based on the Keybridge Board's judgement of MPO's estimated net asset backing having regard to the following matters:

- MPO's gross cash position of A\$13.311 million as at 31 December 2018 (per MPO's Quarterly Cashflow Report for the quarter ending 31 December 2018 dated 31 January 2019 and released on ASX on 31 January 2019);
- MPO's C\$8.4 million (A\$8.74 million, at an exchange rate of A\$1.00 : C\$0.9612 as at 31 December 2018) provision in respect of Canadian litigation matters (per MPO's Annual Report for the year ended 31 December 2017 released on ASX on 8 May 2018);

No value has been ascribed to MPO's 30% shareholding in Drawbridge Energy Holdings Ltd (**Drawbridge**). For further information in relation to Drawbridge, refer MPO's ASX announcements dated 8 May 2018: Molopo De-Risks By Diversifying its Oil and Gas Exploration Portfolio and 4 February 2019: Quarterly Activities Report.

MPO's estimated cash outflows of \$0.49 million for the 3 month period between January and March 2019 (as disclosed in MPO's December 2018 Quarterly Cashflow Report released on ASX on 31 January 2019) have not been taken into account - this outflow translates to a value of 0.2 cent per MPO share.

Keybridge will re-assess the carrying value of its investment in MPO based on further information about MPO's financial position, as released on ASX by MPO. Further details are in the Directors' Report.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the half year ended 31 December 2018

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

Accounting policy

Under AASB 9 *Financial Instruments*, on initial recognition, a financial asset is classified at amortised cost or fair value through profit or loss (FVTPL). The classification under AASB 9 is based on the Consolidated Entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A financial asset is measured at amortised cost only if:

- (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.

All financial assets not measured at amortised cost as described above are measured at FVTPL.

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:

- (i) 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
- (ii) 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 at the balance sheet date which is the prevailing bid price.

Financial liabilities at fair value through profit or loss

The Consolidated Entity initially recognises other financial liabilities on the date that they are originated, 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.

7. RECEIVABLES

	31 Dec 18	30 Jun 18
	\$	\$
Current		
Secured loan	638,335	-
Deferred consideration	323,729	315,259
Other	131,485	106,038
	<u>1,093,549</u>	<u>421,297</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the half year ended 31 December 2018

7. RECEIVABLES (continued)

(a) Current Receivables: Includes

- (i) \$0.638m secured loan, which includes accrued interest and establishment fees, is due and payable on 28 February 2019 - further details are in Note 13(c)(iii); and
- (ii) \$0.315m (€0.2m) deferred consideration receivable in August 2019, being 18 months after the sale of the Totana Solar Plant asset which was completed on 27 April 2018 - further details are in Note 9(a) to the Annual Report for year ended 30 June 2018.

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*.

8. LOANS AND RECEIVABLES

	31 Dec 18			30 Jun 18		
	Gross value	Impairment	Total	Gross value	Impairment	Total
Non-current	\$	\$	\$	\$	\$	\$
Private equity	6,553,099	(5,995,422)	557,677	6,527,973	(5,995,422)	532,551
Property	4,188,735	(3,303,735)	885,000	4,188,735	(3,303,735)	885,000
Insurance	3,396,834	-	3,396,834	3,135,158	-	3,135,158
Other	1,906,148	(1,400,375)	505,773	1,913,505	(1,380,565)	532,940
	<u>16,044,816</u>	<u>(10,699,532)</u>	<u>5,345,284</u>	<u>15,765,371</u>	<u>(10,679,722)</u>	<u>5,085,649</u>

	31 Dec 18	30 Jun 18
	\$	\$
Movement in impairment		
Opening balance	10,679,722	15,507,410
Previous impairments written off	-	(5,178,256)
Impairment (reversal) /expense	19,811	(124,656)
Reversal of share based payment reserve	-	475,224
Closing balance	10,699,533	10,679,722

