



A.B.N. 16 088 267 19

2019

ANNUAL REPORT

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BOARD OF DIRECTORS

John D. Patton	Non-Executive Chairman
Nicholas F. J. Bolton	Managing Director & CEO
William M. Johnson	Non-Executive Director
Simon K. Cato	Non-Executive Director
Jeremy M. Kriewaldt	Non-Executive Director
Richard M. Dukes	Non-Executive Director

COMPANY SECRETARY

John D. Patton

REGISTERED OFFICE

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370 St Kilda Road
Melbourne, Victoria 3004
Telephone: (03) 9686 7000
Facsimile: (08) 9214 9701
Emails: info@keybridge.com.au
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Website: www.keybridge.com.au

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

STOCK EXCHANGE

Australian Securities Exchange
Sydney, New South Wales
Website: www.asx.com.au

ASX CODES

KBC (Shares)
KBCPA (Convertible Redeemable Promissory Notes)

SHARE REGISTRY

Advanced Share Registry Limited

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
Website: www.advancedshare.com.au

Sydney Office

Suite 8H, 325 Pitt Street
Sydney, New South Wales 2000
Telephone: (02) 8096 3502

DIRECTORS' REPORT

The Directors present their Directors' Report on Keybridge Capital Limited ABN 16 088 267 190 (**Company** or **KBC**) and its controlled entities (the **Consolidated Entity** or **Keybridge**) for the financial year ended 30 June 2019 (**Balance Date**).

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

The Company has prepared a consolidated financial report incorporating the entities that it controlled during the financial year.

PRINCIPAL ACTIVITIES

Keybridge is an investment and financial services group with a diversified portfolio of listed and unlisted investments/loan assets in the life insurance (New Zealand), property and funds management sectors and strategic holdings in HHY Fund (ASX:HHY), Yowie Group Ltd (ASX:YOW), Metgasco Limited (ASX: MEL) and Molopo Energy Limited (ASX:MPO). Keybridge was also the Investment Manager of the HHY Fund (between 30 June 2016 and 19 July 2019).

NET ASSET BACKING

	June 2019 \$'000	June 2018 \$'000
CONSOLIDATED		
Gross assets	20,620	20,021
Less: Liabilities	(9,421)	(4,373)
Net assets	11,199	15,648
Pre-tax Net Asset Backing per share (cents)	7.1	9.9
Less: Net deferred tax asset/liabilities /tax provision		
Net assets (after tax)	11,199	15,648
Post-tax Net Asset Backing per share (cents)	7.1	9.9
Value of dividends paid to shareholders in previous 12 months	790	-
Adjusted Pre and post-tax NTA backing per share (cents) (with dividends paid during the 2018/2019 year added back)	7.6	N/A
Based on total issued shares	157,136,486	158,080,432

FINANCIAL POSITION

	June 2019 \$'000	June 2018 \$'000
CONSOLIDATED		
Cash	1,549	5,008
Investments	7,057	7,278
Loans and receivables	5,400	5,086
Investment in Associate entity	1,300	2,082
Other assets	5,314	690
Gross Assets	20,620	20,144
Convertible redeemable promissory notes liability	(7,600)	(4,053)
Other liabilities	(1,821)	(443)
Total Liabilities	(9,421)	(4,496)
Net deferred tax asset / liabilities	-	-
Net Assets	11,199	15,648
Issued capital	253,578	253,638
Share-based payments reserve	322	322
Profits reserve	1,025	1,815
Foreign currency translation reserve	9	(3)
Accumulated losses	(243,735)	(240,124)
Total Equity	11,199	15,648

DIRECTORS' REPORT

OPERATING RESULTS

CONSOLIDATED	June 2019 \$'000	June 2018 \$'000
Fees income	44	87
Realised gain on sale of investments	(76)	1,003
Reversal of impairment of loans and receivables	-	933
Excess of net assets over cost on acquisition	-	804
Additional consideration	386	-
Unrealised gain on derivative liabilities	52	88
Gain/(loss) on revaluation of foreign currency assets	58	170
Interest	449	694
Dividend	115	14
Other income	289	38
Total Revenue/Other Income/Other Gains and Losses	1,317	3,831
Unrealised loss on financial assets at fair value through profit or loss	(1,175)	(6,135)
Share of Associate entity's loss	(785)	(761)
Impairment expenses	(463)	(809)
Personnel expenses	(520)	(524)
Corporate expenses	(1,156)	(1,659)
Administration expenses	(290)	(345)
Other expenses	(142)	(96)
Total expenses	(4,531)	(10,329)
Finance expenses	(396)	(308)
Loss before tax	(3,610)	(6,806)
Income tax benefit/(expense)	-	-
Loss after tax attributable to members	(3,610)	(6,806)

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

Keybridge's \$3.61 million net loss position for the year was caused principally by:

- (a) a \$0.785 million loss attributable to its 31.10% interest in Associate entity, HHY Fund (ASX:HHY), primarily due to the adverse share price performance of HHY's investments in Yowie Group Ltd (ASX:YOW), Metgasco Limited (ASX:MEL) and Copper Strike Limited (ASX:CSE);
- (b) a \$0.606 million provision for impairment in respect of its shareholding in Molopo Energy Limited (ASX:MPO) (suspended from ASX since 25 July 2017). The Directors have reduced the carrying value of Molopo from 2.6 cents (as at 30 June 2018) to 1.28 cents (as at 30 June 2019) per share during the financial year based on the reduced net asset backing position of Molopo - further details are outlined in Note 8 (Financial Assets and Liabilities at Fair Value Through Profit or Loss) of the financial statements;
- (c) \$0.766 million unrealised loss on investments in listed securities (refer further details below);
- (d) \$0.44 million provision (ie. impairment expense) on an indemnity loan advance to former Managing Director, Nicholas Bolton - further details are outlined in Note 22(d)(iv) (Related Party Transactions) of the financial statements; and
- (e) \$0.396 million interest distributions paid to Convertible Redeemable Promissory Note (CRPN) holders, which is recognised as an expense.

Keybridge generated a total net realised and unrealised loss of \$1.251 million (pre- and post-tax) for the year from its securities investment and trading activities, comprising:

- (a) Realised loss of \$0.076 million (from cost/for the financial year);
- (b) Unrealised loss of \$1.372 million, which includes:
 - (i) \$0.398 million unrealised gain attributable to Pershing Square Holdings Ltd (PSH);

DIRECTORS' REPORT

- (ii) \$0.606 million unrealised loss attributable to its 46 million shareholding in Molopo Energy Limited (ASX:MPO).
 - (iii) \$0.401 million unrealised loss attributable to Metgasco Limited (ASX:MEL);
 - (iv) \$0.335 million unrealised loss attributable to Yowie Group Ltd (ASX:YOW);
 - (v) \$0.221 million unrealised loss attributable to Copper Strike Limited (ASX:CSE); and
- (c) The accounting reversal of prior year unrealised gain/loss on investments sold (including foreign currency revaluation effects) during the year of \$0.285 million (which is offset against the unrealised loss of \$1.372 million (in (b) above) to arrive at the \$1.175 million unrealised loss on financial assets at fair value through profit or loss shown in the Operating Results).

Keybridge reduced its personnel, corporate, administration and miscellaneous expenses from the Previous Corresponding Period by 20% from \$2.624 million to \$2.108 million.

LOSS PER SHARE

CONSOLIDATED	June 2019 cents	June 2018 cents
Loss per share (cents)	(2.29)	(4.30)

DIVIDENDS

The Directors have not determined to pay a final dividend.

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

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

As at 30 June 2019, Keybridge had:

- \$1.025 million in its Profits Reserve account, which is available to fund the payment of dividends to shareholders in the future; and
- \$6.97 million Franking Credits, which is sufficient to fund the payment of fully franked (at Keybridge's applicable 27.5% company tax rate) dividends and CRPN interest distributions totalling \$18.4 million.

DIRECTORS' REPORT

CRPN DISTRIBUTIONS

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

Distribution Rate	Record Date	Payment Date	Franking ¹
1.75 cent per note ²	11 June 2019	20 June 2019	100% franked
1.75 cent per note	11 March 2019	20 March 2019	100% franked
1.75 cent per note	11 December 2018	20 December 2018	100% franked
1.75 cent per note	11 September 2018	20 September 2018	100% franked

SECURITIES ON ISSUE

Class of Security	30 June 2019		30 June 2018	
	Quoted on ASX	Unlisted	Quoted on ASX	Unlisted
Fully paid ordinary shares (ASX:KBC)	-	-	158,080,432	-
Executive Share Plan (ESP) shares ³	-	9,000,000	-	9,000,000
Convertible Redeemable Promissory Notes (ASX:KBCPA) ⁴	8,000,000	-	4,401,047	-

CAPITAL RAISING

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

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

ON-MARKET BUY BACKS

The Company has on-market buy-back programmes in place in respect of its shares and CRPNs during the financial year with:

- 943,946 shares being bought-back (between a range of 5 to 5.6 cents per share) at a total cost of \$59,930 and at an average buy-back cost of 6.3 cents per share; and
- No CRPNs being bought-back.

1 Based on a fixed interest rate of 7% per annum generally payable in arrears on 20 March, 20 June, 20 September and 20 December of each year

2 CRPNs are regarded as an 'equity interest' under Australian tax law with interest payments regarded as a 'non-share dividend'. Interest payments will be fully franked (where possible) or grossed up with additional cash payments to compensate for any unfranked component. 'Qualified' Australian resident holders will have access to franking credits in this regard. Further details are in Note 8 (Financial Assets and Liabilities at Fair Value Through Profit or Loss) of the accompanying financial statements and in the CRPN Prospectus (dated 17 June 2015) and ATO Class Ruling CR 2015/54 (dated 22 July 2015).

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

4 Keybridge issued Convertible Redeemable Promissory Notes on 30 June 2015 (refer KBC ASX Announcement dated 18 June 2015: Appendix 3B) after receipt of shareholder approval on 28 November 2014 (refer KBC Notice of AGM released on ASX on 30 October 2014 and KBC ASX announcement dated 1 December 2014: Results of AGM). The notes have a face value of \$1.00, pays interest at 7% pa and matures on 31 July 2020 (unless redeemed or bought-back by Keybridge earlier. Further details are in Note 8 of the accompanying financial statements and in the CRPN Prospectus (dated 17 June 2015) and ATO Class Ruling CR 2015/54 (dated 22 July 2015).

