



HALF YEAR REPORT

31 December 2020

THIS DOCUMENT SHOULD BE READ IN CONJUNCTION WITH THE
COMPANY'S 2020 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 Chairman
Antony Catalano	Non-Executive Director

COMPANY SECRETARY

John D. Patton

REGISTERED AND PRINCIPAL OFFICE

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AUDITORS

William Buck Audit (Vic) Pty Ltd
Level 20
181 William Street
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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

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APPENDIX 4D HALF YEAR REPORT

1. Report for the half year ended 31 December 2020

Name of Entity	Keybridge Capital Limited
ABN:	16 088 267 190
Report for the half-year ended:	31 December 2020
Previous corresponding reporting periods:	Financial year ended 30 June 2020 Half-year ended 31 December 2019

2. Results for announcement to the market

	31 Dec 2020 \$	Percentage increase / (decrease) over corresponding period
Revenues from ordinary activities (<i>item 2.1</i>)	298,188	58.88%
Profit (loss) from ordinary activities after tax attributable to members (<i>item 2.2</i>)	2,388,983	216.66%
Net profit (loss) for the period attributable to members (<i>item 2.3</i>)	2,405,986	217.48%

Dividends (<i>item 2.4</i>)	Amount per security	Franked amount per security
Half-year ended 31 December 2020		
Interim dividend – December 2020	0.00¢	N/A
Final dividend – June 2020	0.00¢	N/A
Previous corresponding periods		
Interim dividend – December 2019	0.00¢	N/A
Final dividend – June 2019	0.00¢	N/A
Record date for determining entitlements to the December 2020 interim dividend (<i>item 2.5</i>)	N/A	
Refer to the Directors’ report and financial report for the half-year ended 31 December 2020 for further commentary.		

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

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security (cents)	6.40¢	5.82¢

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 2021	N/A	N/A
Final dividend year ended 30 June 2020	N/A	N/A
Interim dividend year ended 30 June 2020	N/A	N/A
Final dividend year ended 30 June 2019	N/A	N/A

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 2021)	0.00¢	100%	0.00¢
Previous year (to June 2020)	0.00¢	100%	0.00¢
Previous year (to June 2020)	0.00¢	100%	0.00¢
Previous year (to June 2019)	0.00¢	100%	0.00¢

Total dividend on all securities

	Current period \$A	Previous corresponding period – \$A
Ordinary securities (each class separately)	0.00	0.00
Preference securities (each class separately)	\$44,195	\$275,395
Other equity instruments (each class separately)	0.00	0.00
Total	\$44,195	\$275,395

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 subject to independent review by the auditors, William Buck.

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

N/A

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 2020 (**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
Jeremy Kriewaldt	Non-executive Chairman
Antony Catalano	Non-executive Director

Mr John Patton is the Company Secretary.

REVIEW OF OPERATIONS

The profit of the Consolidated Entity for the half-year after providing for income tax was \$2,405,986 (2019: loss \$2,047,971). Total revenue and other income amounted to \$298,188 (2019: \$187,684). The operating result was impacted by:

- The Company generated investment gains of \$3.7m primarily from its listed share portfolio. The Company made notable gains from a number of listed investments it entered during the year;
- The Company's investment in Molopo Energy Limited (Molopo) has been further written down from 0.42 cents per share (as at 30 June 2020) to 0.00 cents per share to reflect the reduced net asset backing position of Molopo (resulting in a further unrealised loss of \$0.2m during the half-year period);
- The Company redeemed 5,433,034 CRPNs during the half year period, resulting in the number of CRPNs on issue falling from 5,602,056 (as at 30 June 2020) to 169,022, with the interest expense being significantly reduced compared to the half-year period ended 31 December 2019);

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

- On 29 June 2020, the Company announced its intention to make a scrip bid for RNY Property Trust. The Company currently has a relevant interest of 23% in RNY and the bid has been extended so that it is now due to close on 31 March 2021;
- On 27 July 2020, the Company announced the return of the \$5 million deposit for a potential transaction which was received on 24 July 2020;
- On 14 September 2020, the 6.9 cent cash takeover bid by WAM Active, dated 28 April 2020, closed with total acceptances being less than 50%;
- On 30 November 2020, Mr Bolton was appointed as a director of Yowie Group Ltd and Mr Patton was appointed as a director of Yowie on 5 February 2021;
- On 11 December 2020, the suspension of trading in the securities of the Company was lifted by the ASX; and
- On 29 December 2020, the Company announced that it was not successful in its application against WAM Active whereby it had sought to clarify the status of a block of the Company's shares held by WAM Active (Processed Shares) and costs were awarded against it..

