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## **HALF YEAR REPORT**

**31 December 2019**

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THIS DOCUMENT SHOULD BE READ IN CONJUNCTION WITH THE  
COMPANY'S 2019 ANNUAL REPORT



ASX Codes: KBC and KBCPA

**Keybridge Capital Limited**

A.B.N. 16 088 267 190

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**CORPORATE DIRECTORY****BOARD OF DIRECTORS**

Nicholas F. J. Bolton	Managing Director
Jeremy M. Kriewaldt	Non-Executive Director
Antony Catalano	Non-Executive Director

**COMPANY SECRETARY**

John D. Patton

**REGISTERED AND PRINCIPAL OFFICE**

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370 St Kilda Road  
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**AUDITORS**

Deloitte Touche Tohmatsu  
Tower 2, Brookfield Place  
123 St Georges Terrace  
Perth, Western Australia 6000  
Telephone: (08) 9365 7000  
Website: [www.deloitte.com.au](http://www.deloitte.com.au)

**STOCK EXCHANGE**

Australian Securities Exchange  
Sydney, New South Wales  
Website: [www.asx.com.au](http://www.asx.com.au)

**ASX CODES**

KBC (Shares)  
KBCPA (Convertible Redeemable Promissory Notes)

**SHARE REGISTRY**

Advanced Share Registry Services  
Main Office  
110 Stirling Highway  
Nedlands, Western Australia 6009  
Local Telephone: 1300 113 258  
Telephone: (08) 9389 8033  
Facsimile: (08) 9262 3723  
Email: [admin@advancedshare.com.au](mailto:admin@advancedshare.com.au)  
Website: [www.advancedshare.com.au](http://www.advancedshare.com.au)

# APPENDIX 4D HALF YEAR REPORT

## 1. Reporting period

<b>Name of Entity</b>	<b>Keybridge Capital Limited</b>
<b>ABN:</b>	16 088 267 190
<b>Report for the half-year ended:</b>	31 December 2019
<b>Previous corresponding reporting periods:</b>	Financial year ended 30 June 2019 Half-year ended 31 December 2018

## 2. Results for announcement to the market

	<b>2019 \$</b>	<b>Percentage increase / (decrease) over corresponding period</b>
Revenues from ordinary activities ( <i>item 2.1</i> )	187,684	(62.2%)
Profit (loss) from ordinary activities after tax attributable to members ( <i>item 2.2</i> )	(2,047,747)	(56.8%)
Net profit (loss) for the period attributable to members ( <i>item 2.3</i> )	(2,047,971)	(58.8%)

Dividends ( <i>item 2.4</i> )	Amount per security	Franked amount per security
Half-year ended 31 December 2019		
Interim dividend – December 2019	0.00¢	N/A
Final dividend – June 2019	0.00¢	N/A
Previous corresponding periods		
Interim dividend – December 2018	0.00¢	N/A
Final dividend – June 2018	0.50¢	100%
Record date for determining entitlements to the December 2019 interim dividend ( <i>item 2.5</i> )	N/A	
Refer to the Directors’ report and financial report for the half-year ended 31 December 2019 for further commentary.		

## 3. Net tangible assets per security (*item 3*)

	<b>Current period</b>	<b>Previous corresponding period</b>
Net tangible asset backing per ordinary security (cents)	5.82¢	7.13¢

# APPENDIX 4D HALF YEAR REPORT

## 4. Details of entities over which control has been gained or lost during the period (*item 4*)

N/A

## 5. Dividends (*item 5*)

	Date of payment	Total amount of dividend
Interim dividend year ending 30 June 2020	N/A	N/A
Final dividend year ended 30 June 2019	N/A	N/A
Interim dividend year ended 30 June 2019	N/A	N/A
Final dividend year ended 30 June 2018	28 September 2018	\$790,402

## Amount per security

	Amount per security	Franked amount per security at % tax	Amount per security of foreign sourced income
Total dividend: Current year (to June 2020)	0.00¢	100%	0.00¢
Previous year (to June 2019)	0.00¢	100%	0.00¢
Previous year (to June 2019)	0.00¢	100%	0.00¢
Previous year (to June 2018)	0.50¢	100%	0.00¢

## Total dividend on all securities

	Current period \$A	Previous corresponding period – \$A
Ordinary securities (each class separately)	0.00	\$790,402
Preference securities (each class separately)	\$275,395	\$154,039
Other equity instruments (each class separately)	0.00	0.00
<b>Total</b>	<b>\$275,395</b>	<b>\$944,441</b>

## 6. Details of dividend or distribution reinvestment plans in operation are described below (*item 6*)

N/A

The last date(s) for receipt of election notices for participation in the dividend or distribution reinvestment plan

N/A

## 7. Details of associates and joint venture entities (*item 7*)

N/A

# APPENDIX 4D HALF YEAR REPORT

## **8. The financial information provided in the Appendix 4D is based on the half-year condensed financial report**

Attached

## **9. Independent review of the financial report (*item 9*)**

The financial report has been independently reviewed. The financial report is subject to a qualified audit review opinion.

## **10. Matter relating to a qualified independent review statement (*item 10*)**

The Group has other assets of \$5,091,162 as at 31 December 2019. As disclosed in Note 7, included in this other assets amount is an item classified as an advance of \$5,000,000. The auditor has been unable to obtain sufficient appropriate audit evidence to determine whether the recoverable amount of the item classified as an advance is at least equal to its carrying value. In addition, the Group has Loans and receivables of \$4,970,915 as at 31 December 2019. As disclosed in Note 8, included in this receivables amount is a long outstanding loan receivable of \$561,816. The auditor has been unable to obtain sufficient appropriate audit evidence to determine whether the receivable will be recoverable by the Group.

# DIRECTORS' REPORT

The Directors present their report together with the condensed financial report of the consolidated entity consisting of Keybridge Capital Limited (**Company** or **KBC**) and its controlled entities (the **Consolidated Entity** or **Keybridge**) for the half-year ended 31 December 2019 (**Balance Date**). This financial report has been prepared in accordance with AASB 134 *Interim Financial Reporting*.

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).

## DIRECTORS & OFFICERS

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

Nicholas Bolton	Chief Executive Officer and Managing Director (appointed 13 October 2019)
Jeremy Kriewaldt	Non-executive Director
Antony Catalano	Non-executive Director (appointed 17 April 2020)
William Johnson	Non-executive Director (retired 17 April 2020)
John Patton	Non-executive Director (retired 21 January 2020)
Richard Dukes	Non-executive Director (retired 21 January 2020)
Simon Cato	Non-executive Director (vacated office 17 January 2020)
Mr Farooq Khan	Alternate Director for Simon Cato (ceased 18 July 2019)

On 13 October 2019, Mr John Patton was appointed as Company Secretary, following the removal of Mr Victor Ho (who had been appointed on 13 October 2016) as Company Secretary.