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

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

DIRECTORS' REPORT

The Company's current on-market buy-back programmes were announced:

- On 3 January 2019 – being an intention to undertake an on-market buy-back of up to 14,179,752 shares (being ~9% of 157,552,806 total shares then on issue) on or before 17 January 2020; and
- On 3 April 2019 – being an intention to undertake an on-market buy-back of up to 800,000 CRPNs (being 10% of 8,000,000 total CRPNs on issue) on or before 31 March 2020.

REVIEW OF OPERATIONS

Net Assets Weightings

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

	30 June 2019		31 December 2018		30 June 2018	
	\$'m	% Net Assets	\$'m	% Net Assets	\$'m	% Net Assets
Cash	1.549	14%	2.927	22%	5.008	32%
Investment in Associated entity ^(a)	1.300	11%	1.811	13%	2.082	13%
Other Listed Securities	6.832	61%	6.133	45%	6.879	44%
Managed Funds	0.106	1%	0.210	1%	0.300	2%
Other Investments	0.104	1%	0.103	1%	0.100	1%
Loan Receivables ^(b) :						
• Insurance	3.378	30%	0.558	4%	3.135	20%
• Property	0.985	9%	0.885	7%	0.885	6%
• Private Equity	0.561	5%	3.397	25%	0.533	3%
• Other	0.098	1%	0.506	4%	0.848	5%
Other Assets ^(c)	5.691	51%	1.342	10%	0.252	2%
Convertible Redeemable Promissory Notes ^(d)	(7.600)	(68)%	(4.018)	(30)%	(4.053)	(26)%
Provision for tax	-	-%	-	-%	-	-%
Derivatives	0.015	<1%	-	-%	-	-%
Other Liabilities ^(e)	(1.821)	(16)%	(0.321)	(2)%	(0.320)	(2)%
Net Assets	11.198	100%	13.533	100%	15.649	100%

Notes:

- Refer Note 21 (Investment in Associate Entity) of the financial statements
- Refer Note 11 (Loans and Receivables) of the financial statements
- Refer Note 9 (Other Assets) of the financial statements
- Refer Note 8 (Financial Assets and Liabilities at Fair Value Through Profit or Loss) of the financial statements
- Refer Note 14 (Payables) of the financial statements

Currency Exposure

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

% of Net Assets	30 June 2019	31 December 2018	30 June 2018
Australian Dollars	52%	3%	27%
New Zealand Dollars	31%	5%	22%
US Dollars	13%	26%	4%
Euros	4%	66%	47%

DIRECTORS' REPORT

Major Investment Holdings

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

Security	Code	Industry Sector	Units Held	30 June 2019		31 December 2018		30 June 2018	
				\$'m	% Net Assets	\$'m	% Net Assets	\$'m	% Net Assets
Pershing Square Holdings Ltd	PSH	Financials	75,000	1.876	17%	1.376	10%	1.478	9%
Metgasco Limited	MEL	Energy	36,490,957	1.752	16%	1.715	13%	2.150	14%
HHY Fund	HHY	Financials	25,238,986	1.300	12%	1.811	13%	2.082	13%
Monash Absolute Investment Company Limited	MA1	Financials	1,518,896	1.238	11%	1.058	8%	1.199	7%
Yowie Group Ltd	YOW	Food, Beverage	13,752,903	0.701	6%	0.985	7%	0.521	3%
Molopo Energy Limited ^(a)	MPO	Energy	46,017,543	0.591	5%	0.847	6%	1.196	8%
Copper Strike Limited	CSE	Materials	3,685,666	0.251	2%	0.152	1%	0.312	2%
Other listed securities	-	-	-	0.422	4%	0.001	<1%	0.022	<1%
Other managed funds	-	-	-	0.106	1%	0.210	2%	0.300	2%
Other unlisted securities	-	-	-	0.104	<1%	0.103	<1%	0.100	<1%
Derivatives	-	-	-	0.015	<1%	-	-	-	-

Note:

(a) Refer Note 8 (Financial Assets and Liabilities at Fair Value Through Profit or Loss) of the financial statements

Major Loan Receivable Holdings

A summary of Keybridge's major loan receivable holdings is^(a):

Loan Exposure to Industry Sector	30 June 2019 (\$'m)			31 December 2018 (\$'m)			30 June 2018 (\$'m)		
	Gross Value	Impairment	Carrying Value	Gross Value	Impairment	Carrying Value	Gross Value	Impairment	Carrying Value
Insurance	3.378	-	3.378	3.397	-	3.397	3.135	-	3.135
Property	4.289	(3.304)	0.985	4.189	(3.304)	0.885	4.189	(3.304)	0.885
Private Equity	6.557	(5.995)	0.561	6.553	(5.995)	0.558	6.528	(5.996)	0.533
Other	1.628	(1.529)	0.098	1.906	(1.400)	0.506	1.913	(1.380)	0.533
Total	15.851	(10.829)	5.023	16.045	(10.699)	5.346	15.765	(10.68)	5.086

Note:

(a) Refer Note 11 (Loans and Receivables) of the financial statements

DIRECTORS' REPORT

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of Keybridge that occurred during the financial year not otherwise disclosed in this Directors' Report or the financial statements.

FUTURE DEVELOPMENTS

Keybridge intends to continue its investment activities in future years. The results of these investment activities depend upon the performance of the underlying investee entities/loan counterparties and securities in which Keybridge invests. The investments' performances depend on many economic factors and also industry and investee/counterparty-specific issues. In the opinion of the Directors, it is not possible or appropriate to make a prediction on the future course of markets, the performance of Keybridge's investments or forecast the likely results of Keybridge's activities.

ENVIRONMENTAL REGULATION

Keybridge is not subject to any particular or significant environmental regulation under Australian Commonwealth or State legislation.

DIRECTORS

JOHN D. PATTON	CHAIRMAN
<i>Appointed</i>	10 August 2016, Chairman since 13 October 2016
<i>Qualifications</i>	B.Ec (Monash), CA (ICAA), F Fin
<i>Experience</i>	John Patton is a senior executive with extensive finance experience in the corporate and professional services sectors. He was previously a Partner with Ernst & Young in the Transactions Advisory Services division. With over 25 years of professional services and industry experience, Mr Patton has extensive corporate finance credentials, having been involved in over 150 corporate transactions, including mergers & acquisitions (lead advisory), structuring, debt and equity raisings, IPOs, management buy-outs, valuations (including Independent Expert Reports), due diligence, financial modelling, restructuring and corporate advisory. In addition, Mr Patton held the positions of CFO, acting CEO and alternate director of the Epic Energy group, a major infrastructure owner of high-pressure gas transmission pipelines in Australia. This business was the core asset within the ASX listed Hastings Diversified Utilities Fund. As a result, he has solid hands-on operational experience with, and a strong appreciation of, the regulatory, commercial, financial, capital structure and external stakeholder management issues and requirements associated with major assets within an ASX listed environment in Australia.
<i>Relevant interest in securities</i>	150,000 - KBC shares ⁷ 4,166 - KBCPA Convertible Redeemable Promissory Notes
<i>Special Responsibilities</i>	Member of Investment Committee Member of Audit, Finance and Risk Committee
<i>Other current directorships in listed entities</i>	(1) Non-Executive Director of Metgasco Limited (ASX:MEL) (appointed 19 September 2016). (2) Managing Director of Aurora Funds Management Limited, a Responsible Entity of HHY Fund (ASX:HHY), Aurora Global Income Trust (ASX:AIB), Aurora Absolute Return Fund (ASX:ABW), Aurora Property Buy-Write Income Trust (ASX:AUP), Aurora Dividend Income Trust (ASX:AOD)
<i>Former directorships in other listed entities in past 3 years</i>	None

⁷ Refer John Patton's Initial Director's Interest Notice dated 10 August 2016

DIRECTORS' REPORT

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

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

DIRECTORS' REPORT

JEREMY M. KRIEVALDT	NON-EXECUTIVE DIRECTOR
<i>Appointed</i>	13 October 2016
<i>Qualifications</i>	BA (Hons), LLM (Hons) (Sydney)
<i>Experience</i>	Jeremy Kriewaldt is a lawyer in private practice, specialising in corporate and commercial law, including mergers and acquisitions, capital raisings and foreign investment, financial product development and securities markets. He started his own practice in 2018 and was previously a partner of Atanaskovic Hartnell (2004 - 2018), Blake Dawson Waldron (now Ashurst) (1990-2003) and also served as Counsel to the Takeovers Panel in 2003-2004.
<i>Relevant interest in securities</i>	5,000 – KBC shares ⁸ 1,138 – KBCPA Convertible Redeemable Promissory Notes
<i>Special Responsibilities</i>	Chairman of Remuneration and Nomination Committee Member of Audit, Finance and Risk Committee
<i>Other current directorships in listed entities</i>	None
<i>Former directorships in other listed entities in past 3 years</i>	None

RICHARD M. DUKES	NON-EXECUTIVE DIRECTOR
<i>Appointed</i>	13 October 2019 ⁹
<i>Qualifications</i>	B.Com (NSW) LLM (Syd)
<i>Experience</i>	Richard Dukes is a lawyer in private practice specialising in taxation, commercial law and personal law. He started his own practice in 2012 and was previously a partner of Rosenblum & Partners and Blake Dawson Waldron (now Ashursts). Previously was Chair of Australian branch of IFA.
<i>Relevant interest in securities</i>	None but is sole director of Australian Style Group Pty Ltd which holds 22.65% of KBC shares.
<i>Special Responsibilities</i>	None
<i>Other current directorships in listed entities</i>	None
<i>Former directorships in other listed entities in past 3 years</i>	None

⁸ Refer Jeremy Kriewaldt's Initial Director's Interest Notice dated 13 October 2016

⁹ Refer KBC ASX Announcement dated 14 October 2019: Company Update & Board Appointments

DIRECTORS' REPORT

NICHOLAS F. J. BOLTON MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER

Appointed 28 May 2019¹⁰ as CEO; 13 October 2019 as Managing Director¹¹

Experience Nicholas Bolton has managed operational investments and restructured assets in the aviation, finance, property, energy, shipping, infrastructure and IT sectors. Mr Bolton has invested in and led activist investments in a number of ASX-listed entities with a foundation in shareholder advocacy. Mr Bolton is focused on delivering superior risk adjusted returns through active management and innovative solutions to challenging issues for investors.

Relevant interest in securities 2,380,100 – KBC shares
9,000,000 – Executive Share Plan shares in KBC
1,542,045 – KBC shares (beneficial/economic interest) held
31,414 – KBCPA Convertible Redeemable Promissory Notes

Mr Bolton previously served as a Director of the Company between 30 December 2011 and 9 October 2012 and between 2 January 2013 and 17 December 2015 (as Executive Director from 22 February 2013 and as Managing Director from March 2014). Mr Bolton's service as Managing Director was interrupted because of an order made by ASIC in November 2015, which has since expired prior to the resolution of an ongoing appeal¹².