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), Metgasco Ltd (ASX: MEL); Molopo Energy Limited (ASX:MPO) and Yowie Group Ltd (ASX:YOW).

DIRECTORS' REPORT

EFFECTS OF COVID-19 ON THE COMPANY

In March 2020, the World Health Organisation declared the outbreak of a novel coronavirus ('COVID-19') as a pandemic, which continues to spread 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 as 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.

MATTERS SUBSEQUENT TO YEAR END

On 20 January 2021, the Company's shareholders approved the appointment of William Buck Audit (Vic) Pty Ltd to the role as auditors of the Company, replacing Deloitte Touche Tomatsu.

On 18 February 2021, the Company announced that its takeover bid RNY has been extended so that it is now due to close on 31 March 2021.

The Company has sought leave to lodge an appeal in relation to the WAM Active Supreme Court decision.

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
Chairman

30 March 2021

**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS
OF KEYBRIDGE CAPITAL LIMITED AND ITS CONTROLLED ENTITIES**

I declare that, to the best of my knowledge and belief during the half-year ended 31 December 2020 there have been:

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



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



J. C. Luckins
Director

Melbourne, 30th day of March 2021

ACCOUNTANTS & ADVISORS

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME for the half year ended 31 December 2020

	Note	31 Dec 2020 \$	31 Dec 2019 \$
Income			
Interest revenue		151,710	157,046
Dividend revenue		36,904	30,315
Other income		109,574	323
Total income		298,188	187,684
Other gains and losses			
Net gain /(loss) on financial assets at fair value through profit or loss		3,712,355	(1,493,699)
Impairment expense		(197,450)	(407,197)
Net gain/(loss) on revaluation of convertible redeemable promissory note		-	(400,000)
Gain/(loss) on revaluation of foreign currency assets		(68,604)	(211,597)
Share of associate entity's profit/(loss)		-	1,506,778
Expenses			
Personnel expenses		(297,925)	(381,267)
Corporate expenses		(903,015)	(424,776)
Administration expenses		(110,371)	(148,277)
Results from operating activities		2,433,178	(1,772,351)
Finance expenses		(44,195)	(275,395)
Profit/(loss) before income tax		2,388,983	(2,047,747)
Income tax benefit/(expense)		-	-
Profit/(loss) after income tax for the year		2,388,983	(2,047,747)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation reserve		17,003	(224)
Total comprehensive income/(loss) for the year		2,405,986	(2,047,971)
Basic and diluted earnings/(loss) per share (cents) attributable to the ordinary equity holders of the company		1.22	(1.30)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

for the half year ended 31 December 2020

	Note	31 Dec 2020 \$	30 Jun 2020 \$
Current Assets			
Cash and cash equivalents		1,713,568	456,648
Financial assets at fair value through profit or loss	4	6,472,535	2,851,183
Other assets	5	88,173	5,088,128
Receivables		45,268	1,529,313
Total Current Assets		8,319,544	9,925,272
Non-Current Assets			
Financial assets at fair value through profit or loss	4	1,261,436	1,329,028
Loans and receivables	6	4,345,736	4,396,421
Property, plant and equipment		3,236	-
Total Non-Current Assets		5,610,408	5,725,449
Total Assets		13,929,952	15,650,721
Current Liabilities			
Payables		985,675	765,623
Annual Leave Provision		47,158	32,913
Financial liabilities at fair value through profit or loss	4	169,022	5,602,056
Total Current Liabilities		1,201,855	6,400,592
Non-Current Liabilities			
Long Service Leave Provision		74,766	71,628
Total Non-Current Liabilities		74,766	71,628
Total Liabilities		1,276,621	6,472,220
Net Assets		12,653,331	9,178,501
Equity			
Issued capital		256,374,763	255,305,919
Reserves		1,470,810	1,453,807
Accumulated losses		(245,192,242)	(247,581,225)
Total Equity		12,653,331	9,178,501