## REVIEW OF OPERATIONS

The loss of the Consolidated Entity for the half-year after providing for income tax was \$2,047,971 (2018: loss \$1,290,020). Total revenue and other income amounted to \$187,684 (2018: \$496,901). The operating result was impacted by:

- The CRPN liability being revalued to reflect face value (equating to an additional liability of \$400,000 being recognised);
- The Company's investment in Molopo Energy Limited (Molopo) has been further written down from 1.28 cents per share (as at 30 June 2019) to 0.54 cents per share to reflect the reduced net asset backing position of Molopo (resulting in a further impairment of \$367,660 during the half-year period);
- The increased CRPNs on issue resulted in a higher interest expense being incurred (with \$121,356 of additional interest being incurred compared to the half-year period ended 31 December 2018);
- On 11 July 2019, the Company terminated its consultancy arrangement with Queste Communications Limited (ASX:QUE) for the provision of financial accounting services. Notwithstanding this termination, Queste continued to charge the Company \$16,041.66 per month (including GST) for the 6 months ended 31 December 2019. As at 31 December 2019, the Company has not recognised a liability of \$96,249.96 in these half year financial statements for the claims made by Queste, however a contingent liability has been recorded in note 12;
- Legal fees incurred in relation to the Federal Court action brought against the Company by Bentley Capital Limited and Mr William Johnson, resulted in \$230,000 being paid to external legal advisors in relation to the Company's and Mr Patton's legal defence (pursuant to Mr Patton's directors indemnity deed). In addition, Mr William Johnson has made a claim against the Company for a further \$240,000 to cover the costs of his legal expenses in bringing the unsuccessful legal action against the Company and Mr Patton. The Company is still considering Mr Johnson's claim, however no decision has been made as yet. As at 31 December 2019, the Company has not recognised a liability in these half year financial statements for Mr William Johnson's claim, however a contingent liability has been recorded in note 12;
- The Company holds a US domiciled private equity investment that has been previously written down to US\$393,608 (equating to A\$561,815 as at 31 December 2019). Whilst the directors are comfortable with the carrying value of this investment, the valuation is subject to significant judgement; and
- The revaluation of foreign currency assets resulted in a loss of \$211,597 during the half-year period (compared with a gain of \$269,464 for the corresponding half-year period).

# DIRECTORS' REPORT

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

- On 28 May 2019, the Company terminated its consultancy arrangement with Mr Farooq Khan, resulting in the Company saving \$18,333.33 (including GST) per month. Between 26 June 2019 and 18 July 2019, Mr Khan was appointed as an Alternate Director of Mr Simon Cato. On 10 July 2019, Mr Khan sought to change the Chairman of the Company to Mr William Johnson, with Mr Johnson authorising the release of an ASX Announcement on 11 July 2019 (without the approval of the Board). On 16 July 2019, the Company was suspended for trading on ASX, pending the outcome of enquiries regarding the composition of its board (following another ASX announcement released by Mr Johnson without the approval of the Board);
- On 28 June 2019, the Company received an off-market takeover bid intention from WAM Active Limited at an all cash bid price of 7.5 cents per share. This bid intention was subsequently withdrawn on 22 August 2019;
- On 1 July 2019, the Company made an ASX Announcement that it had received a claim from Aurora Corporate Pty Ltd in relation to the sale of Aurora Funds Management Limited in 2016, as a result of the funds that had been misappropriated by its former Chief Financial Officer, Ms Betty Poon, prior to the sale of the business. The Company received this letter of claim from Aurora Corporate Pty Ltd on 25 June 2019;
- On 11 July 2019, the Company received notification from Aurora Funds Management Limited, as the responsible entity for the HHY Fund (ASX: HHY), that the Investment Management Agreement (IMA) was being terminated. On 19 July 2019, the Company was advised that the IMA with HHY had been terminated;
- On 5 August 2019, Bentley Capital Limited called for a meeting to be convened under s. 249F to consider the removal of Mr Patton and Mr Kriewaldt and the re-election of Mr Johnson and Mr Cato;
- On 16 August 2019, Mr Johnson authorised the release of an ASX Announcement (without the approval of the Board) advising of the litigation that had been commenced against Aurora Corporate, with a Writ having been filed in the Supreme Court of Western Australia. In addition, legal representation was engaged (again without the knowledge of the Board), with costs of \$81,495.00 having been expended during the half-year period. On 26 September 2019, the Company advised that the litigation against Aurora Corporate had been transferred from Western Australia to Victoria and Keybridge had been ordered to pay Aurora's costs for the transfer application. In January 2020, the legal representatives appointed by Mr Johnson resigned;
- On 26 August 2019, Australian Style Group Pty Ltd called for a meeting to be convened under s. 249F to consider the removal of Mr Johnson and Mr Cato;
- On 10 September 2019, the Company notified the holders of the Convertible Redeemable Promissory Notes (CRPN) (ASX: KBCPA) that an Event of Default had occurred as a direct consequence of the Company's suspension from the ASX, enabling CRPN holders to request an early redemption. In total, the Company received requests for the early redemption of 6,750,208 CRPN's. On 23 October 2019, the Company advised that it had processed 397,944 CRPN redemption requests that were satisfied by cash payment. On 21 January 2020, the Company announced that it had received a request from HSBC on behalf of WAM group of shareholders that it wished to withdraw its early redemption request pertaining to 1,835,111 CRPN. On 22 January 2020, the Company announced that it had determined to redeem 2,000,000 of the outstanding early redemption CRPN requests for cash plus accrued interest to date. These have now been paid, which reduced the outstanding early redemption CRPN requests to 2,517,153 notes.
- On 26 September 2019, the Company announced that Bentley Capital Limited and Mr William Johnson had commenced proceedings against Company and certain directors, including Mr John Patton and Mr Jeremy Kriewaldt, seeking a declaration that Mr William Johnson had been properly appointed to the role as Chairman on 10 July 2019;
- On 11 October 2019, the Federal Court in Western Australia determined that Mr William Johnson had not been validly appointed as Chairman of Keybridge and as such Mr John Patton was, and always was, the rightful Chairman until his retirement on 21 January 2020;
- On Sunday 13 October 2019, immediately prior to a previously scheduled board meeting, the Company received another off-market takeover bid intention from WAM Active Limited at an all cash bid price of 6.5 cents per share. Mr Victor Ho was terminated as Company Secretary, effective immediately, during the 13 October 2019 board meeting;

