

ASX MARKET ANNOUNCEMENT

Tuesday, 24 January 2017

ASX Codes : KBC; KBCPA

NET ASSET BACKING – DECEMBER 2016

Keybridge Capital Limited (ASX:KBC) gives notice that its unaudited after-tax Net Asset Backing as at 31 December 2016 was \$0.1937 per share.

Net Asset Backing

Net Asset Backing for Period Ending:	% Change	Current Month 31 December 2016	Previous Month 30 November 2016
Pre-Tax Net Asset Backing per share	-1.2%	\$0.1937	\$0.1962
Post-Tax Net Asset Backing per share	-1.2%	\$0.1937	\$0.1962
Based on total issued (listed) share capital ⁽¹⁾		158,812,237	158,812,237

Net Assets

	Current Month 31 December 2016		Previous Month 30 November 2016	
	\$'million	% of Net Assets	\$'million	% of Net Assets
Cash	2.2	7.1%	0.8	2.5%
Investment in Associated entity ⁽²⁾	2.8	9.0%	2.8	8.9%
Other Listed Securities	12.6	41.0%	13.1	42.2%
Managed Funds	0.3	0.9%	2.0	6.5%
Loan Receivables:				
• Private Equity ⁽³⁾	6.9	22.5%	6.7	21.5%
• Infrastructure ⁽⁴⁾	6.1	19.7%	5.9	18.9%
• Insurance ⁽⁵⁾	3.1	10.2%	3.4	10.9%
• Property ⁽⁶⁾	0.9	2.9%	0.9	2.8%
Other Assets	0.8	2.4%	0.7	2.2%
Convertible Redeemable Promissory Notes (ASX: KBCPA) ⁽⁷⁾	(4.3)	(13.8%)	(4.3)	(13.7%)
Provision for tax	-	-	-	-
Other Liabilities	(0.6)	(1.9%)	(0.8)	(2.7%)
Net Assets	30.8	100%	31.2	100%

Currency Exposure

% of Net Assets	Current Month 31 December 2016	Previous Month 30 November 2016
Australian Dollars	46%	48%
Euros	21%	20%
US Dollars	22%	21%
New Zealand Dollars	11%	11%

Major Holdings

Security	ASX Code	Industry Sector	Current Month 31 December 2016		Previous Month 30 November 2016	
			Value \$'million	% of Net Assets	Value \$'million	% of Net Assets
Molopo Energy Limited	MPO	Energy	7.2	23%	7.9	25%
PTB Group Limited	PTB	Capital goods	3.8	12%	3.6	12%
HHY Fund	HHY	Financials	2.8	9%	2.8	9%
Metgasco Limited	MEL	Energy	1.1	3%	1.1	4%
Copper Strike Limited	CSE	Materials	0.4	1%	0.4	1%
Other managed funds	-	-	0.3	1%	2.0	6%
Other listed securities	-	-	0.1	<1%	0.1	<1%

FOR FURTHER INFORMATION:

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

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

NOTES:

- (1) Net Asset Backing per share is based on Keybridge's total listed shares on issue and excludes unlisted shares issued under the Company's Executive Share Plan (for further details, refer KBC's [Notice of AGM](#) released on ASX on 30 October 2014 and KBC's ASX announcement dated 19 December 2014: [Appendix 3B and Further Detail Regarding Issuance of Loan Funded Shares](#)).

- (2) **Investment in Associated entity:** Keybridge's investment in [HHY Fund](#) (ASX:HHY), an Associated Entity (i.e. in which the Company has a [greater than 20% interest](#)), is accounted for under the equity method in the consolidated financial statements. Under the equity method, the carrying amount of such investment is cost plus a share of the Associate Entity's net profit or loss (after tax) as provided to the Company by such Associated Entity (refer Note 3a(iv) (Significant Accounting Policies - Basis of Consolidation - Investments in equity-accounted investees) at page 37 of the Company's [2016 Annual Report](#)).

As at month end, Keybridge's 22,646,973 units (25.49% interest) (30 November 2016: 22,646,973 units and 24.89%) in HHY have a carrying value of \$0.123 per unit (\$2.785m); this compares with HHY's last bid price on ASX of \$0.12 per unit (\$2.718m) and HHY's after-tax net asset backing of \$0.1226 per unit (\$2.776m) at month end.

