

27 February 2015

Half Year Results

- **Net profit after tax of \$731,000**
 - **Fully franked interim dividend declared of 0.25 cents**
 - **\$1.48 million of investment realisations from difficult assets**
 - **Audited Net Tangible Assets of 23.5 cents per share at 31 December 2014**
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During the half year to 31 December 2014, Keybridge Capital:

- Focused on its program to continue realising assets and achieved a \$1.48 million repayment from its Lending portfolio.
- Completed a NZD3.8 million investment in Foundation Life, to assist in its acquisition of Tower Limited's residual life insurance business. The business manages a large portfolio of life funds with long term duration.
- Entered into a conditional agreement to invest EUR10 million into an Italian-listed fibre optic provider. Subsequently, the agreement conditions failed to be met.
- Acquired a strategic 6% stake in Molopo Energy Limited ("Molopo"). Antony Sormann, Keybridge's Executive Director, has been appointed as a Non-Executive Director to the Molopo Board as Keybridge's representative.
- Announced that it had entered into an agreement with Aurora Funds Limited to acquire its funds management business for \$4.3 million, subject to adjustment for any net cash or liabilities to be assigned as at the date of completion. The transaction remains subject to approval by Aurora's shareholders and is expected to complete during March 2015.

Keybridge believes that the Aurora transaction is transformational to the Company's future as Keybridge will now incorporate a fully operational funds management business with approximately \$170 million of retail funds under management as at 31 December 2014 and add a team of five investment professionals into its core business activities.

The Company remains in a strong financial position with more than \$12.12 million in cash (as at 31 December 2014).

Financial Results

Having largely completed the asset realisation process in FY13, which had resulted in financial losses in all financial years since FY08, the Group is pleased to have achieved a net profit after tax attributable to ordinary equity holders for the half-year to 31 December 2014 of \$0.731 million (compared with a loss of \$1.303 million in the prior period).

Basic and diluted earnings per share for the last six months represented 0.46 cents per share compared with a loss of (0.66) cents in the prior period.

The Company has declared a fully franked interim dividend of 0.25 cents per share. The record date for the interim dividend is 12 March 2015, with the payment date being 31 March 2015. The Board of Keybridge has determined the Dividend Reinvestment Plan will apply to this dividend.

All currency figures contained in this announcement are denominated in Australian Dollars, unless otherwise stated.

Profit and Loss Statement

	Six months 31 Dec 2014 \$'000m	Six months 31 Dec 2013 \$'000m
Investment and Interest Income	1,222	1,190
Shipping income*	-	5,800
Dividends, Other income and fees	72	45
Unrealised loss on listed equity	(275)	(700)
Net realised loss on disposal of investments	(101)	17
Employment costs	(492)	(569)
Legal and Professional fees	(322)	(476)
Recovery fees	(157)	(420)
Administration and other expenses	(243)	(656)
Finance expenses	(3)	(34)
Shipping expenses*	-	(5,860)
Operating loss Before Tax	(299)	(1,663)
Unrealised Foreign Exchange Gain	1,030	717
Net Impairment Provisions	-	(357)
Net Profit Before Tax	731	(1,303)
Taxation	-	-
Net Profit After Tax	731	(1,303)

*Shipping segment now discontinued.

Income

Total investment and interest income for the six months to 31 December 2014 of \$1.222 million was achieved in the period with all new and retained investments contributing either accrued or cash interest income.

The Company incurred net unrealised mark-to-market losses of \$0.275 million on the value of its investments in listed shares during the period. The majority of these losses were attributable to shares held in Molopo Energy Limited (MPO) of \$0.388 million and in Aurora Funds Limited (AFV) of \$0.138 million, which were partially offset by unrealised gains in PTB Group Limited (PTB) of \$0.104 million and net gains in other smaller listed positions.

The Australian Dollar depreciated by 13.3% in value against the US Dollar and by 2.6% against the Euro over the half-year, and by 4.2% against the New Zealand Dollar, over the period from 28 August 2014, being the date of investment into Foundation Life. The movements in all three currencies resulted in net unrealised FX gains over the period of \$1.03 million.