- (a) **Loan Receivables - Private Equity:** Keybridge advanced ~US\$4.3m to RPE I Investor LLC (**RPE Investor**) (a subsidiary of Republic Financial Corporation (**RPC**), a US private investment company) under a limited recourse promissory note (**Note**) secured (via collateral pledged) over RPE Investor's interest in the Republic Private Equity I Limited Liability Limited Partnership, a private equity fund (managed by a related party to RPC) with investments in US based manufacturing/distribution businesses (**RPE Fund**). The principal and accrued interest (at 14.5% pa) under the note was repayable on maturity on 29 December 2017 (the parties are in discussions in relation to a mutually acceptable resolution of this matter). The Note arose out of a restructure in April 2013 where, as part of arrangements to exit legacy aviation investments (made whilst Keybridge was known as Mariner Bridge Investments Limited in 2006/2007) for US\$29.7 million cash, Keybridge sold its interest in the RPE Fund for US\$4.3 million fully funded by a Keybridge loan with recourse only to that asset sold (i.e. the Note)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the half year ended 31 December 2018

8. LOANS AND RECEIVABLES (continued)

(a) Loan Receivables - Private Equity (continued):

In light of these matters, the Board reduced the carrying value of the Note (receivable) to US\$0.394 million (A\$0.511 million) as at 30 June 2017. This was advised in Keybridge's ASX announcement dated 25 August 2017: Update – Private Equity Loan Receivable.

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

The Board has maintained the carrying value of the Note (receivable) at US\$0.394 million (A\$0.558 million) as at balance date as it believes that the Note is recoverable on the basis that discussions with Republic are on-going and the Board believes that a value of at least the current carrying value will be recouped.

The Consolidated Entity has assessed lifetime credit losses for this loan and determined that no loss allowance should be recognised for expected credit loss under AASB 9 Financial Instruments.

(b) Loan Receivables – Property: Keybridge has registered mortgages over strata title lots comprising Conference Facilities at a Hotel located in Manly, Sydney as security for loans to private companies (which are in liquidation). As at balance date, the loan was carried at \$0.885m (30 June 2018: \$0.885m) (based on the Directors' judgement) – by reference to an independent valuation received in respect of the lots in May 2016.

The Consolidated Entity has assessed lifetime credit losses for this loan and determined that no loss allowance should be recognised for expected credit loss under AASB 9 Financial Instruments.

(c) Loan Receivables – Insurance: Keybridge has invested NZ\$3.8m (A\$3.4m) (via NZ\$0.109m equity and NZ\$3.691m notes) into Foundation Life, to finance Foundation's acquisition of Tower Limited's life insurance business in New Zealand in 2014. Interest of 9% pa is payable under the note, which is redeemable by noteholders in 50 years (May 2064) or by Foundation (from time to time). As at balance date, the loan balance is NZ\$3.57m (A\$3.397m) (30 June 2018: NZ\$3.418m and A\$3.135m).

The Consolidated Entity has assessed lifetime credit losses for this loan and determined that no loss allowance should be recognised for expected credit loss under AASB 9 Financial Instruments.

(d) Loan Receivables - Other: Includes

- (i) \$0.066m (30 June 2018: \$0.093m) attributable to 3,666,285 shares in Molopo Energy Limited (ASX:MPO) that were vested in the Commonwealth (on trust for Keybridge) on 7 July 2017 under the declaration and orders of the Takeovers Panel in the matter of Molopo Energy Limited 03R, 04R & 05R. These vested shares will be sold by ASIC with the proceeds of sale accounted to the Company (net of the costs, fees and expenses of the sale and any costs, fees and expenses incurred by ASIC and the Commonwealth (if any)). As these vested MPO shares are held on trust for Keybridge pending sale by ASIC, Keybridge continues to recognise the shares as company assets (as a loan receivable) at the same carrying value per share as its holding of 46 million MPO shares (1.84 cents per share - further details are in Note 6). This has resulted in a provision for impairment expense of \$0.0028 million being recognised in respect of this 3.67 million parcel of MPO shares for the financial half year; and

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the half year ended 31 December 2018

8. LOANS AND RECEIVABLES (continued)

(d) Loan Receivables - Other (continued): Includes

- (ii) \$0.44m (30 June 2018: \$0.44m) loan advance to a former Director (Nicholas Bolton) - further details are in Note 14(c)(ii).