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the half year ended 31 December 2020

	Issued capital	Share -based payments	Profits reserve	Foreign currency translation	Accumulated losses	Total
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2019	253,577,894	321,600	1,024,993	9,389	(243,732,875)	11,201,001
Profit/(Loss) for the year	-	-	-	-	(3,848,350)	(3,848,350)
Foreign currency reserve	-	-	-	97,825	-	97,825
Total comprehensive income for the year	-	-	-	97,825	(3,848,350)	(3,750,525)
Transactions with owners in their capacity as owners:						
Shares issued/(buy-backs)	1,728,025	-	-	-	-	1,728,025
Balance at 30 June 2020	255,305,919	321,600	1,024,993	107,214	(247,581,225)	9,178,501
Balance at 1 July 2020	255,305,919	321,600	1,024,993	107,214	(247,581,225)	9,178,501
Profit/(Loss) for the year	-	-	-	-	2,388,983	2,388,983
Foreign currency reserve	-	-	-	17,003	-	17,003
Total comprehensive income for the year	-	-	-	17,003	2,388,983	2,405,986
Transactions with owners in their capacity as owners:						
Shares issued	1,068,844	-	-	-	-	1,068,844
Balance at 31 December 2020	256,374,763	321,600	1,024,993	124,217	(245,192,242)	12,653,331

CONSOLIDATED STATEMENT OF CASH FLOWS

for the half year ended 31 December 2020

	31 Dec 2020	31 Dec 2019
	\$	\$
Cash Flows from Operating Activities		
Interest received	151,710	6,065
Other income received	210,067	323
Receipt of Government Grants	104,800	-
Payments to suppliers and employees	(1,073,921)	(1,947,262)
Net Cash used in Operating Activities	(607,344)	(1,940,876)
Cash Flows from Investing Activities		
Proceeds from sale of financial assets at fair value through profit or loss	2,847,205	5,523,143
Payments for financial assets at fair value through profit or loss	(2,302,644)	(1,271,935)
Payments for loans and receivables advanced	-	(255,000)
Proceeds from repayments of loans and receivables advanced	5,000,000	42,021
Payments for plant and equipment	(3,236)	-
Receipt of deferred consideration from sale of asset	327,279	-
Dividends received	36,904	30,315
Return of capital received	951,473	342,558
Net Cash provided by/(used in) Investing Activities	6,856,981	4,411,101
Cash Flows from Financing Activities		
Convertible redeemable promissory notes interest payments	(44,195)	(275,395)
Convertible redeemable promissory notes redemption	(4,858,384)	(397,944)
Net Cash used in Financing Activities	(4,902,579)	(673,339)
Net increase/(decrease) in cash held	1,347,058	1,796,886
Cash and cash equivalents at beginning of financial year	456,648	1,549,219
Effect of exchange rate fluctuations on cash held	(90,138)	(138,589)
Cash and Cash Equivalents at the end of financial half year	1,713,568	3,207,516

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the half year ended 31 December 2020

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 2020 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 2020. The Keybridge 2020 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).

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 has a closing cash position of \$1,713,568 and financial liabilities of \$169,022 in relation to the maturity of the CRPNs.

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'.

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 2020 to the date of this report.

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

The company has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. None of these Accounting Standards and Interpretations had a material effect.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the half year ended 31 December 2020

NOTE 1: BASIS OF PREPARATION (cont)

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 2020.

NOTE 2: SUBSEQUENT EVENTS

On 18 February 2021, the Company extended its takeover bid for RNY Property Trust which is now due to close on 31 March 2021.

On 20 January 2021, shareholders approved the appointment of William Buck Audit (Vic) Pty Ltd to the role as auditors of the Company, replacing Deloitte Touche Tomatsu.