VICTOR P. H. HO COMPANY SECRETARY

Appointed 13 October 2016 (Ceased on 13 October 2019)

Qualifications BCom, LLB (*Western Australia*), CTA

Experience Victor Ho has been in Executive roles with a number of ASX-listed companies across the investments, resources and technology sectors over the past 19 years. Mr Ho is a Chartered Tax Adviser (CTA) and previously had 9 years' experience in the taxation profession with the Australian Tax Office (ATO) and in a specialist tax law firm. Mr Ho has been actively involved in the investment management of listed investment companies (as an Executive Director and/or a member of the Investment Committee), the structuring and execution of a number of corporate, M&A and international joint venture (in South America, Indonesia and the Middle East) transactions, capital raisings and capital management initiatives and has extensive experience in public company administration, corporations' law and stock exchange compliance and investor/shareholder relations.

Relevant interest in securities None

Other current positions in listed entities Executive Director and Company Secretary of:
(1) Orion Equities Limited (ASX:OEQ) (Secretary since 2 August 2000 and Director since 4 July 2003).
(2) Queste Communications Ltd (ASX:QUE) (Secretary since 30 August 2000 and Director since 3 April 2013).
(3) Strike Resources Limited (ASX:SRK) (Director since 24 January 2014 and Company Secretary since 1 October 2015).
Company Secretary of Bentley Capital Limited (ASX:BEL) (since 5 February 2004).

Former position in other listed entities in past 3 years None

John Patton was appointed as the interim company secretary on 13 October 2019.

¹⁰ Refer KBC ASX Announcement dated 29 May 2019: CEO & Other Management Changes

¹¹ Refer KBC ASX Announcement dated 14 October 2019: Company Update & Board Appointments

¹² Mr Bolton's appeal to the Administrative Appeals Tribunal had not been decided when the ASIC suspension expired in November 2018

DIRECTORS' REPORT

DIRECTORS' MEETINGS

The following table sets out the numbers of meetings of the Company's Directors held during the year (excluding Directors' circulatory resolutions) and the numbers of meetings attended by each Director of the Company:

Name of Director	Board		Audit, Risk and Finance Committee		Remuneration and Nomination Committee	
	Attended	Max. Possible Meetings	Attended	Max. Possible Meetings	Attended	Max. Possible Meetings
John Patton	18	21	2	2	-	-
William Johnson	20	21	-	-	1	1
Simon Cato	21	21	2	2	1	1
Jeremy Kriewaldt	20	21	2	2	1	1

Audit, Risk and Finance Committee (ARFC)

The composition of the ARFC is Simon Cato (as Chairman), Jeremy Kriewaldt and John Patton. The ARFC has a formal charter to prescribe its objectives, responsibilities (in the areas of external financial reporting, risk management and control, external audit, code of conduct, insurances, complaints handling and related party transactions), composition, access and other administrative matters. A copy of the ARFC Charter may be downloaded from the Company's website:
http://keybridge.com.au/corporate_governance.php

Remuneration and Nomination Committee (RNC)

The composition of the RNC is Jeremy Kriewaldt (as Chairman), Simon Cato and William Johnson. A copy of the RNC Charter may also be downloaded from the Company's website.

REMUNERATION REPORT

This Remuneration Report details the nature and amount of remuneration for each Director and Company Executive (being a company secretary or senior manager) (**Key Management Personnel** or **KMP**) of the Company.

The information provided under headings (1) to (8) below has been audited for compliance with section 300A of the *Corporations Act 2001 (Cth)* as required under section 308(3C).

(1) Key Management Personnel (KMP)

Name	Position	Tenure
John Patton	Chairman and Company Executive	Appointed Director on 10 August 2016; appointed Chairman on 13 October 2016; re-elected at AGM on 23 November 2016; ceased to be Company Executive with effect on 30 June 2019
Nicholas Bolton	Managing Director	Appointed 13 October 2019
William Johnson	Non-Executive Director	Elected at general meeting on 29 July 2016; re-elected at AGM on 22 November 2018
Simon Cato	Non-Executive Director	Elected at general meeting on 29 July 2016; re-elected at AGM on 23 November 2017
Jeremy Kriewaldt	Non-Executive Director	Appointed 13 October 2016; re-elected at AGM on 23 November 2016
Richard Dukes	Non-Executive Director	Appointed 13 October 2019
Nicholas Bolton	Chief Executive Officer (CEO)	Appointed 28 May 2019
Victor Ho	Company Secretary	Appointed 13 October 2016; Ceased on 13 October 2019
John Patton	Company Secretary	Appointed 13 October 2019

(2) Remuneration Policy

The Board (with guidance from the Remuneration and Nomination Committee) determines the remuneration structure of all Key Management Personnel having regard to Keybridge's strategic objectives, scale and scope of operations and other relevant factors, including experience and qualifications, length of service, market practice (including available data concerning remuneration paid by other listed companies and in particular, companies of comparable size and nature), the frequency of Board meetings, the duties and accountability of Key Management Personnel and the objective of maintaining a balanced Board which has appropriate expertise and experience, at a reasonable cost to the Company.

The Remuneration and Nomination Committee (RNC): The RNC has a formal charter to prescribe its objectives, the Company's remuneration and nomination policies and practices, responsibilities (in the areas of executive, senior management and non-executive director remuneration, recruitment and termination, policy and procedure for appointing new directors, performance and education of directors), composition, access and other administrative matters. The objectives of the RNC include assisting the Board to adopt and implement a remuneration system that has coherent remuneration policies and practices to attract and retain executives and directors who will preserve value for shareholders and that fairly and responsibly rewards executives having regard to the performance of Keybridge, the performance of the executives and the general pay environment. The RNC's key responsibilities in relation to remuneration include:

- reviewing, approving and recommending to the board for adoption executive remuneration and incentive policies and practices;
- annually considering, approving and recommending to the board each executive director's total remuneration (including base pay, incentive awards, equity awards, retirement rights and terms of engagement) having regard to executive remuneration and incentive policies;
- reviewing and approving, on the recommendation of the managing director, the total remuneration (including incentive awards, equity awards, retirement and termination rights), terms of engagement and changes to the total remuneration and terms of employment of direct reports to the managing director and other senior executives;

REMUNERATION REPORT

- recommending to the board for approval changes to the remuneration or terms of engagement of executive directors before implementation;
- reviewing, approving and recommending to the board for adoption the design of any executive incentive/equity-based plans, the total proposed payments from any executive incentive/equity-based plans, the proposed award to each executive under the rules of any plan and the performance hurdles for any equity-based plan;
- reviewing the remuneration of non-executive directors for serving on the board or any committee (both individually and in total) and recommending to the board the remuneration and retirement policies for non-executive directors having regard to market trends and shareholder interests;
- annually reviewing the performance of the managing director and executive directors; and
- establishing processes for evaluating (and annually evaluating) the performance of the board, both collectively and individually.

A copy of the RNC Charter may also be downloaded from the Company's website:
http://keybridge.com.au/corporate_governance.php

Corporate Governance Principles: The Company's Corporate Governance Statement (CGS) also addresses matters pertaining to the Board, Senior Management and Remuneration. The latest version of the CGS may be downloaded from the Company's website:
http://keybridge.com.au/corporate_governance.php

Fixed Cash Short-term Employment Benefits: The Key Management Personnel of the Company are paid a fixed amount per annum plus applicable employer superannuation contributions. The Non-Executive Directors of the Company are paid a maximum aggregate base remuneration of \$525,000¹³ per annum inclusive of employer superannuation contributions where applicable, to be divided as the Board determines appropriate.

The Board has determined the following fixed cash remuneration for current Key Management Personnel during the year as follows:

Executive Director

- (1) John Patton (Chairman and Company Executive) - a base salary of \$175,000 per annum plus employer superannuation contributions.

Non-Executive Directors

- (2) William Johnson - a base fee of \$60,000 per annum plus statutory employer superannuation contributions.
- (3) Simon Cato - a base fee of \$60,000 per annum plus statutory employer superannuation contributions.
- (4) Jeremy Kriewaldt - a base fee of \$60,000 per annum plus statutory employer superannuation contributions.

Company Executives/Senior Managers

- (5) Nicholas Bolton (Chief Executive Officer) – a base salary of \$440,000 (on a full-time basis; Mr Bolton is required by the Company to work only on a part-time basis on a pro-rata part-time base salary of \$330,000) per annum plus statutory employer superannuation contributions
- (6) Victor Ho (Company Secretary) - a base fee of \$150,000 per annum (excluding GST).

Special Exertions and Reimbursements: Pursuant to the Company's Constitution, each Director is also entitled to receive:

- (a) Payment for reimbursement of all travelling and other expenses incurred by a Director in attending to the Company's affairs, including attending to meetings of the Company and the Board or Committees; and

¹³ As approved by shareholders at the Annual General Meeting held on 28 November 2007; refer KBC's ASX announcement dated 24 October 2007: Notice of Annual General Meeting and KBC's ASX announcement dated 28 November 2007: Results of Annual General Meeting

REMUNERATION REPORT

(b) Payment for the performance of extra services or the making of special exertions for the benefit of the Company (with the concurrence of the Board).

Short-Term Benefits: The Company does not have any short-term incentive (STI) cash bonus schemes (or equivalent) in place for Key Management Personnel.

Long-Term Benefits: The Company does not have any long-term incentive (LTI) cash bonus schemes (or equivalent) in place for Key Management Personnel.

Equity-Based Benefits: Save for the Executive Share Plan (ESP) outlined below, the Company does not presently have any equity (shares or options) based remuneration arrangements for Key Management Personnel pursuant to any executive or employee share or option plan or otherwise.

Post-Employment Benefits: The Company does not presently provide retirement benefits to Key Management Personnel. Other than early termination benefits disclosed in 'Employment Agreement' below, Key Management Personnel also have no right to termination payments save for payment of accrued unused annual and long service leave (where applicable) (these accrued employee entitlements are not applicable in respect of Non-Executive Directors). The Company notes that shareholder approval is required where a Company proposes to make a "termination payment" (for example, a payment in lieu of notice, a payment for a post-employment restraint and payments made as a result of the automatic or accelerated vesting of share based payments) in excess of one year's "base salary" (defined as the average base salary over the previous 3 years) to a director or any person who holds a managerial or executive office.

Performance-Related Benefits and Financial Performance of Company: The current remuneration of Key Management Personnel is fixed, is not dependent on the satisfaction of a performance condition and is unrelated to the Company's performance.