The Consolidated Entity has assessed lifetime credit losses for these loans/receivables and determined that no loss allowance should be recognised for expected credit loss under AASB 9 Financial Instruments.

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 half year as discussed below.

Accounting policy

Receivables 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.

9. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Fair value hierarchy

The following tables present the Consolidated Entity's financial assets and liabilities measured and recognised at fair value at balance date categorised by the following levels:

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

A listed investment was transferred from category Level 1 to Level 2 as the Consolidated Entity was required to make an assessment to utilise the last bid price prior to the balance date as the investment's securities were suspended from trading on a securities exchange (at the request of the company) as at balance date.

Level 3 fair value measurements

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

	Level 1	Level 2	Level 3	Total
31 Dec 18	\$	\$	\$	\$
Financial assets at fair value through profit or loss:				
Shares in listed investments	5,496,903	-	846,723	6,343,626
Unlisted investments at fair value	-	-	103,214	103,214
Total financial assets	5,496,903	-	949,937	6,446,840

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the half year ended 31 December 2018

9. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

31 Dec 18	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial liabilities at fair value through profit or loss				
CRPN	4,018,156	-	-	4,018,156
Total financial liabilities	4,018,156	-	-	4,018,156

30 Jun 18

Financial assets at fair value through profit or loss:

Shares in listed investments	5,958,940	-	1,196,456	7,155,396
Unlisted investments at fair value	-	-	99,579	99,579
Futures derivative at fair value	23,352	-	-	23,352
Total financial assets	5,982,292	-	1,296,035	7,278,327

Financial liabilities at fair value through profit or loss

CRPN	4,053,364	-	-	4,053,364
Total financial liabilities	4,053,364	-	-	4,053,364

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

Fair values of other financial instruments	31 Dec 18	30 Jun 18
Financial assets	\$	\$
Cash and cash equivalents	2,927,098	5,007,980
Trade and other receivables	1,093,549	421,297
	4,020,647	5,429,277
Financial liabilities		
Payables	(321,108)	(320,116)

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

10. ISSUED CAPITAL

	31 Dec 18	30 Jun 18
	\$	\$
157,552,806 (30 Jun 18: 158,080,432) Fully paid ordinary shares	253,603,428	253,637,724

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

Movement in ordinary shares	Number of shares	Total \$'000
At 30 June 2017	158,812,327	253,717,174
Share buy-back	(731,895)	(79,450)
At 30 June 2018	158,080,432	253,637,724
Share buy-back	(527,626)	(34,296)
At 31 December 2018	157,552,806	253,603,428

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the half year ended 31 December 2018

10. ISSUED CAPITAL (continued)

Share buy-back

Pursuant to an on-market share buy-back announced on 5 December 2017, the Company bought back 527,626 shares at a total cost of \$34,296 and at an average buy-back cost of \$0.065 per share during the financial half year.

11. RESERVES

	31 Dec 18	30 Jun 18
	\$	\$
Profits reserve	1,024,991	1,815,395
Share-based payment reserve	321,600	321,600
Foreign currency translation reserve	13,207	(2,557)
	1,359,798	2,134,438

Movements in Profits reserve

Opening balance	1,815,395	2,466,025
Profits reserve transfer	-	139,772
Dividends paid (Note 12)	(790,402)	(790,402)
Closing balance	1,024,993	1,815,395

Movements in Share based payment reserve

Opening balance	321,600	692,988
Recognition of Share based payment reserve	-	103,836
Reversal of Share based payment reserve	-	(475,224)
Closing balance	321,600	321,600

12. DIVIDENDS AND CRPN INTEREST PAYMENTS

		31 Dec 18	31 Dec 17
	Paid On	\$	\$
Dividends paid during the financial half year:			
0.5 cent per share fully franked dividend	08-Dec-17	-	790,402
0.5 cent per share fully franked dividend	28-Sep-18	790,402	-
		790,402	790,402

CRPN interest paid during the financial half year:

CRPN interest payment (fully franked)	20-Sep-17	-	77,020
CRPN interest payment (fully franked)	20-Dec-17	-	77,020
CRPN interest payment (fully franked)	20-Mar-18	77,019	-
CRPN interest payment (fully franked)	20-Jun-18	77,020	-
		154,039	154,040

CRPNs are regarded as an 'equity interest' under Australian tax law with interest payments regarded as a 'non-share dividend'. Interest payments will be fully franked (where possible) or grossed up with additional cash payments to compensate for any unfranked component. 'Qualified' Australian resident holders will have access to franking credits in this regard. Further details are in the CRPN Prospectus (dated 17 June 2015) and ATO Class Ruling CR 2015/54.

	31 Dec 18	31 Dec 17
	\$	\$
Franking credits available for subsequent periods based on a tax rate of 27.5% (31 Dec 17: 27.5%)	7,059,224	7,803,337

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the half year ended 31 December 2018

12. DIVIDENDS AND CRPN INTEREST PAYMENTS (continued)

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 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 Date.

13. INVESTMENT IN ASSOCIATE ENTITY

	Ownership Interest		31 Dec 18	30 Jun 18
Associate entity incorporated in Australia:	31 Dec 18	30 Jun 18	\$	\$
HHY Fund (ASX:HHY)	30.89%	30.89%	1,811,021	2,081,631

HHY is regarded as an Associated Entity as the Company has a greater than 20% interest and is considered to have 'significant influence' over HHY. Keybridge is also the Investment Manager of HHY (since 30 June 2016).

	31 Dec 18	30 Jun 18
Reconciliation of carrying amount:	\$	\$
Opening balance	2,081,631	2,584,020
Purchase of additional units	227	258,455
Share of Associate entity's net loss after tax	(270,837)	(760,844)
Carrying amount of investment in Associate Entity	1,811,021	2,081,631

Fair value (at market price on ASX) of investment in Associate entity	1,332,909	1,986,611
Net tangible asset backing value of investment in Associate entity	1,834,321	2,109,831

Summarised statement of profit or loss and other comprehensive income

Revenue	570	267,144
Expenses	(897,360)	(2,689,503)
Loss from continuing operations before income tax	(896,790)	(2,422,359)

Summarised statement of financial position

Total assets	6,054,254	6,908,734
Total liabilities	(116,884)	(74,573)
Net assets	5,937,370	6,834,161

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the half year ended 31 December 2018

14. RELATED PARTY TRANSACTIONS

(a) Transactions with Directors

- (i) On 23 November 2016, the Company entered into an agreement with Aurora Funds Management Limited (**AFML**) for an AFML employee to provide limited portfolio management services to the Company in respect of the Company's management of the investment portfolio of the HHY Fund (ASX:HHY) (ie. pursuant to the IMA referred to below). The Company's Chairman, John Patton is also the Managing Director and a beneficial owner of AFML. During the financial half year, fees of \$7,500 (31 Dec 17: \$9,000) (excluding GST) have been incurred by the Company in this regard. The arrangement was negotiated and agreement reached on an arms length commercial basis. The arrangement was terminated by mutual agreement on 30 November 2018.

(b) Transactions with Associate Entities

- (i) The Company entered into an Investment Management Agreement (**IMA**) (dated 30 June 2016) with AFML (as Responsible Entity/Trustee) for the Company to manage the investment portfolio of the HHY Fund ARSN 112 579 129 (ASX:HHY). During the financial half year, the Company earned \$19,585 (31 Dec 17: \$33,533) (excluding GST) in management fees income under the IMA.