The Company has sought leave to lodge an appeal in relation to the WAM Active Supreme Court decision.

NOTE 3: SEGMENT INFORMATION

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

- (a) Equity Investments comprise investments in listed and unlisted equities with exposure to various sectors from time to time; and
- (b) Debt investments comprise loans advanced, debts secured via assignment and investments in debt instruments with exposure to a number of different sectors.

	Investments			
	Equity	Debt	Corporate	Total
	\$	\$	\$	\$
31 Dec 2020				
Segment profit and loss				
Revenue and income	3,707,538	(41,889)	78,840	3,744,489
Expenses	(626,496)	(206,195)	(478,620)	(1,311,311)
Results from operating activities	3,081,042	(248,084)	(399,780)	2,433,178
Finance expenses	-	-	(44,195)	(44,195)
Profit/(Loss) before Income Tax	3,081,042	(248,084)	(443,975)	2,388,983
Income tax expense	-	-	-	-
Profit/(Loss) for the year	3,081,042	(248,084)	(443,975)	2,388,983
Segment assets	7,938,197	4,361,908	1,629,847	13,929,952
Segment liabilities	(250,000)	-	(1,026,621)	(1,276,621)
	7,688,197	4,361,908	603,226	12,653,331
31 Dec 2019				
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)
Results from operating activities	201,079	(161,919)	(1,811,512)	(1,772,351)
Finance expenses	-	-	(275,395)	(275,395)
Profit/(Loss) before Income Tax	201,079	(161,919)	(2,086,907)	(2,047,747)
Income tax expense	-	-	-	-
Profit/(Loss) for the year	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)
Net assets	4,310,398	5,484,052	(641,421)	9,153,030

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the half year ended 31 December 2020

NOTE 4: FINANCIAL ASSETS & LIABILITIES AT FAIR VALUE THROUGH P&L

	31 Dec 20	30 Jun 20
	\$	\$
Financial assets at fair value through profit or loss		
Current		
Shares in listed investments	4,464,308	2,263,968
Unlisted investments at fair value	265,400	283,049
Futures derivatives at fair value	1,742,827	304,166
	6,472,535	2,851,183
Non-Current		
Shares in listed investments	1,261,436	1,329,028
Financial liabilities at fair value through profit or loss		
Convertible redeemable promissory notes (CRPN)	(169,022)	(5,602,056)
Movement in CRPN		
Opening balance	5,602,056	7,600,000
Issue/(Redemption) of CRPN	(5,433,034)	(2,397,944)
Unrealised loss/(gain) on revaluation	-	400,000
Closing balance	169,022	5,602,056

Futures derivatives comprise exchange traded index futures contracts.

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

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

Level 1 – valued at a quoted market price

Level 2 – a valuation technique based upon market observable inputs

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

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
31 December 2020				
Financial assets at fair value through profit or loss				
Shares in listed investments	4,502,556	-	-	4,502,556
Unlisted investments at fair value	-	-	265,400	265,400
Futures derivatives at fair value	-	122,895	-	122,895
Restricted cash	-	1,620,132	-	1,620,132
Total financial assets	4,502,556	1,742,827	265,400	6,510,783
Financial liabilities at fair value through profit or loss				
Convertible redeemable promissory notes	169,022	-	-	169,022
Total financial liabilities	169,022	-	-	169,022

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the half year ended 31 December 2020

NOTE 4: FINANCIAL ASSETS & LIABILITIES AT FAIR VALUE THROUGH P&L (cont)

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

	Listed investments \$	Unlisted Investments \$	Total \$
As at 1 July 2020	266,902	283,049	549,951
Total fair value gains and losses in profit or loss	(266,902)	(17,649)	(284,551)
Purchases	-	-	-
Sales	-	-	-
As at 31 December 2020	-	265,400	265,400

Valuation techniques used to measure Level 3 fair values:	discounted cash flow method
Significant unobservable inputs:	long term growth rate of subsequent years discount rate
Sensitivity of the input to fair value:	3% increase/decrease in the growth rate would result in an increase/decrease in fair value by \$11,370