# DIRECTORS' REPORT

- On 14 October 2019, the Company held the shareholder meeting called by Australian Style Group Pty Ltd, with none of the proposed resolutions being passed, and the shareholder meeting called by Bentley Capital Limited was adjourned – that meeting was later cancelled after Bentley Capital Limited withdrew its request for the meeting;
- On 6 December 2019, the Takeovers Panel received an application in relation to the activities of WAM Group and Bentley Capital Limited;
- On 13 December 2019, WAM Active withdrew its intention to make an off-market takeover bid at an all cash bid price of 6.9 cents per share. Shortly thereafter, on the same day, WAM Active made another takeover bid at an all cash bid price of 6.5 cents per share;
- On 18 December 2019, the Takeovers Panel declined to conduct proceedings, in part, as it considered certain factors had been superseded by the withdrawal of the WAM Active proposed bid (at 6.9 cents);
- On 8 January 2020, the Company received an off-market takeover bid intention from Aurora Funds Management Limited (Aurora), as responsible entity for the Aurora Dividend Income Trust (ADIT), at an all cash bid price of 6.6 cents per share;
- On 17 February 2020, the Company advised that it had placed 22,000,000 ordinary shares to sophisticated investors at an issue price of 6.9 cents per share, pursuant to a waiver of Listing Rule 7.9 granted by the ASX (Placement);
- On 18 February 2020, WAM Active made an application to the Takeovers Panel (Panel) seeking, amongst other things, that the Placement be cancelled, ADIT's bid be withdrawn, a meeting be held to consider the removal of Mr Bolton and WAM Active's bid to remain open (with no withdrawal rights);
- On 24 February 2020, WAM Active advised that it had increased its takeover bid from 6.5 cents to 6.9 cents per share. The WAM Active takeover bid was due to close on 3 March 2020;
- On 2 March 2020, WAM Active attempted to declare its bid free of all conditions and attempted to extend the closing date of its bid to 3 April 2020;
- On 3 March 2020, Aurora announced that ADIT would increase its takeover bid from 6.6 cents to 7.0 cents per share on the condition that Keybridge shareholders were able to withdraw their acceptances from the WAM Active takeover bid;
- On 5 March 2020, Aurora released ADIT's first supplementary Bidder's Statement;
- On 6 March 2020, Aurora despatched ADIT's initial Bidder's Statement to Keybridge shareholders;
- On 30 March 2020, Aurora released ADIT's second supplementary Bidder's Statement;
- On 6 April 2020, the ADIT bid closed in accordance with its Bidder's Statement;
- On 7 April 2020, the Panel declared that the WAM Active bid had closed on 3 March 2020 subject to defeating conditions. As such, any acceptances into the WAM Active bid were declared void, as to was the proposed extension to 3 April 2020. The Panel also declared that the ADIT bid had not provided Keybridge shareholders with sufficient information and that accepting shareholders should be afforded the opportunity to withdraw from the ADIT bid;
- On 9 April 2020, Aurora in its capacity as responsible entity for ADIT, HHY Fund and the Aurora Fortitude Absolute Return Fund (AFARF), lodged a Review Application with the Panel;
- On 17 April 2020, Mr Antony Catalano was appointed as a director of the Company and the Company also held a General Meeting to consider the removal of all of its other directors, resulting in Mr William Johnson being removed as director of the Company;
- On 28 April 2020, WAM Active announced a further unconditional takeover bid at 6.9 cents per share.

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) and Yowie Group Ltd (ASX:YOW).

## MATTERS SUBSEQUENT TO YEAR END

In March 2020, the World Health Organisation declared the outbreak of a novel coronavirus ('COVID-19') as a pandemic, which continues to spread throughout the world. The spread of COVID-19 has caused significant volatility in local and global markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well its impact on local and international



# DIRECTORS' REPORT

economies. The Company cannot reasonably estimate the length or severity of this pandemic, but management currently anticipates that the COVID-19 situation may have an impact on the carrying value of investment holdings subsequent to half-year end. The financial statements do not include any adjustments as a result of this.

As a result of the global economic effects arising from the outbreak of COVID-19 there has been significant volatility in local and global equity markets subsequent to the year-end. This has adversely impacted the market value of the listed investments in our investment portfolio as set out in note 6 post 31 December 2019. As at 5th May 2020, the market value of the managed funds has decreased by 24%. At the date of this report it is expected that this volatility will continue for the foreseeable future and continue to have an impact on the value of the portfolio. The financial effects of the change in market value have not been recognised in the financial statements for the year ended 31 December 2019.

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

## ROUNDING OF AMOUNTS

In accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, the amounts in the directors' report and the financial report have been rounded to the nearest thousand dollars.

## AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 in relation to the review of the half-year is provided with this report.

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

  
Jeremy Kriewaldt

Director

8 May 2020

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

8 May 2020

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 2019, 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**



**Ian Skelton**  
Partner  
Chartered Accountants

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME for the half year ended 31 December 2019

	Note	31 Dec 19	31 Dec 18
<b>Revenue</b>	<b>3</b>	<b>\$</b>	<b>\$</b>
Fees		-	29,071
<b>Total revenue</b>		<b>-</b>	<b>29,071</b>
<b>Other Income</b>	<b>3</b>		
Interest revenue		157,046	226,970
Dividend revenue		30,315	1,816
Other income		323	239,044
<b>Total Revenue and Other Income</b>		<b>187,684</b>	<b>496,901</b>
<b>Other gains and losses:</b>			
Net gain /(loss) on financial assets at fair value through profit or loss	3	(1,493,699)	(946,947)
Impairment expense	3	(407,197)	(20,141)
Excess of net assets over cost on acquisition		-	242,797
Net gain/(loss) on derivative liabilities	3	(400,000)	35,208
Gain on revaluation of foreign currency assets		(211,597)	269,464
Share of Associate entity's profit/(loss)	5	1,506,778	(270,837)
<b>Expenses</b>			
Personnel expenses		(381,267)	(241,363)
Corporate expenses		(424,776)	(513,410)
Administration expenses		(141,716)	(148,515)
Other expenses		(6,561)	(54,904)
<b>Results from operating activities</b>		<b>(1,772,351)</b>	<b>(1,151,747)</b>
Finance expenses		(275,395)	(154,037)
<b>Loss before Income Tax</b>		<b>(2,047,747)</b>	<b>(1,305,784)</b>
Income tax benefit/(expense)		-	-
<b>Loss after income tax for the half year</b>		<b>(2,047,747)</b>	<b>(1,305,784)</b>
<b>Other Comprehensive Income</b>			
Foreign currency translation reserve		(224)	15,764
<b>Total Comprehensive Income/(Loss) for the half year</b>		<b>(2,047,971)</b>	<b>(1,290,020)</b>
<b>Basic and diluted loss per share (cents) attributable to the ordinary equity holders of the Company</b>		<b>(1.30)</b>	<b>(0.82)</b>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## as at 31 December 2019