(c) Other Matters

- (i) The Company has engaged a former Director/KMP as a consultant corporate advisor and incurred fees of \$100,000 (excluding GST) under this arrangement during the half year. This consultant does not qualify as a KMP under AASB 124 (Related Party Disclosures), being a person having authority and responsibility for planning, directing and controlling the activities of the Consolidated Entity, directly or indirectly.
- (ii) The Company agreed to advance \$440,000 as loan funds in respect of former Managing Director's (Nicholas Bolton) legal costs incurred in circumstances where Mr Bolton's Director's Deed with the Company provides a procedure for the advancement of monies in this regard. As at balance date, \$440,000 (31 Dec 17: \$335,608) has been advanced via payments made to Mr Bolton's lawyers. The Board agreed to advance these funds in accordance with the relevant provision of Mr Bolton's Director's Deed and subject also to various terms and conditions agreed with Mr Bolton, including 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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the half year ended 31 December 2018

14. RELATED PARTY TRANSACTIONS (continued)

- (iii) The Company has advanced funds to AFML as Responsible Entity (**RE**) of the unlisted Aurora Fortitude Absolute Return Fund (**AFARF**) pursuant to a Loan Agreement dated 9 October 2018. The loan is secured via a General Security Deed and Share Mortgage granted by AFML as RE of AFARF (dated 9 October 2018). \$1.5 million was advanced on 2 October 2018 and as at balance date the outstanding balance (including accrued interest and a 7.5% establishment fee) was \$0.638 million (**AFARF Loan**). Pursuant to a Deed of Variation (dated 2 January 2019), the loan term was extended from 31 December 2018 to 28 February 2019 in consideration of an \$25,000 extension fee. The parties have agreed to extend the term of the loan for a further month to 31 March 2019, in consideration of AFML paying accrued interest to 28 February 2019 and fees totalling ~\$0.24 million. The AFARF Loan accrues interest at a rate of 20% per annum. The loan arrangement was negotiated by the Board (excluding John Patton) on an arm's length basis on commercial terms. The Company has earned interest income and fees of \$198,365 to 31 December 2018.

15. LOAN COMMITMENTS

The Consolidated Entity does not have any loan commitments (30 June 2018: Nil).

16. CONTINGENCIES

The Consolidated Entity does not have any material contingent assets or liabilities.

17. EVENTS OCCURRING AFTER THE REPORTING PERIOD

- (i) On 19 February 2019, the Company completed a \$3.6 million capital raising via the issue of 3,598,953 new CRPNs at a face value of \$1.00 each to professional/institutional investors. The funds raised will be applied towards the investment capital base of Keybridge. The issue was completed within the placement capacity approved by shareholders at the Company's AGM held on 22 November 2018.

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

DIRECTORS' DECLARATION

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

In the opinion of the Directors:

- (1) The financial statements and notes of the Consolidated Entity are in accordance with the *Corporations Act 2001*, including:
 - (a) giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2018 and of its performance for the half year ended on that date; and
 - (b) complying with Accounting Standards AASB 134 (Interim Financial Reporting), *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
- (2) There are reasonable grounds to believe that the Consolidated Entity will be able to pay its debts as and when they become due and payable.

On behalf of the Board,



John Patton
Chairman



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

28 February 2019

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

We have reviewed the accompanying half-year financial report of Keybridge Capital Limited ("the Company"), which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the end of the half-year.

The Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Keybridge Capital Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Auditor's Independence Declaration

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

Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU



Ian Skelton

Partner

Chartered Accountants

Perth, 28 February 2019

SECURITIES INFORMATION

as at 31 December 2018

SECURITIES ON ISSUE

Class of Security	Quoted on ASX	Unlisted
Fully paid ordinary shares (ASX:KBC)	157,552,806	-
Executive Share Plan shares ³⁹	-	9,000,000
Convertible Redeemable Promissory Notes (ASX:KBCPA) ⁴⁰	4,401,047	-

Note: On 19 February 2019⁴¹, the Company completed a \$3.6 million capital raising via the issue of 3,598,953 new CRPNs at a face value of \$1.00 each to professional/institutional investors. The funds raised will be applied towards the investment capital base of Keybridge. The issue was completed within the placement capacity approved by shareholders at the Company's AGM held on 22 November 2018⁴².