The following table provides quantitative information regarding the significant unobservable inputs, the ranges of those inputs and the relationships of unobservable inputs to the fair value measurement:

Significant Unobservable Inputs Used	Range of Unobservable Inputs Used	Estimated Sensitivity of Fair Value Measurement to Changes in Unobservable Inputs
Anticipated annual growth rate	4.8% - 5.5%	If expected annual growth rate is 1% higher/lower, the fair value would increase/decrease by \$3,754
Discount rate	9.4% - 13%	If discount rate is 0.1% higher/lower, the fair value would decrease/increase by \$2,837

Convertible redeemable promissory notes (CRPN)

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

- face value of \$1.00 each with maturity that has been extended to 31 July 2021;
- fixed interest rate of 7% per annum general payable in arrears on 20 March, 20 June, 20 September and 20 December each year;
- regarded as an 'equity interest' under Australian tax law with interest payments regarded as 'non-share dividends';
- interest payments are fully franked (where possible) or grossed up with additional cash payments to compensate for any unfranked component and 'qualified' Australian resident holders will have access to franking credits in this regard;
- ranks ahead of ordinary shares with preferential right to payment of distributions and capital on winding up;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the half year ended 31 December 2020

NOTE 4: FINANCIAL ASSETS & LIABILITIES AT FAIR VALUE THROUGH P&L (cont)

- 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 2020) balance date, Keybridge has adopted a carrying value of \$0.00 per MPO share (30 June 2020: \$0.042 per MPO share) – which has resulted in an unrealised loss of \$0.2 million being recognised for the financial half year.

The \$0.00 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\$8.368 million as at 31 December 2020 (per MPO's Quarterly Cashflow Report for the quarter ending 31 December 2020);
- MPO's C\$8.4 million (A\$8.57 million, at an exchange rate of A\$1.00 : C\$0.98007 as at 31 December 2020) 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, 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 5: OTHER ASSETS

	31 Dec 20	30 Jun 20
	\$	\$
Deposit for Potential Transaction	-	5,000,000
- pending completion or refund		
Prepayment	39,703	48,214
GST receivable	48,470	39,914
	<u>88,173</u>	<u>5,088,128</u>

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the half year ended 31 December 2020

NOTE 6: LOANS AND RECEIVABLES

	31 Dec 20			30 Jun 20		
	Gross value	Impairment	Total	Gross value	Impairment	Total
Non-current	\$	\$	\$	\$	\$	\$
Private equity	6,547,158	(6,547,158)	-	6,568,944	(6,368,944)	200,000
Property	4,288,735	(3,453,279)	835,456	4,288,735	(3,453,279)	835,456
Insurance	3,510,280	-	3,510,280	3,346,251	-	3,346,251
Other	1,557,785	(1,557,785)	-	1,557,785	(1,543,071)	14,714
	<u>15,903,958</u>	<u>(11,558,222)</u>	<u>4,345,736</u>	<u>15,761,715</u>	<u>(11,365,294)</u>	<u>4,396,421</u>

Loans and receivables are financial assets at amortised cost.

(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 reduced the carrying value of the Note (receivable) at A\$0.200 million as at 30 June 2020 (based on the Directors' judgement) and has determined to adopt the same carrying value as at 31 December 2020.

(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 \$0.835 million (31 December 2020: \$0.835 million) (based on the Directors' judgement).

(c) Loan Receivables – Insurance: Keybridge invested NZ\$3.8 million (A\$3.4 million) (via NZ\$0.109 million 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 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\$3.744 million (A\$3.510 million) (31 December 2020: NZ\$3.57 million and A\$3.548 million).

The Consolidated Entity has assessed whether these loans/receivables are credit-impaired using the three-stage model general approach under AASB 9 Financial Instruments and has determined there is no significant increase in credit risk since initial recognition and that no loss allowance should be recognised for expected credit loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the half year ended 31 December 2020

NOTE 7: ISSUANCES OF EQUITY

During the half-year period ended 31 December 2020, 8,288,835 shares were issued to parties whose CRPNs were converted to ordinary shares in the Company. In addition, 7,162,236 ordinary shares were issued by the Company in relation to acceptances received under the takeover bid for RNY Property Trust.