	Note	31 Dec 19 \$	30 Jun 19 \$
<b>Current Assets</b>			
Cash and cash equivalents		3,207,516	1,549,219
Financial assets at fair value through profit or loss	6	3,764,515	7,056,672
Other assets	7	5,091,162	5,171,756
Receivables		435,581	377,036
<b>Total Current Assets</b>		<b>12,498,774</b>	<b>14,154,683</b>
<b>Non-Current Assets</b>			
Loans and receivables	8	4,970,915	5,022,517
Investment in Associate entity	5	-	1,302,483
Deferred tax asset		142,956	142,579
<b>Total Non-Current Assets</b>		<b>5,113,871</b>	<b>6,467,579</b>
<b>Total Assets</b>		<b>17,612,645</b>	<b>20,622,262</b>
<b>Current Liabilities</b>			
Payables		714,603	1,678,682
Financial liabilities at fair value through profit or loss	6	7,602,056	-
<b>Total Current Liabilities</b>		<b>8,316,659</b>	<b>1,678,682</b>
<b>Non-Current Liabilities</b>			
Financial liabilities at fair value through profit or loss		-	7,600,000
Deferred tax liability		142,956	142,579
<b>Total Non-Current Liabilities</b>		<b>142,956</b>	<b>7,742,579</b>
<b>Total Liabilities</b>		<b>8,459,615</b>	<b>9,421,261</b>
<b>Net Assets</b>		<b>9,153,030</b>	<b>11,201,001</b>
<b>Equity</b>			
Issued capital		253,577,894	253,577,894
Reserves		1,355,758	1,355,982
Accumulated losses		(245,780,622)	(243,732,875)
<b>Total Equity</b>		<b>9,153,030</b>	<b>11,201,001</b>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the half year ended 31 December 2019

	Issued Capital \$	Share -based payments \$	Profit reserve \$	Foreign currency translation \$	Accumulated losses \$	Total \$
<b>Balance at 1 Jul 2018</b>	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)
Foreign currency reserve	-	-	-	15,764	-	15,764
<b>Total comprehensive income for the half year</b>	-	-	-	15,764	(1,305,784)	(1,290,020)
<b>Transactions with owners in their capacity as owners:</b>						
Share buy-backs	(34,296)	-	-	-	-	(34,296)
Dividends paid	-	-	(790,402)	-	-	(790,402)
<b>Balance at 31 Dec 2018</b>	253,603,428	321,600	1,024,993	13,207	(241,430,129)	13,533,099
<b>Balance at 1 Jul 2019</b>	253,577,894	321,600	1,024,993	9,389	(243,732,875)	11,201,001
Loss for the half year	-	-	-	-	(2,047,747)	(2,047,747)
Foreign currency reserve	-	-	-	(224)	-	(224)
<b>Total comprehensive income for the half year</b>	-	-	-	(224)	(2,047,747)	(2,047,971)
<b>Transactions with owners in their capacity as owners:</b>						
<b>Balance at 31 Dec 2019</b>	253,577,894	321,600	1,024,993	9,165	(245,780,622)	9,153,030

# CONSOLIDATED STATEMENT OF CASH FLOWS

	31 Dec 19 \$	31 Dec 18 \$
<b>Cash Flows from Operating Activities</b>		
Interest received	6,065	8,753
Other income received	323	136,030
Payments to suppliers and employees	(1,947,263)	(1,089,799)
CRPN Interest payments	(275,395)	(154,037)
<b>Net Cash used in Operating Activities</b>	<b>(2,216,271)</b>	<b>(1,099,053)</b>
<b>Cash Flows from Investing Activities</b>		
Proceeds from sale of financial assets at fair value through profit or loss	5,523,143	231,283
Payments for financial assets at fair value through profit or loss	(1,271,935)	(273,934)
Payments for loans and receivables advanced	(255,000)	(1,491,800)
Proceeds from repayments of loans and receivables	42,021	1,060,031
Dividends received	30,315	14,800
Return of capital received	342,558	17,426
Purchase of shares in Associate entity	-	(227)
<b>Net Cash provided by/(used in) Investing Activities</b>	<b>4,411,101</b>	<b>(442,421)</b>
<b>Cash Flows from Financing Activities</b>		
CRPN redemption	(397,944)	-
Share buy-backs	-	(34,296)
Dividends paid	-	(790,401)
Repayment of loans and borrowings	-	242,797
<b>Net Cash used in Financing Activities</b>	<b>(397,944)</b>	<b>(581,900)</b>
<b>Net increase/(decrease) in cash held</b>	<b>1,796,886</b>	<b>(2,123,374)</b>
Cash and cash equivalents at beginning of financial year	1,549,219	5,007,980
Effect of exchange rate fluctuations on cash held	(138,589)	42,492
<b>Cash and Cash Equivalents at the end of financial half year</b>	<b>3,207,516</b>	<b>2,927,098</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## for the half year ended 31 December 2019

### NOTE 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 2019 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 2019. The Keybridge 2019 Annual Report is available upon request and may be downloaded from the Company's website: [www.keybridge.com.au](http://www.keybridge.com.au) or the ASX website ([www.asx.com.au](http://www.asx.com.au)).

In consideration of the impact of COVID-19 pandemic, a going concern assessment has been considered as at the date of signing the financial report as required by AASB 110 "Events After the Reporting Period". It has been determined that as at this date the Company continues to be a going concern and, therefore, it continues to be appropriate to prepare the financial report of Keybridge Capital Limited on the going concern basis in accordance with AASB 101 "Presentation of Financial Statements". We are not aware of a material uncertainty arising from COVID-19 that casts significant doubt on the ability of the Company to continue as a going concern and may impact the future carrying value of assets as set out in the Subsequent Events notes in these accounts.

The interim financial report has been prepared on the basis of a going concern. The Company had a closing cash position of \$3,207,516 and financial liabilities of \$7,602,056 in relation to the maturity of the CRPNs. The Company's ability to continue as a going concern is contingent on the sale of assets, the introduction of new debt/equity and/or converting the CRPN obligations (in part of full) to ordinary equity, with conversion being at the Company's election.

The condensed interim financial statements were authorised for issue by the directors of the Company as at the date of this report.

#### 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 2019 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 2019.

**Amendments to Accounting Standards and new Interpretations that are mandatorily effective for the**

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## for the half year ended 31 December 2019

### 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 16 Leases.
- AASB 2017-6 Amendments to Australian Accounting Standards – Prepayment Features with Negative Compensation
- AASB 2017-7 Amendments to Australian Accounting Standards – Long-term Interests in Associates and Joint Ventures
- AASB 2018-1 Amendments to Australian Accounting Standards – Annual Improvements Cycle 2015-2017 Cycle
- AASB 2018-2 Amendments to Australian Accounting Standards — Plan Amendment, Curtailment or Settlement [AASB 119]
- AASB 2018-3 Amendments to Australian Accounting Standards — Reduced Disclosure Requirements
- Interpretation 23 Uncertainty over Income Tax Treatments

### 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 2019.

## NOTE 2: SUBSEQUENT EVENTS

On 8 January 2020, Aurora Funds Management Limited (Aurora), in its capacity as the responsible entity for the Aurora Dividend Income Trust (ADIT), announced its intention to make a takeover bid for the Company at 6.6 cents per share.