SUBSTANTIAL SHAREHOLDERS

Substantial Shareholder	Registered Shareholder	Number of Shares held	%Voting Power ⁽⁵⁾ (as at 31 December 2018)
Australian Style Group Pty Ltd	Australian Style Group Pty Ltd	33,608,425	22.61% ⁽¹⁾
	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)	HSBC Custody Nominees (Australia) Limited	33,117,623	21.02% ⁽²⁾
Bentley Capital Limited (ASX:BEL)	Bentley Capital Limited	15,850,000	20.12% ⁽³⁾
	Scarborough Equities Pty Ltd	15,850,000	
Orion Equities Limited (ASX:OEQ)	Bentley Capital Limited	15,850,000	20.12% ⁽⁴⁾
	Scarborough Equities Pty Ltd	15,850,000	
Queste Communications Ltd (ASX:QUE)	Bentley Capital Limited	15,850,000	20.12% ⁽⁴⁾
	Scarborough Equities Pty Ltd	15,850,000	

Notes:

- (1) Based on the Change of Substantial Holder Notice lodged by Australian Style Group Pty Ltd dated 24 March 2014 (updated to reflect current registered shareholdings and percentage voting power)
- (2) Based on the Change of Substantial Holder Notice lodged by Wilson Asset Management Group dated 14 May 2018
- (3) Based on the Change of Substantial Holder Notice lodged by BEL dated 23 October 2017 (updated to reflect current percentage voting power)
- (4) Based on the Change of Substantial Holder Notice lodged by QUE and OEQ dated 8 July 2016 (updated to reflect current percentage voting power)
- (5) Movements of less than 1% in voting power are not required to be disclosed to ASX via an updated substantial shareholding notice and accordingly, there may be variances between the shareholdings recorded in the table above and the most recent substantial shareholding notices lodged on ASX. Current registered shareholdings have been disclosed (where applicable).

³⁹ Issued on 10 December 2014 (refer KBC ASX Announcement dated 19 December 2014: Appendix 3B and Further Detail Regarding Issuance of Loan Funded Shares) after receipt of shareholder approval at an annual general meeting held on 28 November 2014 (refer KBC Notice of AGM released on ASX on 30 October 2014 and KBC ASX announcement dated 1 December 2014: Results of AGM)

⁴⁰ Keybridge issued Convertible Redeemable Promissory Notes on 30 June 2015 (refer KBC ASX Announcement dated 18 June 2015: Appendix 3B) after receipt of shareholder approval on 28 November 2014 (refer KBC Notice of AGM released on ASX on 30 October 2014 and KBC ASX announcement dated 1 December 2014: Results of AGM). The notes have a face value of \$1.00, pays interest at 7% pa and matures on 31 July 2020 (unless redeemed or bought-back by Keybridge earlier). Further details are in Note 9 of the financial statements in the 2017 Annual Report and in the CRPN Prospectus (dated 17 June 2015).

⁴¹ Refer KBC ASX Announcements dated 20 February 2019: Completion of \$3.6 Million Fund Raising and 20 February 2019: Appendix 3B New Issue and Quotation

⁴² Refer KBC Notice of AGM dated 18 October 2018 and released on ASX on 23 October 2018

SECURITIES INFORMATION

as at 31 December 2018

DISTRIBUTION OF LISTED CONVERTIBLE REDEEMABLE PROMISSORY NOTES

Spread of Holdings	Number of Holders	Number of Notes	% of Total Issued Notes
1 - 1,000	720	132,696	3.015%
1,001 - 5,000	67	145,317	3.302%
5,001 - 10,000	18	130,430	2.964%
10,001 - 100,000	30	1,017,135	23.111%
100,001 - and over	3	2,975,469	67.608%
TOTAL	838	4,401,047	100.00%