In considering the Company's performance and its effects on shareholder wealth, Directors have had regard to the data set out below for the latest financial year and the previous four financial years:

	2019	2018	2017	2016	2015
Profit/(Loss) Before Income Tax (\$'000)	(3,611)	(6,805)	(6,446)	2,779	1,140
Profit/(Loss) After Income Tax (\$'000)	(3,611)	(6,805)	(6,446)	(2,491)	968
Basic Earnings/(Loss) per share (cents)	(2.29)	(4.30)	(4.06)	(1.42)	0.61
Total Dividends Paid (\$'000)	790	790	-	795	434
Dividends Paid (cent per share)	0.5	0.5	-	0.5	0.25
Total Capital Returns Paid (\$'000)	-	-	-	-	4,426
Capital Returns Paid (cents per share)	-	-	-	-	2.78
VWAP Share Price on ASX for financial year (\$)	0.065	0.089	0.14	0.174	0.184
Closing (Last Bid) Share Price on ASX as at 30 June (\$)	0.069	0.079	0.10	0.155	0.175

(3) Details of Remuneration of Key Management Personnel

Details of the nature and amount of each element of remuneration of each Key Management Personnel paid or payable by the Company during the financial year are as follows:

2019 Key Management Personnel	Performance-related %	Short-term Benefits		Post-Employment Benefits		Other Long-term Benefits	Total
		Cash salary and fees	Non-cash benefit	Superannuation	Annual Leave Payment	Long service leave	
		\$	\$	\$	\$		\$
Directors:							
John Patton	-	175,000	-	16,625	36,512	-	228,137
William Johnson	-	60,000	-	5,700	-	-	65,700
Simon Cato	-	60,000	-	5,700	-	-	65,700
Jeremy Kriewaldt	-	60,000	-	5,700	-	-	65,700
Chief Executive Officer:							
Nicholas Bolton	-	31,731	-	3,015	-	-	34,746
Company Secretary:							
Victor Ho	-	150,000	-	-	-	-	150,000

REMUNERATION REPORT

2018		Short-term Benefits		Post-Employment Benefits	Other Long-term Benefits	Equity-Based	Total
Key Management Personnel	Performance-related %	Cash salary and fees \$	Non-cash benefit \$	Superannuation \$	Long service leave \$	Shares & options \$	\$
Directors:							
John Patton	-	174,999	-	16,625	-	-	191,624
William Johnson	-	60,000	-	5,700	-	-	65,700
Simon Cato	-	60,000	-	5,700	-	-	65,700
Jeremy Kriewaldt	-	60,000	-	5,700	-	-	65,700
Company Secretary:							
Victor Ho	-	150,000	-	-	-	-	150,000

(4) Executive Share Plan (ESP)

The Company has an ESP which was approved by shareholders at the 2014 Annual General Meeting (AGM) held on 28 November 2014¹⁴. The ESP was developed to serve as the Company's principal vehicle to grant long term incentive awards and form a key element of the Company's total remuneration strategy for directors and selected senior management.

The primary objectives of the ESP are to:

- assist with the attraction, motivation and retention of directors and senior management and more closely align the interest of directors and senior management with shareholders by matching rewards with the long-term performance of the Company, and accordingly drive the Company's improved performance;
- align the incentives provided to participants with current market practice; and
- provide the Company with flexibility to accommodate changes in the Company's circumstances and shifts in regulatory and market practice from time to time.

The ESP involves the Company providing interest-bearing limited-recourse loans to eligible participants to purchase ordinary shares in the capital of the Company. As part of the loan arrangements, the Company will take security over those ordinary shares to secure repayment of the loans. Interest will be charged on the loans at a fixed rate of 6.45% per annum for the term of the loans, capitalised monthly. The term of the loans will be 3 years and 3 months. The interest will be recourse to the participant. The loans may be repaid early in certain circumstances, however participants in the ESP remain liable for the entire amount of interest applicable over the loan term.

Further details about the ESP are set out in the Company's Notice of AGM and Explanatory Statement dated 29 October 2014.

The Company has issued shares to and entered into loan arrangements with previous Key Management Personnel (including Nicholas Bolton, who is currently a Key Management Personnel from 28 May 2019) pursuant to the ESP. Further details are set out in:

- Keybridge's ASX Announcement dated 19 December 2014: Appendix 3B and Further Detail Regarding Issuance of Loan Funded Shares);
- Keybridge's ASX Announcement dated 28 April 2015: Appendix 3B; and
- Note 22(d)(v) (Related Party Transactions) in the accompanying financial statements.

The Company has not issued shares to and entered into loan arrangements with Key Management Personnel pursuant to the ESP during the financial year.

Save for Nicholas Bolton as outlined below, no other Key Management Personnel are involved in the ESP vis a vis holding or being issued ESP shares.

14 Refer KBC's Notice of AGM released on ASX on 30 October 2014 and KBC's ASX announcement dated 1 December 2014: Results of AGM

REMUNERATION REPORT

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**). After allowing for dividends and capital returns (\$362,500) paid by the Company (**Adjustment Amounts**), the balance of the ESP Loan principal (\$1,316,000) and accrued interest at 6.45% pa (\$336,164) to 31 December 2017 was \$1,652,164. The principal component of the ESP Loan is limited recourse to the ESP shares issued – as such, the Company is entitled to cancel Mr Bolton's 9 million ESP shares against the \$1.316 million principal loan balance; the Company has not recognised the principal component as a receivable asset. The interest component is full-recourse – as such, Mr Bolton is liable to pay this balance to the Company; the Company has recognised the interest component as a receivable asset.

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.

The Company acknowledges that Mr Bolton has a contrary view in relation to, inter alia, the application of the Adjustment Amounts to reduce the principal amount of the ESP Loan ahead of reducing the accrued interest component of the ESP Loan. Mr Bolton has reserved his rights in the matter, as has the Company, in respect of its view and position in the matter.

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 has 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.

(5) Formal Terms of Employment/Engagement

Details of the material terms of formal agreements entered by the Company with Key Management Personnel are as follows:

KMP and Position(s) Held	Relevant Date(s)	Base Salary/Fees per annum	Other Terms
John Patton (Company Executive)	22 December 2016 (date of employment agreement) 13 October 2016 (date of commencement)	\$175,000 base salary per annum plus statutory employer superannuation contributions (currently 9.5% of salary) plus additional wages (at an agreed day or hourly rate) in respect of approved/agreed excess hours	<ul style="list-style-type: none"> The agreement has no fixed term or fixed rolling terms of service. Commitment to a minimum 16 hours per week over the course of a 5-day working week (averaged out over the course of a month) plus reasonable additional time required by the Company in order to satisfy Company business or operational requirements. Standard annual leave (20 days) and personal/sick leave (10 days paid) entitlements. Three months' notice of termination by the Company and one month's notice of termination by the Company Executive. Immediate termination without notice if Company Executive commits any serious act of misconduct. Not prohibited from also concurrently acting as a director of any company or providing similar services to any company, save that Board consent will be

REMUNERATION REPORT

KMP and Position(s) Held	Relevant Date(s)	Base Salary/Fees per annum	Other Terms
			required if the Company Executive proposes to take up a position of employment or consultancy with Industry competitors of Keybridge.
Nicholas Bolton (Chief Executive Officer)	19 February 2017 (date of employment agreement) 17 December 2015 (date of suspension of employment) 27 May 2019 (date of amendments to employment agreement) 28 May 2019 (date of commencement as CEO)	\$440,000 base salary per annum (full-time basis) \$330,000 actual part-time salary per annum (agreed with the Company) plus statutory employer superannuation contributions (currently 9.5% of salary)	<ul style="list-style-type: none"> The employment agreement (as amended) has no fixed term or fixed rolling terms of service. Required part-time 30 hours per week over the course of a 5 day working week (averaged out over the course of a month) plus pre-agreed reasonable additional time required by the Company in order to satisfy Company business or operational requirements. Employment may convert from part-time to full-time (and vice versa) by mutual written agreement. If the CEO requests reinstatement on a full-time basis, which is denied by the Company, the Company is liable to pay the CEO between 6.25% - 18.75% of his full-time salary. 20 days annual leave and 15 days (paid) personal/sick leave entitlements. Three month's notice of termination by the CEO; Immediate termination by the Company (with notice and without cause) on payment of 25% of CEO's full-time salary; Immediate termination without notice if CEO commits any serious act of misconduct.
Victor Ho (Company Secretary)	13 October 2016 (date of consultancy agreement and date of commencement)	\$150,000 base retainer fees per annum (excluding GST) plus additional fees (at an agreed day or hourly rate) in respect of approved/agreed excess hours	<ul style="list-style-type: none"> The agreement has no fixed term or fixed rolling terms of service. Commitment to a minimum 16 hours per week over the course of a 5-day working week (averaged out over the course of a month) plus reasonable additional time required by the Company in order to satisfy Company business or operational requirements. The CEO has a defined Investment Mandate and Investment Authority limit. One month's notice of termination by the Company and one month's notice of termination by the Company Executive. Immediate termination without notice if consultant commits any serious act of misconduct. May be entitled to performance related short and long-term incentive scheme benefits (including cash bonuses) as agreed with the Company from time to time – as at the date of this report, no such scheme has been established. Not prohibited from also concurrently acting as a director or company secretary of any company or providing similar services to any company, save that Board consent will be required if the Company Executive proposes to take up a position of employment or consultancy with Industry competitors of Keybridge.

The Company does not presently have formal agreements with other Key Management Personnel.

REMUNERATION REPORT

(6) Other Benefits Provided to Key Management Personnel

Save as outlined below, no Key Management Personnel has during or since the end of the financial year, received or become entitled to receive a benefit, other than a remuneration benefit as disclosed above, by reason of a contract made by the Company or a related entity with the Director or with a firm of which he is a member, or with a Company in which he has a substantial interest:

- (a) During the financial year, Wilson Hanna Pty Ltd (an entity controlled by/associated with/related to the Company's Chairman, John Patton, and his spouse) received \$32,500 (excluding GST) in respect of the Company's contribution towards Wilson Hanna's office lease costs for the Company to use the same as its Registered Office and specified Principal Place of Business during the period between 13 October 2016 and 30 June 2019. This contribution was approved by the Board (excluding Mr Patton).
- (b) During the financial year, the Company's Non-Executive Director, Jeremy Kriewaldt received (or was entitled to receive) \$43,200 (2018: Nil) (excluding GST) 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 his other clients.
- (c) The Company has previously agreed to advance \$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 provided 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 and between 2 January 2013 and 17 December 2015 (as Executive Director from 22 February 2013 and as Managing Director from March 2014). As at 30 June 2019 balance date, \$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 30 June 2019 and currently.