On 17 January 2020, Mr Cato ceased to be a director of the Company as a direct consequence of his actions in failing to attend any meetings of directors for 3 consecutive months, since 16 October 2019, without requesting any leave of absence during this time. Accordingly, pursuant to clause 8.2(d) of the Company's constitution, Mr Cato automatically vacated office.

Whilst Mr Cato initially accepted the position that he had vacated office due to his absence, thereby relinquishing his role as director, the Company has subsequently received a letter from Mr Cato's lawyers indicating that this position is being challenged. Since that time, Mr Cato voluntarily repaid \$5,000 of his board fees to the Company.

On 21 January 2020, the Company announced that it had received a request from HSBC on behalf of WAM group of shareholders that it wished to withdraw its early redemption request pertaining to 1,835,111 CPRN. On 22 January 2020, the Company announced that it had determined to redeem 2,000,000 of the outstanding early redemption CRPN requests for cash plus accrued interest to date. As this was paid shortly thereafter, the balance of the outstanding early redemption CRPN requests were reduced to 2,517,153 notes.

On 21 January 2020, the Company resumed its Annual General Meeting (AGM) that had previously been adjourned on 29 November 2019. At the resumed AGM, more than 25% of shareholders voted against remuneration report so the Company received a "second strike" (with the "first strike" being received at the 2018 AGM). As such, the Company convened a "spill" meeting on 17 April 2020.

On 17 February 2020, pursuant to a waiver granted by the ASX under Listing Rule 7.9, the Company placed 22,000,000 shares to sophisticated investors at an issue price of 6.9 cents per share, raising \$1.518 million. As previously announced, the Company intends to apply these funds towards the repayment of the outstanding CRPN early redemption request, of which, approximately \$2.5 million currently remains outstanding.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## for the half year ended 31 December 2019

On 18 February 2020, Keybridge received a notice by mail from WAM Active requesting the Company call a meeting under s249D to consider the removal of Mr Bolton as a director of the Company.

On 18 February 2020, WAM Active made an application to the Takeovers Panel seeking orders, amongst other things that include:

- Cancelling the placement referred to above;
- Causing Keybridge to hold the meeting referred to above and the Board "Spill" meeting required under s250V be held as soon as possible rather than under the timeframe required under the Act;
- Causing ADIT to withdraw its 6.6c takeover for Keybridge unless it validates its funding source; and
- Allow WAM Active to not be required to accept withdrawal of acceptances.

On 24 February 2020, WAM Active advised it had increased its takeover bid consideration from 6.5 cents to 6.9 cents per share, with all conditions being dropped, other than the prescribed occurrences as defined in clause 10.7(c) of the WAM Active Bidder's Statement released on 3 January 2020.

On 2 March 2020, WAM Active attempted to declare its bid free of all conditions and attempted to extend the closing date of its bid to 3 April 2020;

On 3 March 2020, Aurora announced that ADIT would increase its takeover bid from 6.6 cents to 7.0 cents per share on the condition that Keybridge shareholders were able to withdraw their acceptances from the WAM Active takeover bid;

On 5 March 2020, Aurora released ADIT's first supplementary Bidder's Statement;

On 6 March 2020, Aurora despatched ADIT's initial Bidder's Statement to Keybridge shareholders;

On 30 March 2020, Aurora released ADIT's second supplementary Bidder's Statement;

On 6 April 2020, the ADIT bid closed in accordance with its Bidder's Statement;

On 7 April 2020, the Panel declared that the WAM Active bid had closed on 3 March 2020 subject to defeating conditions. As such, any acceptances into the WAM Active bid were declared void, as to was the proposed extension to 3 April 2020. The Panel also declared that the ADIT bid had not provided Keybridge shareholders with sufficient information and that accepting shareholders should be afforded the opportunity to withdraw from the ADIT bid;

On 9 April 2020, Aurora in its capacity as responsible entity for ADIT, HHY Fund and the Aurora Fortitude Absolute Return Fund (AFARF), lodged a Review Application with the Panel;

On 17 April 2020, Mr Antony Catalano was appointed as a director of the Company and the Company also held a General Meeting to consider the removal of all of its other directors, resulting in Mr William Johnson being removed as director of the Company. Mr Catalano has provided the guarantee referred to in note 7 of these financial statements.

On 28 April 2020, WAM Active announced a further unconditional takeover bid at 6.9 cents per share.

### COVID-19 Pandemic

In March 2020, the World Health Organisation declared the outbreak of a novel coronavirus ('COVID-19') as a pandemic, which continues to spread throughout the world. The spread of COVID-19 has caused significant volatility in local and global markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well its impact on local and international economies. The Company cannot reasonably estimate the length or severity of this pandemic, but management currently anticipates that the COVID-19 situation may have an impact on the carrying value of investment holdings subsequent to half-year end. The financial statements do not include any adjustments as a result of this.

As a result of the global economic effects arising from the outbreak of COVID-19 there has been significant volatility in local and global equity markets subsequent to the year-end. This has adversely impacted the market value of the listed investments in our investment portfolio as set out in note 6 post 31 December 2019. As at 5th May 2020, the market value of the managed funds has decreased by 24%. At the date of this report it is expected that this volatility will continue for the foreseeable future and continue to have an impact on the value of the portfolio. The financial effects of the change in market value have not been recognised in the financial statements for the year ended 31 December 2019.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## for the half year ended 31 December 2019

### NOTE 3: REVENUE AND INCOME

	31 Dec 19	31 Dec 18
The consolidated loss before income tax includes the following items of revenue:	\$	\$
<b>Revenue</b>		
Fees		
Investment management fees	-	29,071
	<u>-</u>	<u>29,071</u>
<b>Other income</b>		
Interest revenue	157,046	226,970
Dividend revenue	30,315	1,816
Other income		
Litigation settlement	-	-
Unit trust distributions	-	-
Other income	323	239,044
<b>Total Revenue and Other Income</b>	<u><b>187,684</b></u>	<u><b>496,901</b></u>
<b>Other gains and losses</b>		
Realised gain on sale of financial assets at fair value through profit or loss	596,279	149,913
Unrealised loss on financial assets at fair value through profit or loss	(2,089,977)	(1,096,860)
Net gain /(loss) on financial assets at fair value through profit or loss	(1,493,699)	(946,947)
Reversal of impairment of loans and receivables	-	-
Impairment of loans and receivables	(407,197)	(20,141)
Impairment of Associate entity	-	-
Excess of net assets over cost on acquisition	-	242,797
Net gain on derivative liabilities	(400,000)	35,208
Gain on revaluation of foreign currency assets	(211,597)	269,464
Share of Associate entity's profit/(loss)	1,506,778	(270,837)
	<u><b>(1,005,715)</b></u>	<u><b>(690,456)</b></u>
	<u><b>(818,031)</b></u>	<u><b>(193,555)</b></u>