TOP TWENTY LISTED CONVERTIBLE REDEEMABLE PROMISSORY NOTEHOLDERS

Rank	Registered Noteholder	Total Notes Held	% Total Issued Notes
1	J P Morgan Nominees Australia Pty Limited	2,669,360	60.65
2	Marko Nominees Pty Ltd	180,859	4.11
3	PW and VJ Cooper Pty Limited	125,250	2.85
4	Mr Jinxiang Lu	90,000	2.04
5	Nambia Pty Ltd	82,368	1.87
6	Mrs Cuixian Wang	77,000	1.75
7	G Chan Pension Pty Limited	63,810	1.45
8	BNP Paribas Nominees Pty Ltd	61,964	1.41
9	Freshmo Investments Pty Ltd	41,200	0.94
10	Ms Weichen Gu	40,000	0.91
11	Mr Gabriel Berger	40,000	0.91
12	Mr Colin John Vaughan + Mrs Robin Vaughan	35,659	0.81
13	Mr Yee Teck Teo	35,245	0.80
14	Denald Nominees Pty Ltd	33,333	0.76
15	HSBC Custody Nominees (Australia) Limited-GSCO ECA	32,250	0.73
16	Australian Style Holdings Pty Ltd <NFJB Superfund A/C>	31,414	0.71
17	Mr Boris Pogós + Mrs Margot Pogós	30,000	0.68
18	APPWAM Pty Ltd	27,777	0.63
19	Dean Whitestone Pty Limited	27,777	0.63
20	Mr Keith Danby Lucas	27,777	0.63
TOTAL		3,753,043	85.27%

SECURITIES INFORMATION

as at 31 December 2018

DISTRIBUTION OF LISTED ORDINARY SHARES

Spread of Holdings	Number of Holders	Number of Shares	% of Total Issued Capital
1 - 1,000	44	7,668	0.005%
1,001 - 5,000	164	591,146	0.375%
5,001 - 10,000	139	1,086,263	0.689%
10,001 - 100,000	241	8,753,170	5.556%
100,001 - and over	67	147,114,559	93.375%
TOTAL	655	157,552,806	100.00%

UNMARKETABLE PARCELS

Spread of Holdings	Number of Holders	Number of Shares	% of Total Issued Capital
1 - 7,462	269	977,047	0.620
7,462 - and over	386	156,575,759	99.380
TOTAL	655	157,552,806	100.00%

An unmarketable parcel is considered, for the purposes of the above table, to be a shareholding of 7,462 shares or less, being a value of \$500 or less in total, based upon the Company's last sale price on ASX as at 31 December 2018 of \$0.067 per share.

TOP TWENTY LISTED ORDINARY FULLY PAID SHAREHOLDERS

Rank	Registered Shareholder	Shares Held	Total Shares Held	% Issued Capital
1	HSBC Custody Nominees (Australia) Limited	34,314,569		
	HSBC Custody Nominees (Australia) Limited - GSCO ECA	5,625,000		
	Sub-total		39,939,569	25.35
2	Australian Style Group Pty Ltd		33,608,425	21.33
3	Bentley Capital Limited	15,850,000		
	Scarborough Equities Pty Ltd	15,850,000		
	Sub-total		31,700,000	20.12
4	J P Morgan Nominees Australia Limited		6,850,005	4.35
5	Cowoso Capital Pty Ltd		4,694,815	2.98
6	BNP Paribas Nominees Pty Ltd		3,361,976	2.13
7	Mr Nicholas Bolton	1,563,000		
	Mr Nicholas Bolton + Mr John Bolton <NFJB Superfund A/C>	325,000		
	Australian Style Holdings Pty Ltd <NFJB Superfund A/C>	492,100		
	Sub-total		2,380,100	1.51
8	Dean Whitestone Pty Limited		2,000,000	1.27
9	Mr Colin John Vaughan + Mrs Robin Vaughan		1,856,840	1.18
10	Bainpro Nominees Pty Ltd		1,567,263	0.99
11	Denald Nominees Pty Ltd		1,200,000	0.76
12	APPWAM Pty Ltd		1,000,000	0.63
13	Mr Keith Danby Lucas		1,000,000	0.63
14	Trafalgar Street Nominees Pty Ltd		909,091	0.58
15	Tadmaro Pty Limited		860,289	0.55
16	GSK Enterprises Pty Ltd		725,000	0.46
17	Mr Peter Howells		699,287	0.44
18	Mr Yee Teck Teo		604,283	0.38
19	Mrs Janet Backhouse		555,769	0.35
20	Peter Davies Pty Ltd		550,000	0.35
TOTAL			136,062,712	86.34%