The \$440,000 advance is accounted as a loan receivable asset, however, as at balance date, 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.

- (d) On 23 November 2016, the Company entered into an agreement with Aurora Funds Management Limited (**AFML**) for an AFML Executive to provide limited portfolio management services to the Company in respect of the Company's management of the investment portfolio of the HHY Fund (ASX:HHY) (ie. pursuant to an Investment Management Agreement dated 30 June 2016). The Company's Chairman, John Patton is also the Managing Director and a beneficial owner of AFML. During the financial year, fees of \$7,500 (2018: \$18,000) (excluding GST) have been incurred by the Company in this regard. The arrangement was negotiated and agreement reached on an arms length commercial basis. The arrangement was terminated by mutual agreement on 30 November 2018.

Refer also Note 22 (Related Party Transactions) in the accompanying financial statements for other KMP related disclosures.

REMUNERATION REPORT

(7) Engagement of Remuneration Consultants

The Company has not engaged any remuneration consultants to provide remuneration recommendations in relation to Key Management Personnel during the year. The Board has established a policy for engaging external Key Management Personnel remuneration consultants which includes, inter alia, that the Non-Executive Directors on the RNC be responsible for approving all engagements of and executing contracts to engage remuneration consultants and for receiving remuneration recommendations from remuneration consultants regarding Key Management Personnel. Furthermore, the Company has a policy that remuneration advice provided by remuneration consultants be quarantined from Management where applicable.

(8) Securities in the Company Held by Key Management Personnel

The number of listed ordinary shares (ASX:KBC) in the Company held by Key Management Personnel is set below:

Key Management Personnel	Balance at commencement/		Received as part of		Balance at cessation/ 30 June 2019
	30 June 2018	Additions	remuneration	Disposals	
Directors:					
John Patton	150,000 ^(a)	-	-	-	150,000
William Johnson	-	-	-	-	-
Simon Cato	-	-	-	-	-
Jeremy Kriewaldt	5,000 ^(b)	-	-	-	5,000
Chief Executive Officer:					
Nicholas Bolton ^(c)	2,380,100 ^(d)	-	-	-	2,380,100 ^(d)
Company Secretary:					
Victor Ho	-	-	-	-	-

The number of unlisted ordinary shares in the Company (issued under the ESP) held by Key Management Personnel is set below:

Key Management Personnel	Balance at commencement/		Received as part of		Balance at cessation/ 30 June 2019
	30 June 2018	Additions	remuneration	Disposals	
Directors:					
John Patton	-	-	-	-	-
William Johnson	-	-	-	-	-
Simon Cato	-	-	-	-	-
Jeremy Kriewaldt	-	-	-	-	-
Chief Executive Officer:					
Nicholas Bolton ^(c)	9,000,000	-	-	-	9,000,000
Company Secretary:					
Victor Ho	-	-	-	-	-

REMUNERATION REPORT

The number of listed Convertible Redeemable Promissory Notes (ASX:KBCPA) in the Company held by Key Management Personnel is set below:

Key Management Personnel	Balance at commencement/		Received as part of		Balance at cessation/ 30 June 2019
	30 June 2018	Additions	remuneration	Disposals	
Directors:					
John Patton	4,166 ^(a)	-	-	-	4,166
William Johnson	-	-	-	-	-
Simon Cato	-	-	-	-	-
Jeremy Kriewaldt	1,138 ^(b)	-	-	-	1,138
Chief Executive Officer:					
Nicholas Bolton ^(c)	31,414	-	-	-	31,414
Company Secretary:					
Victor Ho	-	-	-	-	-

Notes to tables:

- (a) Refer John Patton's Initial Director's Interest Notice dated 10 August 2016.
- (b) Refer Jeremy Kriewaldt's Initial Director's Interest Notice dated 13 October 2016
- (c) Nicholas Bolton commenced as CEO on 28 May 2019
- (d) Nicholas Bolton has advised that he has an economic (but not a legal or beneficial) interest in a further 1,542,045 KBC shares held via cash-settled swap positions taken in respect of the same
- (e) The disclosures of security holdings above are in accordance with the accounting standards which require disclosure of shares held directly, indirectly or beneficially by each Key Management person, a close member of the family of that person, or an entity over which either of these persons have, directly or indirectly, control, joint control or significant influence (as defined under Accounting Standard AASB 124 Related Party Disclosures)

(9) Voting and Comments on the Remuneration Report at the 2018 AGM

At the Company's most recent (2018) AGM, a resolution to adopt the prior year (2018) Remuneration Report was put to a vote on a poll and was carried by a majority of votes cast, however, more than 25% of votes cast were against the adoption.¹⁵ This constituted a "first strike" under the executive remuneration related provisions of the Corporations Act.¹⁶ Comments made on the Remuneration Report (where applicable) were addressed by the Chairman at the AGM.

This concludes the audited Remuneration Report.

¹⁵ Refer KBC Notice of AGM dated 18 October 2018 and released on ASX on 23 October 2018

¹⁶ The Corporations Act was amended in June 2011 to introduce the so-called "two-strikes" rule - if at least 25% of the votes cast on the adoption of the remuneration report at two consecutive AGM's are against adopting the remuneration report, shareholders will have the opportunity to immediately vote on a "Board Spill Resolution" at the second AGM, as required by section 250V of the Corporations Act. If the Board Spill Resolution is approved, a further meeting of shareholders must be held within 90 days (the Board Re-election Meeting). The directors (save for a managing director, where applicable) of a company will cease to hold office prior to the Board Re-election Meeting but are eligible to stand for re-election at the same. Key Management Personnel and their Closely Related Parties" are restricted from voting on the adoption of the remuneration report or the Board Spill Resolution but are not restricted from voting at the Board Re-election Meeting

DIRECTORS' REPORT

DIRECTORS' AND OFFICERS' INSURANCE

The Company insures Directors and Officers against liability they may incur in respect of any wrongful acts or omissions made by them in such capacity (to the extent permitted by the *Corporations Act 2001 (Cth)*) (**D&O Policy**). Details of the amount of the premium paid in respect of the insurance policies are not disclosed as such disclosure is prohibited under the terms of the contract.

DIRECTORS' AND OFFICERS' DEEDS

In addition to the rights of indemnity provided under the Company's Constitution (to the extent permitted by the *Corporations Act 2001 (Cth)*), the Company has also entered into a deed with each of the Directors and the Company Secretary (**Officer**) to regulate certain matters between the Company and each Officer, both during the time the Officer holds office and after the Officer ceases to be an officer of the Company, including the following matters:

- (a) The Company's obligation to indemnify an Officer for liabilities or legal costs incurred as an officer of the Company (to the extent permitted by the *Corporations Act 2001 (Cth)*); and
- (b) Subject to the terms of the deed and the *Corporations Act 2001 (Cth)*, the Company may advance monies to the Officer to meet any costs or expenses of the Officer incurred in circumstances relating to the indemnities provided under the deed and prior to the outcome of any legal proceedings brought against the Officer.

During the 2016/2017 financial year, the Company agreed to advance up to \$400,000 as loan funds in respect of former Managing Director's (Nicholas Bolton¹⁷) legal costs incurred in circumstances where Mr Bolton's Director's Deed with the Company provided a procedure for the advancement of monies in this regard. The Company agreed to increase the advance arrangement by \$40,000 to \$440,000 during the 2017/2018 financial year. As at 30 June 2019, \$440,000 (2018: \$440,000) has been advanced via payments made to Mr Bolton's lawyers.

The Board had 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 at the discretion of the Board), 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 30 June 2019 and currently.

LEGAL PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of a court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of such proceedings. The Company was not a party to any such proceedings during and since the financial year. The Company has been involved in other litigation as set out elsewhere in this report.

¹⁷ Who resigned as Managing Director on 17 December 2015

DIRECTORS' REPORT

AUDITORS

Details of the amounts paid or payable to the Auditors for audit and non-audit services provided during the financial year are set out below:

Auditor	Audit & Review Fees \$	Non-Audit Services and Other Payments (including disbursements) \$	Total \$
Deloitte	98,000	5,000	103,000

The Board is satisfied that the provision of non-audit services by the Auditor during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001 (Cth)*. The Board is satisfied that the nature of the non-audit services disclosed above did not compromise the general principles relating to auditor independence as set out in the Institute of Chartered Accountants in Australia and APES 110 Code of Ethics for Professional Accountants: Professional Independence, including reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as advocate for the Company or jointly sharing economic risk and rewards.

Deloitte continues in office in accordance with section 327 of the *Corporations Act 2001 (Cth)*.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001 (Cth)* forms part of this Directors Report and is set out on page 24. This relates to the Audit Report, where the Auditors state that they have issued an independence declaration.

EVENTS SUBSEQUENT TO BALANCE DATE

The Directors are not aware of any matters or circumstances at the date of this Directors' Report, other than those referred to in this Directors' Report (in particular, in the Review of Operations) or the accompanying financial statements or notes thereto (in particular Note 26 (Events occurring after the reporting period)), that have significantly affected or may significantly affect the operations, the results of operations or the state of affairs of the Company in subsequent financial years.

ROUNDING OFF

Keybridge is a company of a kind referred to in ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191 (dated 24 March 2016). Where amounts in the Directors' Report and Financial Report have been rounded to the nearest thousand, it is in accordance with Corporations Instrument 2016/191.