- (3) **Loan Receivables - Private Equity:** Keybridge has 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 secured (via collateral pledged) over RPE Investor's ~50% interest in the Republic Private Equity I Limited Liability Partnership, a private equity fund (managed by a related party to RPC) with investments in two active US based manufacturing/distribution businesses (**RPE Fund**). The principal and accrued interest (at 14.5% pa) under the note is repayable on maturity on 29 December 2017 (which is subject to extension/re-finance by mutual agreement of the parties).

As at month end, the loan was carried at Directors' valuation (net of impairments) of US\$5.01m (A\$6.92m) (30 June 2016: US\$5.01m (A\$6.74m)) against the accrued face value of ~US\$7.45m (~A\$10.29m) (30 June 2016: ~US\$6.92m (~A\$9.32m)) – this compares with the US\$5.41m value of the security interest being 50% of RPE Fund's (unaudited) net assets of US\$10.83m (based on the fund's latest available 30 September 2016 Quarterly Report) (30 June 2016: US\$29.99m security value based on 50% of the RPE Fund's (unaudited) net assets of US\$59.98m (based on the fund's then latest available 31 March 2016 Quarterly Report)). The decline in the RPE Fund's value was attributable to the full impairment of the investment and loan receivable in respect of a manufacturing/metal recycling business which ceased operations in September 2016. The RPE Fund is unlikely to extract any material value from this investment due to the size of the business' debt (which ranks senior to the fund's loan) vis a vis the estimated realisable enterprise value of the remaining assets. The carrying value of this loan will be reviewed by the Directors as part of the 31 December 2016 half-year auditor review process.

- (4) **Loan Receivables – Infrastructure:** Keybridge has financed the development and construction of the Totana 1.05MWp Solar Photovoltaic Park in the Murcia region in southern Spain (at a cost of ~€9.6m in 2008). Under Spanish [Royal Decree](#), Spanish energy supplier, [Iberdrola](#), (which has a 25 year (plus two 5 year extensions) purchase off-take arrangement) is required to purchase all electricity produced by Totana at Government mandated feed-in tariff prices plus (since [July 2013 under Royal Decree](#)) additional compensation payments (which are intended to provide a reasonable return on operations and capital invested for renewable energy sources and is subject to review every 3 years). The loan (which currently accrues interest at 7.25% pa) is repayable on maturity on or about December 2038. During the financial year to month end, Keybridge has received €0.215m (A\$0.319m) in cash loan repayments.

As at month end, the loan was carried at Directors' valuation (net of impairments) of €4.17m (A\$6.07m) (30 June 2016: €4.23m (A\$6.32m)) against the accrued face value of ~€8.25m (~A\$12m) (30 June 2016: ~€8.31m (~A\$12.40m)). The carrying value of this loan will be reviewed by the Directors as part of the 31 December 2016 half-year auditor review process.

- (5) **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 10 years (May 2024) or by Foundation (from time to time). Keybridge received a NZ\$0.109m equity (A\$0.105m) return of capital distribution in March 2015, which reduced the carrying value of the equity component to nil. During the financial year to month end, Keybridge has received NZ\$0.289m (A\$0.275m) interest and NZ\$24k (A\$23k) redemption proceeds from Foundation. As at month end, the loan balance is NZ\$3.253m (A\$3.128m) (30 June 2016: NZ\$3.426m and A\$3.279m). The carrying value of this loan will be reviewed by the Directors as part of the 31 December 2016 half-year auditor review process.

- (6) **Loan Receivables – Property:** Keybridge has registered mortgages over strata title lots comprising Conference Facilities at a Hotel located in a beachside suburb in north Sydney as security for loans to private companies (which are in liquidation). As at month end, the loan was carried at Directors' valuation (net of impairments) of A\$0.885m (30 June 2016: A\$0.885m) against the face value of ~A\$1.2m (30 June 2016: ~A\$1.2m) – this was based on an independent valuation received in respect of the lots in May 2016. The carrying value of the loan will be reviewed by the Directors as part of the 31 December 2016 half-year auditor review process.

- (7) **Convertible Redeemable Promissory Notes** (ASX: KBCPA): Keybridge issued 4,956,936 listed Convertible Redeemable Promissory Notes on [30 June 2015](#). The notes have a face value of \$1.00, pays interest at 7% pa and matures on 31 July 2020 (unless redeemed or bought-back by Keybridge earlier). Interest distributions are generally payable quarterly and have a franking credit component under Australian taxation law. Further details are contained in the [Prospectus dated 17 June 2015](#). As at month end, 4,401,047 notes are on issue (30 June 2016: 4,401,047 notes).