Operating Expense

The Company's operating expenses were lower in the period to 31 December 2014 at \$1.2 million compared with \$2.1 million in 2013 (excluding the operating and financing costs associated with the Company's shipping assets which were included in the 2013 results). The decrease was mainly due to lower legal and professional costs, of which approximately \$0.6 million was associated with the acquisition of PR Finance Group (PRFG) and the response to the off-market takeover bid for Keybridge, which occurred in 2013.

Of the legal and professional costs during the half, \$0.15 million (2013: \$0.20 million) were incurred in litigation and legal fees focused on recovering assets that remain valued at nil in the Company's financial statements. These costs are non-recurring and if successful could deliver upside to the Company.

Summary of Financial Position at 31 December 2014

Investments

As at 31 December 2014, the value of Keybridge's investments by asset class was as follows:

	31 December 2014	
	\$'000m	% of Total
Net Cash	12,119	32%
Infrastructure	6,814	18%
Listed Equity	6,162	16%
Private Equity	6,148	16%
Insurance	3,749	10%
Property	2,404	7%
Lending	90	1%
	37,486	100%

Attachment 1 includes a summary of the performance of Keybridge's investments by asset class.

Balance Sheet

The following is a simplified balance sheet for Keybridge as at 31 December 2014:

	\$'000m
Investments	10,503
Non-Core Investments	15,029
Cash-on-hand	12,119
Other Receivables	293
Liabilities	(638)
Shareholders' Funds	37,306

With 158.6* million quoted shares on issue as at 31 December 2014, shareholders' funds equated to Net Tangible Assets of approximately 23.5 cents per share. * (excludes 15.0 million unquoted shares issued under the Executive Share Scheme).

Of Keybridge's total net assets as at 31 December 2014, approximately 61% were denominated in Australian Dollars, 12% in US Dollars, 18% in Euros and 9% in NZ Dollars.

Outlook

During the half year, Keybridge announced that it intends to acquire the Aurora Funds Management (AFM) business for \$4.3 million plus an adjustment for any net cash or liabilities to be assigned as at the date of completion. Keybridge already owns 19.85% of Aurora Funds Limited (AFV), the listed parent company of AFM. The transaction remains subject to the approval by AFV's shareholders and should complete by the end of March 2015.

Keybridge believes that this transaction is transformational to the Company's future as Keybridge will incorporate a fully operational funds management business with approximately \$170 million of retail funds under management as at 31 December 2014 and add a team of five investment professionals into its core business activities.

Keybridge expects the funds management business to become its core focus over time, with the other assets held by Keybridge continuing to be realised and the cash being used to underpin the launch of new alternative asset managed funds.

Keybridge Capital is a financial services company that has invested in, or lent to, transactions, which are predominantly in the asset classes of infrastructure, listed and private equity, property, and lending.

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Performance By Asset Class

Infrastructure: *Total book value \$6.8 million.* In March 2008, Keybridge invested EUR9.6 million for the development, construction and ownership of a 1.05MWp twin-axis tracking solar photovoltaic (PV) park in the Murcia region in southern Spain, named Totana.

Upon completion, the park was registered under Royal Decree (RD) 661/2007 which legislated that for a period of 25 years Iberdrola, the energy supplier, was required to purchase all electricity produced by the park at a government mandated inflated feed-in tariff.

During 2014, the Spanish government finalised its second round of amendments to the original feed-in tariff resulting from a series of austerity measures attempting to reduce its budget deficit. The Council of Ministers passed Royal Decree 413/2014, regulating the activity of electricity production from renewable energy sources, cogeneration and waste. This regulation entered into force on 11 June 2014 but applied retrospectively since 14 July 2013.

The tariff is now based on what the Spanish Government has deemed to be a reasonable fixed rate of return on capital invested for such an asset. The Spanish Government has indicated that the next review of the tariffs will not occur prior to 2017. During this time, the total annual compensation under the new structure is expected to deliver approximately EUR0.53 million of gross annual revenue, down from approximately EUR0.75 million per annum previously.