### NOTE 4: SEGMENT INFORMATION

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; and
- Debt investments comprise loans advanced, debts secured via assignment and investments in debt instruments with exposure to a number of different sectors.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## for the half year ended 31 December 2019

### NOTE 4: SEGMENT INFORMATION (cont)

31 Dec 19	Investments			
	Equity	Debt	Corporate	Total
Segment profit and loss	\$	\$	\$	\$
Revenue and income	204,079	(112,208)	(605,210)	(513,339)
Expenses	(3,000)	(49,711)	(1,206,302)	(1,259,012)
<b>Results from operating activities</b>	201,079	(161,919)	(1,811,512)	(1,772,351)
Finance expenses	-	-	(275,395)	(275,395)
<b>Profit/(Loss) before Income Tax</b>	201,079	(161,919)	(2,086,907)	(2,047,747)
Income tax expense	-	-	-	-
<b>Profit/(Loss) for the half year</b>	201,079	(161,919)	(2,086,907)	(2,047,747)
Segment assets	4,310,398	5,484,052	7,818,194	17,612,645
Segment liabilities	-	-	(8,459,615)	(8,459,615)
<b>Net assets</b>	4,310,398	5,484,052	(641,421)	9,153,030
<b>31 Dec 18</b>				
<b>Segment profit and loss</b>				
Revenue and income	(1,218,505)	607,839	417,111	(193,555)
Expenses	(147,352)	(107,263)	(703,577)	(958,192)
<b>Results from operating activities</b>	(1,365,857)	500,576	(286,466)	(1,151,747)
Finance expenses	-	-	(154,037)	(154,037)
<b>Profit/(Loss) before Income Tax</b>	(1,365,857)	500,576	(440,503)	(1,305,784)
Income tax expense	-	-	-	-
<b>Profit/(Loss) for the half year</b>	(1,365,857)	500,576	(440,503)	(1,305,784)
<b>30-Jun-19</b>				
Segment assets	8,551,483	5,301,238	6,769,541	20,622,262
Segment liabilities	(1,370,800)	-	(8,050,461)	(9,421,261)
<b>Net assets</b>	7,180,683	5,301,238	(1,280,920)	11,201,001

### NOTE 5: INVESTMENT IN ASSOCIATE ENTITY

Associate entity incorporated in Australia:	Ownership Interest		31 Dec 19	30 Jun 19
	31 Dec 19	30 Jun 19	\$	\$
HHY Fund (ASX:HHY)	31.10%	31.10%	-	1,302,483

On 18 July 2019, Aurora Funds Management Limited terminated the Company's Investment Management Agreement in relation to HHY Fund (ASX:HHY). As a consequence, despite the Company having a greater than 20% interest in HHY, it is no longer regarded as an Associated Entity.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## for the half year ended 31 December 2019

### NOTE 5: INVESTMENT IN ASSOCIATE ENTITY (cont)

	31 Dec 19	30 Jun 19
<b>Reconciliation of carrying amount:</b>	\$	\$
Opening balance	1,302,483	2,081,631
Purchase of additional units	-	4,304
Classification of units to Financial assets at fair value through profit or loss	(2,809,261)	
Share of Associate entity's net loss after tax	-	(783,452)
Reversal of prior Share of Associate entity's net loss after tax	1,506,778	-
<b>Carrying amount of investment in Associate Entity</b>	<b>-</b>	<b>1,302,483</b>
Fair value (at market price on ASX) of investment in Associate entity	-	1,986,611
Net tangible asset backing value of investment in Associate entity	-	2,109,831
<b>Summarised statement of profit or loss and other comprehensive income</b>		
Revenue	-	778
Expenses	-	(2,561,387)
<b>Loss from continuing operations before income tax</b>	<b>-</b>	<b>(2,560,609)</b>
<b>Summarised statement of financial position</b>		
Total assets	-	4,325,863
Total liabilities	-	(65,622)
<b>Net assets</b>	<b>-</b>	<b>4,260,241</b>

### NOTE 6: FINANCIAL ASSETS & LIABILITIES AT FAIR VALUE THROUGH P&L

	31 Dec 19	30 Jun 19
<b>Financial assets at fair value through profit or loss</b>	\$	\$
Shares in listed investments	3,440,195	6,938,207
Unlisted investments at fair value	104,275	103,777
Futures derivatives at fair value	220,045	14,688
	<b>3,764,515</b>	<b>7,056,672</b>
<b>Financial liabilities at fair value through profit or loss</b>		
Convertible redeemable promissory notes (CRPN)	<b>7,602,056</b>	<b>7,600,000</b>
<b>Movement in CRPN</b>		
<b>Opening balance</b>	<b>7,600,000</b>	<b>4,053,364</b>
Issue/(Redemption) of CRPN	(397,944)	3,598,953
Unrealised loss/(gain) on revaluation	400,000	(52,317)
<b>Closing balance</b>	<b>7,602,056</b>	<b>7,600,000</b>

Futures derivatives comprise exchange traded index futures contracts.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## for the half year ended 31 December 2019

### NOTE 6: FINANCIAL ASSETS & LIABILITIES AT FAIR VALUE THROUGH P&L (cont)

#### 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;
- 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.

On 10 September 2019, the Company notified the holders of the Convertible Redeemable Promissory Notes (CRPN) (ASX: KBCPA) that an Event of Default had occurred as a direct consequence of the Company's suspension from the ASX, enabling CRPN holders to request an early redemption. In total, the Company received requests for the early redemption of 6,750,208 CPRN's. On 23 October 2019, the Company advised that it had processed 397,944 CRPN redemption requests that were satisfied by cash payment. On 21 January 2020, the Company announced that it had received a request from HSBC on behalf of WAM group of shareholders that it wished to withdraw its early redemption request pertaining to 1,835,111 CPRN. On 22 January 2020, the Company announced that it had determined to redeem 2,000,000 of the outstanding early redemption CRPN requests for cash plus accrued interest to date. These have now been paid, which reduced the outstanding early redemption CRPN requests to 2,517,153 notes. The Company is able to satisfy the redemption requests from the sale of assets, the introduction of new debt/equity and/or converting the CRPN obligations (in part of full) to ordinary equity

#### 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## for the half year ended 31 December 2019

### NOTE 6: FINANCIAL ASSETS & LIABILITIES AT FAIR VALUE THROUGH P&L (cont)

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

As at the (31 December 2019) balance date, Keybridge has adopted a carrying value of \$0.0054 per MPO share (30 June 2019: \$0.0128 per MPO share) – which has resulted in a \$0.367 million provision for impairment expense being recognised for the financial half year.