There were no other issuances of equity during the half-year periods ended 31 December 2020 and 31 December 2019.

NOTE 8: DIVIDENDS ON ORDINARY SHARES

There have been no dividends paid or declared during the half-year periods ended 31 December 2020 and 31 December 2019.

NOTE 9: RELATED PARTY TRANSACTIONS

(a) Transactions with Directors

- (i) During the half-year, the Company's Non-Executive Chairman, Jeremy Kriewaldt received \$nil (2019: \$8,800) from the Company pursuant to legal services rendered by Jeremy Kriewaldt Lawyers. Mr Kriewaldt's engagement was approved by the Board (excluding Mr Kriewaldt) and were on usual terms consistent with those offered to other clients.
- (ii) As previously advised, in prior periods, 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. In addition, 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 2020.

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.

- (iii) 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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the half year ended 31 December 2020

NOTE 9: RELATED PARTY TRANSACTIONS (cont)

(a) Transactions with Directors (cont)

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.

On 16 April 2020, the Company sold 3 million ESP shares on behalf of Mr Bolton, with the Company receiving \$210,000 which was allocated against the Executive Share Plan Loan.

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.

NOTE 10: CONTINGENCIES

- (i) **Foundation Life:** As set out in the Company's annual report for the year ended 30 June 2020, the Company notes that the Foundation Group's reported net asset position (net of the loan notes) is significantly higher than the value ascribed to the Company's 10.13% interest in Foundation Trust (which owns 100% of FLNZ Holdings/FLNZ).

Further, Foundation Life has advised policyholders that, subject to obtaining the necessary approvals, it may seek to restructure its insurance policies whereby policyholders will have the option to (a) transfer coverage to a new insurer with no further premium payments; (b) receive a cash payment in lieu of further cover.

However, the Company notes that there is no assurance that Foundation Life's restructure will proceed.

- (ii) **William Johnson Legal Claim:** As announced on 21 November 2019, the Company 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.

- (iii) **Queste Communication Invoices:** 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.

- (iv) **Aurora Corporate Claims:** 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the half year ended 31 December 2020

NOTE 10: CONTINGENCIES (cont)

- (v) **PR Finance Group Claims:** In June 2019, the Company commenced proceedings in the Supreme Court of Victoria against PR Finance Group Limited (in Liquidation) (PRFG) and caused a simultaneous action to be taken against the former PRFG directors by the company's liquidator, for total damages exceeding \$5 million.

Keybridge alleges in its claim, amongst other things, that at the time of the scheme, the directors were aware that PRFG was non-compliant with the National Consumer Credit Laws (NCCL) and accordingly breached its representations and warranties to Keybridge, with damages being suffered by Keybridge as a result.

NOTE 11: PARENT 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 2020 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
Chairman

30 March 2021

Keybridge Capital Limited

Independent auditor's review report

Report on the Review of the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Keybridge Capital Limited (the Company) and the entities it controlled at the half-year's end or from time to time during the half year (the consolidated entity), which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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 2020 and of its performance for the half year ended on that date; and
- b. complying with Australian Accounting Standard 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with *ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Other Matter

The financial report of the company for the year ended 30 June 2020 was audited by another auditor who expressed an unmodified opinion on the financial report on 30 October 2020.

Responsibility of Management for the 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

ACCOUNTANTS & ADVISORS

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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 Responsibilities for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether 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 Company's financial position as at 31 December 2020 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*.

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.



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



J.C. Luckins
Director

Melbourne, 30th day of March, 2021

SECURITIES INFORMATION

as at 31 December 2020

SECURITIES ON ISSUE

Class of Security	Quoted on ASX	Unlisted
Fully paid ordinary shares (ASX:KBC)	197,587,557	-
Executive Share Plan shares ¹	-	6,000,000
Convertible Redeemable Promissory Notes (ASX:KBCPA) ²	169,022	-

1 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)

2 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).