Listed Equity: *Total book value \$6.2 million.* The Company has continued to maintain its Listed Equity investments of \$6.2 million (2013 \$6.0 million). The majority of investments have been small shareholdings in ASX and other international stock exchange listed entities, with the three substantial holdings being:

- a 19.1% investment in PTB Group Limited (PTB), a turbo prop aircraft parts and services supply organisation with operations in Queensland and New South Wales. This investment is marked-to-market at each balance date, which, as at 31 December 2014, resulted in an uplift in value of \$0.1 million from 30 June 2014. During the half PTB appointed Nicholas Bolton as Keybridge's representative on the Board.
- a 19.85% investment in Aurora Funds Limited (AFV). Keybridge has recently announced that it will acquire the Aurora Funds Management business (subject to shareholder approval). See description above for further information.
- a 5.95% (as at December 31, 2014) investment in Molopo Energy Limited (MPO), which was historically an oil and gas exploration and production company. Molopo currently has a large cash balance with no debt, but is facing litigation in relation to previous trading activities. Keybridge considers that the current market valuation of MPO's shares trading on the ASX is below the value of MPO's cash backing. In December 2014 MPO appointed Antony Sormann as Keybridge's representative to its Board.

Private Equity: *Total book value \$6.1 million.* Keybridge holds a limited recourse loan to RPE1 Investor LLC, a Colorado USA limited liability company, which holds units in a Private Equity Fund. This loan accrues interest at 14.5% per annum and has a maturity date of 31 December 2017. Keybridge's loan of USD5.0 million is secured by Republic Limited Partnership Capital's interest in the Private Equity Fund. RPE's internal valuation of the Fund was USD28.2 million as of end September 2014 with the value of the stake forming Keybridge's security interest valued at approximately USD14.1 million.

Keybridge received no repayments from its Private Equity investment during the six months to 31 December 2014 and accrued \$0.1 million in income. Management elected not to accrue \$0.6 million of income on this asset given limited liquidity of the asset.

Insurance: *Total book value \$3.7 million.* On 28 August 2014 Keybridge invested NZD3.8 million into Foundation Life Holdings (FLH). FLH purchased all of the shares in Tower Life New Zealand, which acquired the non-core run-off life insurance subsidiary of Tower Limited. The investment is structured to earn interest at 9% per annum, payable at the end of FLH's financial year.

Property: *Total book value \$2.4 million.* In September 2014, the Company took direct control of the last two loans that were held in a fund run by Ashe Morgan, which invested in first ranking mortgage loans over commercial properties. The loans are secured by properties in the Melbourne suburb of Prahran and a property in the Sydney suburb of Manly. Both loans are paying monthly interest.

The other investment in the Company's property portfolio are units in a high yielding fund, which provided a bridging loan against a Sydney residential property. The investment is short term, paying monthly interest and performing in line with expectation.

Lending: *Total book value \$0.1 million.* During the half-year, the Liquidator of PR Finance Group Limited (PRFG) contracted to sell the AMX business to Ridgway Capital Limited (Ridgway). The sale of the AMX business allowed the Liquidator to distribute to Keybridge, as secured creditor, sufficient monies to be repaid against the PRFG loan of approximately \$2.3 million. The Company had previously written off \$1.48 million against a loan to PRFG. As a result of the AMX sale during the period, this loan was written back up. The balance of the monies from the sale was used to purchase Australian Finance Direct (a KBC subsidiary), pay the Liquidator's costs and AMX creditors.

To facilitate this sale, Keybridge provided Ridgway Capital with two loans of \$1.48 million each; the first loan was to purchase the AMX business and the second to purchase the AMX Money debtors' loan book. The interest on both loans is charged at 18% per annum with the loans being secured respectively against the Ridgway Capital business and the AMX debtors' loan book at the date of drawdown.

In October 2014, Ridgway Capital repaid the first loan of \$1.48 million, including all accrued interest. The interest payments on the second loan have been late regularly and there remains significant doubt as to whether Keybridge will be able to recover the principal provided under the second loan. As a result, the second loan has been provisioned for the full \$1.48 million.