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



John Patton
Chairman



Simon Cato
Director and
Chairman of Audit, Finance and Risk Committee

16 October 2019

The Board of Directors
Keybridge Capital Limited
Suite 614, Level 6
370 St Kilda Road
Melbourne VIC 3000

16 October 2019

Dear Board Members,

Auditor's Independence Declaration to 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 audit of the financial report of Keybridge Capital Limited for the year ended 30 June 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the audit
- any applicable code of professional conduct in relation to the audit.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Ian Skelton
Partner
Chartered Accountants

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 June 2019

	Note	2019	2018
Revenue	2	\$	\$
Fees		43,590	86,791
Total revenue		43,590	86,791
Other Income	2		
Interest revenue		449,127	694,491
Dividend revenue		115,185	14,265
Other income		674,621	36,809
Total Revenue and Other Income		1,282,523	832,356
Other gains and losses:			
Net gain /(loss) on financial assets at fair value through profit or loss		(1,251,042)	(5,132,392)
Impairment expense		(463,162)	124,657
Excess of net assets over cost on acquisition		-	804,156
Net gain on derivative liabilities		52,317	88,021
Gain on revaluation of foreign currency assets		57,768	170,232
Share of Associate entity's profit/(loss)		(783,452)	(760,844)
Expenses	3		
Personnel expenses		(519,843)	(524,270)
Corporate expenses		(1,155,871)	(1,658,825)
Administration expenses		(289,789)	(344,998)
Other expenses		(142,448)	(95,879)
Results from operating activities		(3,212,999)	(6,497,786)
Finance expenses		(395,531)	(308,073)
Profit/(Loss) before Income Tax		(3,608,530)	(6,805,859)
Income tax benefit/(expense)	5	-	-
Profit/(Loss) after income tax for the year		(3,608,530)	(6,805,859)
Other Comprehensive Income			
Foreign currency translation reserve		11,946	(2,557)
Total Comprehensive Income/(Loss) for the year		(3,596,584)	(6,808,416)
Basic and diluted earnings/(loss) per share (cents) attributable to the ordinary equity holders of the Company	6	(2.29)	(4.30)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2019

	Note	2019 \$	2018 \$
Current Assets			
Cash and cash equivalents	7	1,549,219	5,007,980
Financial assets at fair value through profit or loss	8	7,056,672	7,278,327
Other assets	9	5,171,756	146,138
Receivables	10	377,036	421,297
Total Current Assets		14,154,683	12,853,742
Non-Current Assets			
Loans and receivables	11	5,022,517	5,085,649
Investment in Associate entity	21	1,302,483	2,081,631
Deferred tax asset	5	142,579	122,997
Property, plant and equipment		-	275
Total Non-Current Assets		6,467,579	7,290,552
Total Assets		20,622,262	20,144,294
Current Liabilities			
Payables	14	1,678,682	320,116
Total Current Liabilities		1,678,682	320,116
Non-Current Liabilities			
Financial liabilities at fair value through profit or loss	8	7,600,000	4,053,364
Deferred tax liability	5	142,579	122,997
Total Non-Current Liabilities		7,742,579	4,176,361
Total Liabilities		9,421,261	4,496,477
Net Assets		11,201,001	15,647,817
Equity			
Issued capital	15	253,577,894	253,637,724
Reserves	16	1,355,982	2,134,438
Accumulated losses		(243,732,875)	(240,124,345)
Total Equity		11,201,001	15,647,817

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2019

	Note	Reserves				Accumulated losses	Total
		Issued capital	Share -based payments	Profits reserve	Foreign currency translation		
		\$	\$	\$	\$		
Balance at 1 Jul 2017		253,717,174	692,988	2,466,025	-	(233,178,714)	23,697,473
Loss for the year		-	-	-	-	(6,805,859)	(6,805,859)
Profits reserve transfer		-	-	139,772	-	(139,772)	-
Foreign currency reserve	16	-	-	-	(2,557)	-	(2,557)
Total comprehensive income for the year		-	-	139,772	(2,557)	(6,945,631)	(6,808,416)
Transactions with owners in their capacity as owners:							
Share based payment	16	-	(371,388)	-	-	-	(371,388)
Dividends paid	17	-	-	(790,402)	-	-	(790,402)
Share buy-backs	15	(79,450)	-	-	-	-	(79,450)
Balance at 30 Jun 2018		253,637,724	321,600	1,815,395	(2,557)	(240,124,345)	15,647,817
Balance at 1 Jul 2018		253,637,724	321,600	1,815,395	(2,557)	(240,124,345)	15,647,817
Loss for the year		-	-	-	-	(3,608,530)	(3,608,530)
Foreign currency reserve	16	-	-	-	11,946	-	11,946
Total comprehensive income for the year		-	-	-	11,946	(3,608,530)	(3,596,584)
Transactions with owners in their capacity as owners:							
Share buy-backs	15	(59,830)	-	-	-	-	(59,830)
Dividends paid	17	-	-	(790,402)	-	-	(790,402)
Balance at 30 Jun 2019		253,577,894	321,600	1,024,993	9,389	(243,732,875)	11,201,001

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 June 2019

	Note	2019 \$	2018 \$
Cash Flows from Operating Activities			
Fees received		2,542	33,533
Interest received		160,768	26,128
Other income received		729,891	49,766
Payments to suppliers and employees		(2,260,106)	(2,925,292)
CRPN Interest payments		(395,531)	(308,073)
Net Cash used in Operating Activities	7(a)	(1,762,436)	(3,123,938)
Cash Flows from Investing Activities			
Proceeds from sale of financial assets at fair value through profit or loss		29,890	3,101,707
Payments for financial assets at fair value through profit or loss		(983,648)	(4,270,921)
Payments for loans and receivables advanced		(1,495,800)	(153,271)
Proceeds from repayments of loans and receivables advanced		1,691,045	9,336,352
Payment for investment in financial asset at fair value through profit or loss (pending completion or refund)		(5,000,000)	-
Draw-down from margin loan facility		1,370,800	-
Dividends received		115,185	14,265
Return of capital received		21,090	11,851
Purchase of shares in Associate entity		(4,304)	(258,455)
Net Cash provided by/(used in) Investing Activities		(4,255,742)	7,781,528
Cash Flows from Financing Activities			
Share buy-backs		(59,830)	(79,450)
Dividends paid		(790,401)	(790,402)
Issue of Convertible Redeemable Promissory Notes		3,598,953	-
Net Cash used in Financing Activities		2,748,722	(869,852)
Net increase/(decrease) in cash held		(3,269,456)	3,787,738
Cash and cash equivalents at beginning of financial year		5,007,980	1,414,476
Effect of exchange rate fluctuations on cash held		(189,305)	(194,234)
Cash and Cash Equivalents at the end of financial year	7	1,549,219	5,007,980

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2019

1. ABOUT THIS FINANCIAL REPORT

1.1 Background

This financial report covers the consolidated financial statement of the consolidated entity consisting of Keybridge Capital Limited (ASX:KBC) (the **Company** or **KBC**), its subsidiaries and investments in associates (the **Consolidated Entity** or **Keybridge**). The financial report is presented in the Australian currency.

Keybridge Capital Limited is a company limited by shares incorporated in Australia and whose shares are publicly traded on the Australian Securities Exchange (**ASX**).

These financial statements have been prepared on a streamlined basis where key information is grouped together for ease of understanding and readability. The notes include information which is required to understand the financial statements and is material and relevant to the operations, financial position and performance of the Consolidated Entity.

Information is considered material and relevant if, for example:

- the amount in question is significant because of its size or nature;
- it is important for understanding the results of the Consolidated Entity;
- it helps to explain the impact of significant changes in the Consolidated Entity's business; or
- it relates to an aspect of the Consolidated Entity's operations that may be important to its future performance.

The notes to the financial statements are organised into the following sections:

- Key Performance:** Provides a breakdown of the key individual line items in the statement of comprehensive income that is most relevant to understanding performance and shareholder returns for the year:

Notes

2	Revenue and Income
3	Expenses
4	Segment information
5	Income tax
6	Loss per share

- Financial Risk Management:** Provides information about the Consolidated Entity's exposure and management of various financial risks and explains how these affect the Consolidated Entity's financial position and performance:

Notes

7	Cash and cash equivalents
8	Financial assets and liabilities at fair value through profit or loss
9	Other Assets
10	Receivables
11	Loans and receivables
12	Financial risk management
14	Payables

- Other Assets and Liabilities:** Provides information on other balance sheet assets and liabilities that do not materially affect performance or give rise to material financial risk:

Notes

13	Fair value measurement of financial instruments
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- Capital Structure:** This section outlines how the Consolidated Entity manages its capital structure and related financing costs (where applicable), as well as capital adequacy and reserves. It also provides details on the dividends paid by the Company:

Notes

15	Issued capital
16	Reserves
17	Dividends and CRPN interest payments
18	Capital risk management

- Consolidated Entity Structure:** Provides details and disclosures relating to the parent entity of the Consolidated Entity, controlled entities, investments in associates and any acquisitions and/or disposals of businesses in the year. Disclosure on related parties is also provided in the section:

Notes

19	Parent entity information
20	Investment in controlled entities
21	Investment in associate entity
22	Related party transactions

- Other:** Provides information on items which require disclosure to comply with Australian Accounting Standards and other regulatory pronouncements however, are not considered significant in understanding the financial performance or position of the Consolidated Entity:

Notes

23	Auditors' remuneration
24	Loan commitments
25	Contingencies
26	Events occurring after the reporting period

Significant and other accounting policies

Significant and other accounting policies that summarise the measurement basis used and presentation policies adopted that are relevant to an understanding of the financial statements are provided throughout the notes to the financial statements.

Critical accounting judgement and estimate

Information about the significant areas of estimation, uncertainties and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

Notes

5	Income tax
8	Financial assets at fair value through profit or loss
9	Other Assets
11	Loans and receivables

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2019

1.2 Basis of Preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB), Australia Accounting Interpretations and the *Corporations Act 2001 (Cth)*. The Company is a for-profit entity for the purpose of preparing the financial statements.

Keybridge is of a kind referred to in ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191 dated 24 March 2016. Where financial information presented in Australian Dollars has been rounded to the nearest thousand, it is in accordance with Corporations Instrument 2016/191.

Compliance with International Financial Reporting Standards (IFRS)

The consolidated financial statements of the Consolidated Entity comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Reporting Basis and Financial Statement Presentation

The financial report has been prepared on a going concern basis and is based on historical costs modified by the revaluation of financial assets and financial liabilities for which the fair value basis of accounting has been applied.

The principal accounting policies adopted in the preparation of these financial statements have been consistently applied to all the years presented, unless otherwise stated.

1.3 Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of the Company as at 30 June 2019 and the results of its subsidiaries for the year then ended. The Company and its subsidiaries are referred to in this financial report as Keybridge or the Consolidated Entity.

All inter-company balances and transactions between entities in the Consolidated Entity, including any unrealised profits or losses, have been eliminated on consolidation.

1.4 Comparative Figures

Where required by the Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial period. Refer to Note 1.8 for details of changes made.

1.5 Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST. Cash flows are presented in the Statement of Cash Flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

1.6 Impairment of Assets

At each reporting date, the Consolidated Entity reviews the carrying values of its tangible and intangible assets (where applicable) to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the Statement of Profit or Loss and Other Comprehensive Income. Impairment testing is performed annually for goodwill and intangible assets (where applicable) with indefinite lives. Where it is not possible to estimate the recoverable amount of an individual asset, the Consolidated Entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

1.7 New, revised or amending Accounting Standards and Interpretations adopted

The Consolidated Entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the AASB that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not mandatory have not been early adopted.