The \$0.0054 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:

- (a) MPO's gross cash position of A\$10.698 million as at 31 December 2019 (per MPO's Quarterly Cashflow Report for the quarter ending 31 December 2019);
- (b) MPO's C\$8.4 million (A\$9.354 million, at an exchange rate of A\$1.00 : C\$0.8980 as at 31 December 2019) 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.

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.

### NOTE 7: OTHER ASSETS

	31 Dec 19	30 Jun 19
	\$	\$
Deposit for Potential Transaction	5,000,000	5,000,000
- pending completion or refund		
Prepayment	69,064	110,789
GST receivable	22,098	33,243
Other assets	-	27,724
	<u>5,091,162</u>	<u>5,171,756</u>

#### Deposit for Potential Transaction (pending completion or refund)

On or about 28 June 2019, the Company subscribed for \$5 million of units in a Unit Trust (Unit Trust) (which was established by the Company on or about 28 June 2019 with the Company being the sole unit holder/beneficiary).

On 30 June 2019, the Trustee of the Unit Trust, which is a company, completed the acquisition of a 16.67% shareholding in an operating company, in consideration of payment of \$5 million to the vendor of the business operations.

Subject to the details below, the Unit Trust is entitled to receive this 16.67% shareholding as the Unit Trust's \$5 million funds (from the Company's subscription into the Unit Trust) was used by the Trustee to complete the acquisition of the shareholding, as agreed by the directors of the Company.

However, the Trustee has not yet vested the 16.67% shareholding to the Unit Trust. That is, whilst the Trustee is the registered holder of a 16.67% shareholding in the investee company, it has not acknowledged that it holds this shareholding as Trustee of the Unit Trust as that was not included in the original agreement for the deposit.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## for the half year ended 31 December 2019

### NOTE 7: OTHER ASSETS (cont)

The Trustee has advised that the vesting of the shares in satisfaction for the money forwarded is dependent on the consent/agreement of the other shareholders of the investee company. If their consent/agreement is not ultimately forthcoming, the Trustee has undertaken to transfer \$5 million cash into the Unit Trust in lieu of the 16.67% equity interest.

The Company is in discussions with the shareholders of the investee company to find a mutually acceptable position vis a vis the Company's investment (via the Unit Trust) in the investee company.

The sole Director of the Trustee has entered into a Deed of Guarantee and Indemnity (dated 31 July 2019) to, amongst other matters, unconditional and irrevocably guarantee to the Company the due and punctual performance and observance by the Trustee of their obligations to the Company (as the beneficiary of the Unit Trust), including the payment of any monies payable by the Trustee and (if required by the Company) the repayment of any monies advanced to the Trustee by the Company (including the \$5 million subscription

#### Critical accounting judgement and estimate

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

### NOTE 8: LOANS AND RECEIVABLES

	31 Dec 19			30 Jun 19		
	Gross value	Impairment	Total	Gross value	Impairment	Total
Non-current	\$	\$	\$	\$	\$	\$
Private equity	6,557,238	(5,995,422)	561,816	6,556,677	(5,995,422)	561,255
Property	4,288,735	(3,453,279)	835,456	4,288,735	(3,303,735)	985,000
Insurance	3,547,905	-	3,547,905	3,377,947	-	3,377,947
Other	1,812,785	(1,787,048)	25,737	1,627,710	(1,529,395)	98,315
	<u>16,206,663</u>	<u>(11,235,749)</u>	<u>4,970,915</u>	<u>15,851,069</u>	<u>(10,828,552)</u>	<u>5,022,517</u>

**(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.

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 2017. This was advised in Keybridge's ASX announcement dated 25 August 2017: Update – Private Equity Loan Receivable.

The Board has maintained the carrying value of the Note (receivable) at US\$0.394 million (A\$0.561 million) as at balance date.

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## for the half year ended 31 December 2019

**(b) Loan Receivables – Property:** Keybridge has registered mortgages over strata title lots as security for loans to private companies (which are in liquidation). As at balance sheet date, the loan was carried at \$0.835m (30 June 2019: \$0.985m) (based on the Directors' judgement).

**(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\$3.694m (A\$3.548m) (30 June 2019: NZ\$3.57m and A\$3.397m).

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.

### NOTE 9: ISSUANCES OF EQUITY

There were no issuances of equity during the half-year periods ended 31 December 2019 and 31 December 2018. On 17 February 2020, pursuant to a waiver granted by the ASX under Listing Rule 7.9, the Company placed 22,000,000 shares to sophisticated investors at an issue price of 6.9 cents per share, raising \$1.518 million.

### NOTE 10: DIVIDENDS ON ORDINARY SHARES

There have been no dividends paid or declared during the half-year periods ended 31 December 2019 and 31 December 2018.

### NOTE 11: RELATED PARTY TRANSACTIONS

#### (a) Transactions with Directors

- (i) During the half-year, the Company received invoices totalling \$96,249.96 (including GST) (2018: \$96,249.96) from Queste Communications Limited (ASX:QUE) (Queste) for the provision of accounting services, despite the Company having terminated this contract on 11 July 2019. The Company's former Alternate Director, Mr Farooq Khan (who ceased as an alternate director for Mr Simon Cato on 18 July 2019), and its former Company Secretary, Mr Victor Ho (who ceased to be Company Secretary on 13 October 2019), are both directors of Queste. The Company has not recognised a liability for the amounts claimed by Queste in these half-year financial statements, however has recorded a contingent liability of \$96,249.96 in note 12.
- (ii) On 26 September 2019, the Company announced that Bentley Capital Limited and Mr William Johnson had commenced proceedings against Company and certain directors, including Mr John Patton and Mr Jeremy Kriewaldt, seeking a declaration that Mr William Johnson was properly appointed to the role as Chairman on 10 July 2019. On 11 October 2019, the Federal Court in Western Australia determined that Mr William Johnson had not been validly appointed as Chairman of Keybridge. In relation to this matter, the Company paid \$230,000 to the external lawyers and counsel retained by Mr Patton under his Director's Deed.
- (iii) In relation to the Federal Court of Western Australia matter referred to in the previous paragraph, Mr William Johnson has also made a claim against the Company for a further \$240,000 to cover the costs of his legal expenses in bringing the unsuccessful legal action against the Company. The Company has sought, but not yet received, further information on this claim from Mr William Johnson, and as such no decision on the merits of this claim has been made as yet. As at 31 December 2019, the Company has not recognised a liability in these half-year financial statements for Mr William Johnson's claim, however a contingent liability has been recorded in note 12.
- (iv) During the half-year, the Company's Non-Executive Director, Jeremy Kriewaldt received \$8,800 (2018: Nil) from the Company pursuant to legal services rendered by Jeremy Kriewaldt Lawyers. Mr Kriewaldt's engagement was approved by the Board (excluding Mr Kriewaldt) and were on usual terms consistent with those offered to other clients.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## for the half year ended 31 December 2019

- (v) During the half year, the Company advanced \$25,000 to the CEO's external legal advisors in connection with evidence provided by him in relation to the Molopo Energy Limited Judicial Review. As previously advised, in prior periods the Company advanced \$440,000 as loan funds in respect of Nicholas Bolton's legal costs incurred in circumstances where Mr Bolton's Director's Deed with the Company provides a procedure for the advancement of monies in this regard. Mr Bolton previously served as a Director between 30 December 2011 and 9 October 2012, between 2 January 2013 and 17 December 2015 (as Executive Director from 22 February 2013 and as Managing Director from March 2014) and from 13 October 2019. As at 31 December 2019, \$440,000 (2018: \$440,000) 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). The relevant proceeding had not yet been decided as at 31 December 2019.