1.8 Restatement of Comparatives

Upon a review of the internal records of the Consolidated Entity and the presentation in the 30 June 2017 financial report, the Company has determined to change the presentation of certain aspects of the Statement of Profit or Loss and Other Comprehensive Income to better align with industry practice and the Accounting Standards. The comparative information has been restated to reflect these changes. No additional balance sheet in the Statement of Financial Position is required as the restatement relates only to the Statement of Profit or Loss and Other Comprehensive Income and has no impact on the Statement of Financial Position. There is no change to profit before tax, other comprehensive income or earnings/(loss) per share as a result of these presentational changes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2019

1.9 Summary of Accounting Standards Issued But Not Yet Effective

The Company has reviewed the new Accounting Standards and Interpretations which have been released but are not yet effective and assessed their impact as follows:

- AASB 16 is not likely to have a material impact as the Consolidated Entity currently has no operating leases.

All other standards summarised in the table below are not considered to have a material impact on the Consolidated Entity's results as they are not relevant to the Consolidated Entity's current activities or transactions.

AASB reference	Title and Affected Standard(s)	Nature of Change	Application date
AASB 16	Leases	<p>AASB 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under AASB 117 <i>Leases</i>. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (eg. personal computers) and short-term leases (ie. leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (ie. the lease liability) and an asset representing the right to use the underlying asset during the lease term (ie. the right-of-use asset).</p> <p>Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.</p> <p>Lessees will be required to remeasure the lease liability upon the occurrence of certain events (eg. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset.</p> <p>Lessor accounting is substantially unchanged from today's accounting under AASB 117. Lessors will continue to classify all leases using the same classification principle as in AASB 117 and distinguish between two types of leases: operating and finance leases.</p>	Annual reporting periods beginning on or after 1 January 2019

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2019

2. REVENUE AND INCOME

	2019	2018
	\$	\$
The consolidated loss before income tax includes the following items of revenue:		
Revenue		
Fees		
Investment management fees	43,590	86,791
	43,590	86,791
Other income		
Interest revenue	449,127	694,491
Dividend revenue	115,185	14,265
Other income		
Additional consideration received	385,577	-
- sale of Totana Solar Plant asset (refer also Note 10(a))		
Loan fees	162,500	-
Litigation settlement	-	19,668
Unit trust distributions	-	12,805
Other income	126,544	4,336
	1,238,933	745,565
Other gains and losses		
Realised gain/(loss) on sale of financial assets at fair value through profit or loss	(75,936)	1,002,939
Unrealised loss on financial assets at fair value through profit or loss	(1,175,106)	(6,135,331)
Net gain /(loss) on financial assets at fair value through profit or loss	(1,251,042)	(5,132,392)
Reversal of impairment of loans and receivables	-	933,391
Impairment of loans and receivables	(463,162)	(808,734)
Excess of net assets over cost on acquisition	-	804,156
Payment for investment in financial asset at fair value through profit or loss (pending completion or refund)	52,317	88,021
Gain on revaluation of foreign currency assets	57,768	170,232
Share of Associate entity's profit/(loss)	(783,452)	(760,844)
	(2,387,571)	(4,706,170)
	(1,105,048)	(3,873,814)

Excess of net assets over cost on acquisition

The Consolidated Entity acquired the balance of the 50% interest in BIC Europe Limited (**BICE**) it did not own on 27 April 2018 (after the sale of the Total Solar Plant and the repayment/discharge of related loans - refer also Note 10(a)). The net assets of BICE as at the date of acquisition (as to 50%) was in excess of the consideration paid by the Company and accordingly, the excess of \$804,156 has been recognised as revenue in 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2019

2. REVENUE AND INCOME (continued)

Accounting policy

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Consolidated Entity and the revenue can be reliably measured. All revenue is stated net of the amount of Goods and Services Tax (**GST**) except where the amount of GST incurred is not payable to the Australian Tax Office. The following specific recognition criteria must also be met before revenue is recognised:

(a) Sale of financial assets, goods and other assets

Revenue from the sale of financial assets, goods or other assets is recognised when the Consolidated Entity has passed control of the financial assets, goods or other assets to the buyer.

(b) Fees and interest revenue

Interest revenue is recognised in profit or loss using the effective interest method. The effective interest rate is the rate that discounts the estimated future cash payments and receipts through the expected life of the financial asset to the carrying amount of the financial asset. When calculating the effective interest rate, the Consolidated Entity estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses. Where there are uncertainties in relation to the collectability of interest income, the Consolidated Entity will determine whether income is probable. Where it is not probable, the interest is accordingly not accrued. The Consolidated Entity may receive fees for such services as loan extensions or debt facility management. Fees that are integrated into the effective yield of financial assets are included in the measurement of the effective interest rate.

(c) Dividend revenue

Dividend revenue is recognised when the right to receive a dividend has been established. The Consolidated Entity brings dividend revenue to account on the applicable ex-dividend entitlement date.

(d) Other revenues

Other revenues are recognised on an accruals basis.

3. EXPENSES

	2019	2018
	\$	\$
The consolidated loss before income tax includes the following items of expenses:		
Personnel expenses		
Directors' fees	425,237	393,320
Salaries and wages	106,877	47,158
Executive Share Plan	-	49,852
Other	(12,271)	33,940
Corporate expenses		
Professional and consulting fees	603,086	616,085
Auditing, accounting and tax services	301,578	348,051
Legal fees	251,207	694,689
Administration expenses	289,789	344,998
Other expenses	142,448	95,879
	2,107,951	2,623,972

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2019

4. SEGMENT INFORMATION

2019	Investments			Total
	Equity	Debt	Corporate	
	\$	\$	\$	\$
Segment profit and loss				
Revenue and income	(1,523,541)	156,148	262,344	(1,105,049)
Expenses	(437,206)	(250,794)	(1,815,481)	(2,503,481)
Results from operating activities	(1,960,747)	(94,646)	(1,553,137)	(3,608,530)
Finance expenses	-	-	-	-
Profit/(Loss) before Income Tax	(1,960,747)	(94,646)	(1,553,137)	(3,608,530)
Income tax expense	-	-	-	-
Profit/(Loss) for the year	(1,960,747)	(94,646)	(1,553,137)	(3,608,530)
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)
Net assets	7,180,683	5,301,238	(1,280,920)	11,201,001
2018				
Segment profit and loss				
Revenue and income	(585,583)	(3,317,682)	29,451	(3,873,814)
Expenses	(903,077)	(210,030)	(1,510,865)	(2,623,972)
Results from operating activities	(1,488,660)	(3,527,712)	(1,481,414)	(6,497,786)
Finance expenses	-	-	(308,073)	(308,073)
Profit/(Loss) before Income Tax	(1,488,660)	(3,527,712)	(1,789,487)	(6,805,859)
Income tax expense	-	-	-	-
Profit/(Loss) for the year	(1,488,660)	(3,527,712)	(1,789,487)	(6,805,859)
Segment assets	10,672,484	5,307,966	4,163,844	20,144,294
Segment liabilities	-	(70,151)	(4,426,326)	(4,496,477)
Net assets	10,672,484	5,237,815	(262,482)	15,647,817

Accounting policy

The Consolidated Entity operates principally in the Australian geographical area. An operating segment is a component of the Consolidated Entity that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Consolidated Entity's other components. All operating segments' operating results for which discrete financial information is available are regularly reviewed by the Company's Board of Directors/Investment Committee/Chief Executive Officer (as applicable, the case may be) (being the 'Chief Operating Decision-Maker' under ASAB 8 (Operating Segments)) to make decisions about resources to be allocated to the segment and to assess its performance.

Segment results that are reported to the Chief Operating Decision-Maker include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2019

4. SEGMENT INFORMATION (continued)

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;
- (b) Debt investments comprise loans advanced, debts secured via assignment and investments in debt instruments with exposure to a number of different sectors, as follows:
- Private Equity: Promissory note issued by a US private investment company.
 - Insurance: Notes issued by the owner of a life insurance business in New Zealand.
 - Property: Creditor of private companies (both in liquidation) with security held via registered mortgages over strata title lots comprising Conference Facilities at a Hotel located in Manly, Sydney.

An additional Corporate segment relates to corporate assets and operations.

5. INCOME TAX

	2019	2018
	\$	\$
(a) The components of tax expense comprise:		
Current tax	-	-
Deferred tax	-	-
	<u>-</u>	<u>-</u>
(b) The prima facie tax on operating loss before income tax is reconciled to the income tax as follows:		
Prima facie tax payable on operating loss before income tax at 27.5% (2018: 27.5%)	(992,345)	(1,871,611)
Adjust tax effect of:		
Non-deductible expenses	122	1,455
Franking credits	1,544	-
Current year tax losses not brought to account	990,679	1,870,156
Income tax attributable to entity	<u>-</u>	<u>-</u>

	2017	Annual movement recognised	2018	Annual movement recognised	2019
	\$	\$	\$	\$	\$
(c) Deferred taxes					
Deferred tax assets					
Loans and receivables	4,249,944	(1,683,560)	2,566,384	390,221	2,956,605
Other investments	15,938	1,486,994	1,502,932	402,665	1,905,597
Other	72,034	(29,093)	42,941	518	43,459
Tax losses	(4,047,429)	58,169	(3,989,260)	(773,822)	(4,763,082)
	<u>290,487</u>	<u>(167,490)</u>	<u>122,997</u>	<u>19,582</u>	<u>142,579</u>
Deferred tax liabilities					
Other investments	(219,080)	191,696	(27,384)	(5,195)	(32,579)
Financial liabilities	(71,407)	(24,206)	(95,613)	(14,387)	(110,000)
	<u>(290,487)</u>	<u>167,490</u>	<u>(122,997)</u>	<u>(19,582)</u>	<u>(142,579)</u>
Deferred tax	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2019

5. INCOME TAX (continued)

	2019	2018
(d) Unrecognised deferred tax balances	\$	\$
Unrecognised deferred tax asset - revenue losses	44,488,947	43,680,976
Unrecognised deferred tax asset - capital losses	150,347	150,347
	<u>44,639,294</u>	<u>43,831,323</u>

Critical accounting judgement and estimate

The Consolidated Entity is subject to income taxes (and other similar taxes) in Australia. Judgement is required in determining the Consolidated Entity's provision for income taxes.

Deferred tax assets have not been recognised as, in the Directors' opinion, it is not probable that future taxable profit will be available against which the Consolidated Entity can utilise the benefits. The utilisation of revenue and capital tax losses are subject to compliance with taxation legislation.