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

- (vi) On 28 November 2014, shareholders approved the Company's Executive Share Plan (ESP). On 19 December 2014, the Company issued 9 million ESP shares to Nicholas Bolton (who was the Managing Director at the time) with the initial cost (\$1,678,500) funded by an ESP loan granted to Mr Bolton (ESP Loan).

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

Without prejudice to each party's rights under the terms of the ESP Loan, pursuant to an amendment (dated 27 May 2019) to Mr Bolton's employment agreement, Mr Bolton agreed to pay \$42,020.51 to the Company each quarter (commencing on 30 September 2019 and ending on 30 June 2021) towards reducing the \$336,164 interest component of Mr Bolton's ESP Loan. The parties have also agreed that Mr Bolton is entitled to assert his rights in relation to the matter and if the matter is resolved in favour of Mr Bolton (subject to compliance with the Corporations Act and ASX Listing Rules) and Mr Bolton has paid quarterly amounts in excess of what the Company was entitled to receive, the Company will repay Mr Bolton with interest calculated at 6.45% pa.

### (b) Other Matters

- (i) During the half-year, the Company paid \$9,536.71 (excluding GST) to Advanced Share Registry Limited (ASX:ASW) for share registry services provided (post their appointment on 3 September 2018). The Company's Non-Executive Director, Simon Cato (who ceased to be a director on 17 January 2020), is the Non-Executive Chairman of Advanced Share Registry. Mr Cato was not involved in the Board's decision to appoint Advanced Share Registry and was not involved in the review and payment of fees and charges rendered by Advanced Share Registry to the Company.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## for the half year ended 31 December 2019

### NOTE 12: CONTINGENT LIABILITIES

As announced on 21 November 2019, the Company has received a claim by Mr William Johnson for indemnity for the action he unsuccessfully brought against the Company in the Federal Court of WA. The claim amounts to \$240,000, to cover the legal costs incurred by Bentley Capital Limited and William Johnson, and the Company has not yet determined if he is eligible to claim this amount under the Company's director's indemnity.

During the half-year period, the Company has received monthly invoices totalling \$96,249.96 (including GST) from Queste Communications Limited (ASX:QUE) (Queste) for the provision of accounting services, despite the Company having terminated this contract on 11 July 2019. The Company has not recorded a liability in these half-year financial statements as the directors are of the view that there is no basis for this claim.

As previously announced during the half-year period, the Company has received a claim from Aurora Corporate Pty Ltd in relation to the sale of Aurora Funds Management Limited in 2016, as a result of the funds that had been misappropriated by its former Chief Financial Officer, Ms Betty Poon, prior to the sale of the business. The total amount claimed by Aurora Corporate is \$1,522,446.81. It is proposed that the Company will enter into discussions with Aurora Corporate with a view to resolving this matter, and the directors believe it is probable that this will not result in a material cash outflow for the Company.

### NOTE 13: ECONOMIC ENTITY DETAILS

The registered office of the Company is:

Keybridge Capital Limited  
Suite 614, Level 6  
370 St Kilda Road  
Melbourne VIC 3004

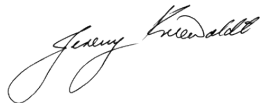
# DIRECTORS' DECLARATION

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 2019 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,



Jeremy Kriewaldt  
Director

8 May 2020

# **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 2019, 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.

## *Basis for Qualified Conclusion*

The consolidated entity has other assets of \$5,091,162 as at 31 December 2019. As disclosed in Note 7, included in this other assets amount is an item classified as an advance of \$5,000,000. We have been unable to sight a written agreement and as a result we have been unable to obtain sufficient appropriate evidence in respect of this advance to enable us to determine the nature of the asset to be acquired and whether it will be recoverable by the consolidated entity. Accordingly, we have been unable to determine whether the recoverable amount of the item classified as an advance is at least equal to its carrying value. In the event that the carrying value of the item classified as an advance exceeds its recoverable amount, it would be necessary for the carrying value to be written down to its recoverable amount.

The consolidated entity has Loans and receivables of \$4,970,915 as at 31 December 2019. As disclosed in Note 8, included in this receivables amount is a long outstanding loan receivable of \$561,816. We have been unable to obtain sufficient appropriate evidence to determine whether the loan receivable will be recoverable by the consolidated entity. Accordingly, we have been unable to determine whether the recoverable amount of the loan receivable is at least equal to its carrying value. In the event that the carrying value of this loan receivable exceeds its recoverable amount, it would be necessary for the carrying value to be written down to its recoverable amount.

## *Qualified Conclusion*

Based on our review, which is not an audit, except for the effects of the matters described in the Basis for Qualified Conclusion section of our report, 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 2019 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**



**Ian Skelton**

Partner

Chartered Accountants

Perth, 8 May 2020

# SECURITIES INFORMATION

## as at 31 December 2019

### SECURITIES ON ISSUE

Class of Security	Quoted on ASX	Unlisted
Fully paid ordinary shares (ASX:KBC)	157,552,806	-
Executive Share Plan shares <sup>1</sup>	-	9,000,000
Convertible Redeemable Promissory Notes (ASX:KBCPA) <sup>2</sup>	7,602,056	-

**Note:** On 22 January 2020, the Company announced that it had determined to redeem 2,000,000 of the outstanding early redemption CRPN requests for cash plus accrued interest to date. These have now been paid, which reduced the outstanding early redemption CRPN requests to 2,517,153 notes. On 17 February 2020, pursuant to a waiver granted by the ASX under Listing Rule 7.9, the Company placed 22,000,000 shares to sophisticated investors at an issue price of 6.9 cents per share, raising \$1.518 million. As previously announced, the Company intends to apply these funds towards the repayment of the outstanding CRPN early redemption request, of which, approximately \$2.5 million currently remains outstanding.

<sup>1</sup> 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)

<sup>2</sup> 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). On 17 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 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). On 23 October 2019, the Company advised that it had processed 397,944 early CRPN redemption requests that were satisfied by cash payment. Further details are in the 2019 Annual Report and in the CRPN Prospectus (dated 17 June 2015).