Tax Consolidation

The head entity, Keybridge Capital Limited, and its then Australian controlled entities have formed a tax consolidated group with effect from June 2013. The members of the tax consolidation group continue to account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, the Company also recognises the current tax liabilities (or assets) and the deferred tax assets (as appropriate) arising from unused tax losses and unused tax credits pertaining to controlled entities within the tax consolidated group.

Assets or liabilities arising under tax funding agreements within the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Consolidated Entity.

Accounting policy

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the income tax rate for each taxing jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses (if applicable).

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each taxing jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. The amount of deferred tax assets benefits brought to account or which may be realised in the future, is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Consolidated Entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2019

5. INCOME TAX (continued)

Accounting policy (continued)

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the Consolidated Entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

6. LOSS PER SHARE	2019	2018
	cents	cents
Basic and diluted loss per share	(2.29)	(4.30)
The following represents the loss and weighted average number of shares used in the Earnings per Share calculations:	2018	2017
	\$	\$
Net loss after income tax	(3,608,530)	(6,805,859)
	Number of shares	
Weighted average number of ordinary shares	157,690,107	158,296,395

The Company has 9 million (2018: 9 million) unlisted Executive Share Plan shares and 8,000,000 (2018: 4,401,047) listed Convertible Redeemable Promissory Notes (ASX:KBCPA) which have not been included in the calculation of the weighted average number of ordinary shares as they are considered to be antidilutive pursuant to AASB 133 (Earnings per Share). Potential ordinary shares are considered antidilutive when their conversion to ordinary shares would increase earnings per share or decrease loss per share from continuing operations. The calculation of diluted earnings/loss per share (above) does not assume conversion, exercise, or other issue of potential ordinary shares that would have an antidilutive effect on earnings/(loss) per share.

Accounting policy

Basic earnings/loss per share is determined by dividing the operating result after income tax by the weighted average number of ordinary shares on issue during the financial period.

Diluted earnings/loss per share adjusts the figures used in the determination of basic earnings/loss per share resulting from the assumption that convertible instruments are converted, that options or warrants are exercised, or that ordinary shares are issued upon the satisfaction of specified conditions.

7. CASH AND CASH EQUIVALENTS	2019	2018
	\$	\$
Cash at bank	<u>1,549,219</u>	<u>5,007,980</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2019

7. CASH AND CASH EQUIVALENTS (continued)

(a) Reconciliation of operating loss after income tax to net cash provided by operating activities	2019	2018
	\$	\$
Loss after income tax	(3,608,530)	(6,805,859)
Add non-cash items:		
Share of Associate entity's loss	783,452	760,844
Net unrealised loss on financial assets at fair value through profit or loss	1,175,106	6,135,331
Net loss on revaluation of foreign currency assets	(57,768)	(170,232)
Net unrealised gain on derivative liabilities	(52,317)	(88,021)
Impairment expenses/(reversal)	463,162	(124,657)
Depreciation	275	1,890
Executive Share Plan	-	49,852
Excess of net assets over cost on acquisition	-	(804,156)
Changes in assets and liabilities:		
Financial assets at fair value through profit or loss	(39,249)	(555,181)
Loans and receivables	(287,851)	(1,419,908)
Receivables	(100,865)	(61,928)
Other assets	(25,618)	(25,944)
Payables	(12,233)	(15,969)
	(1,762,436)	(3,123,938)

Accounting policy

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts (if any) are shown within short-term borrowings in current liabilities on the Statement of Financial Position.

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

	2019	2018
	\$	\$
Financial assets at fair value through profit or loss		
Shares in listed investments	6,938,207	7,155,396
Unlisted investments at fair value	103,777	99,579
Futures derivatives at fair value	14,688	23,352
	7,056,672	7,278,327
Financial liabilities at fair value through profit or loss		
Convertible redeemable promissory notes (CRPN)	7,600,000	4,053,364
Movement in CRPN		
Opening balance	4,053,364	4,141,385
Issue of CRPN	3,598,953	-
Unrealised loss/(gain) on revaluation	(52,317)	(88,021)
Closing balance	7,600,000	4,053,364

Derivatives comprise exchange traded index futures contracts and cash-settled swap positions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2019

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

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. 4,401,047 CRPNs were initially issued on 30 June 2015. On 19 February 2019, the Company completed a \$3.6 million capital raising via the issue of 3,598,953 new CRPNs at a face value of \$1.00 each. A summary of the terms of the CRPN's is as follows:

- Face value of \$1.00 each with maturity on 31 July 2020;
- Fixed interest rate of 7% per annum payable in arrears generally 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;
- Rank ahead of ordinary shares with preferential right to payment of distributions and capital on winding up;
- At maturity:
 - (a) a holder may request a conversion of their CRPNs to ordinary shares at a 2.5% discount to the volume weighted average price of the Company's listed ordinary shares (ASX:KBC) at the time (over a conversion volume weighted average price period defined as the 15 business days on which trading in the Company's shares took place immediately preceding (but not including) the date on which conversion is to occur) (**VWAP**). The Company may respond to the holder's request by either converting the CRPN into ordinary shares (at the 2.5% discount to the VWAP price) or redeeming the CRPN for cash at face value;
 - (b) The Company may elect to convert the CRPN to ordinary shares at a 5% discount to the VWAP price at maturity; and
- The Company may also elect to redeem the CRPN for cash or convert the CRPN to ordinary shares prior to maturity, on the occurrence of certain trigger events.

The CRPNs are recognised as a Financial Liability at fair value – which is based on the quoted price of the CRPNs (ASX:KBCPA) on ASX as at balance date (being \$0.95 each). The Consolidated Entity notes that the face value of the CRPN is \$1.00 each.

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 (30 June 2019) balance date, the Company has adopted a carrying value of \$0.0128 per MPO share (2018: \$0.026) – which has resulted in a \$0.606 million provision for impairment expense being recognised for the financial year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2019

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

Investment in Molopo Energy Limited (ASX:MPO) (continued)

The \$0.0128 per share carrying value for MPO was based on the Board's judgement of MPO's estimated net asset backing having regard to the following matters:

- (a) MPO's gross cash position of A\$12.334 million as at 30 June 2019 (per MPO's Quarterly Cashflow Report for the quarter ending 30 June 2019 dated and released on ASX on 24 July 2019); and
- (b) MPO's C\$8.4 million (A\$9.136 million, at an exchange rate of A\$1.00 : C\$0.9194 as at 30 June 2019) provision in respect of Canadian litigation matters;

In MPO's 30 June 2018 Half Year Report (released on ASX on 6 May 2019) and 2018 Annual Report (released on ASX on 7 May 2019), it was disclosed that:

- (a) MPO had determined to write-back a prior C\$8.4m provision for Canadian litigation matters to nil and reflect the legal action as a contingent liability; and
- (b) No value had been ascribed by Molopo to its \$46.366m (30% shareholding) in Drawbridge Energy Holdings Ltd (**Drawbridge**) (for further relevant information in relation to Drawbridge in this regard, refer MPO's ASX announcements dated 8 May 2018: Molopo De-Risks By Diversifying its Oil and Gas Exploration Portfolio and 4 February 2019: Quarterly Activities Report the quarter ending 31 December 2018).

The Board has reviewed the basis of MPO's reversal of its C\$8.4m provision for Canadian litigation matters and has determined to adopt a conservative position to continue to account for this prior provision in its assessment of MPO's estimated net asset backing. The Company notes that if this C\$8.4m (A\$9.136m) provision was not recognised by the Company (which would be consistent with MPO's own treatment), the carrying value of MPO would increase from \$0.0128 to \$0.0495 per share.

Accounting policy

Under AASB 9 *Financial Instruments*, the Consolidated Entity classified financial assets and liabilities as subsequently measured at either amortised cost or fair value, depending on the business model for those assets and on the asset's contractual cash flow characteristics.

Financial assets at fair value through profit or loss

Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either:

- (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or
- (ii) designated as such upon initial recognition where permitted.

Fair value movements are recognised in the Statement of Profit or Loss in the period in which they arise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2019

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

Accounting Policy (continued)

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income include equity investments which the Consolidated Entity intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

The fair value of these financial assets traded in active markets (such as publicly traded derivatives and trading and available-for-sale securities) is based on quoted market prices (being the prevailing bid price) at the balance sheet date.

Financial liabilities at fair value through profit or loss

The Consolidated Entity initially recognises other financial liabilities on their origination date, which is the date the Consolidated Entity becomes a party to the contractual provisions of the instrument. The Consolidated Entity derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

The Consolidated Entity classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost. The Company's CRPNs are measured at fair value.

9. OTHER ASSETS

	2019	2018
	\$	\$
Investment in financial asset at fair value through profit or loss	5,000,000	-
- pending completion or refund		
Prepayment	110,789	118,414
GST receivable	33,243	-
Other assets	27,724	27,724
	<u>5,171,756</u>	<u>146,138</u>

Investment in financial asset at fair value through profit or loss (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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2019

9. OTHER ASSETS (continued)

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 the same as Trustee of the Unit Trust.

The Trustee has advised that the vesting 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 monies).

The Board has ascribed a value (at cost) of \$5 million to the pending transaction as at 30 June 2019.

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.

10. RECEIVABLES	2019	2018
	\$	\$
Current		
Deferred consideration	324,097	315,259
Other	52,939	106,038
	<u>377,036</u>	<u>421,297</u>

(a) Current Receivables: Includes

- (i) \$0.315m (€0.2m) deferred consideration receivable in October 2019, being 18 months after the sale of the Totana Solar Plant asset which was completed on 27 April 2018 - further details are in Note 9(a) to the Annual Report for the year ended 30 June 2018.

The above receivables have been assessed to have low credit risk; furthermore, the credit risk has not increased significantly since initial recognition. As such, no loss allowance has been recognised for expected credit loss under AASB 9 *Financial Instruments*.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2019

11. LOANS AND RECEIVABLES

	2019			2018		
	Gross value	Impairment	Total	Gross value	Impairment	Total
Non-current	\$	\$	\$	\$	\$	\$
Private equity	6,556,677	(5,995,422)	561,255	6,527,973	(5,995,422)	532,551
Property	4,288,735	(3,303,735)	985,000	4,188,735	(3,303,735)	885,000
Insurance	3,377,947	-	3,377,947	3,135,158	-	3,135,158
Other	1,627,710	(1,529,395)	98,315	1,913,505	(1,380,565)	532,940
	<u>15,851,069</u>	<u>(10,828,552)</u>	<u>5,022,517</u>	<u>15,765,371</u>	<u>(10,679,722)</u>	<u>5,085,649</u>

	2019	2018
	\$	\$
Movement in impairment		
Opening balance	10,679,722	15,507,410
Previous impairments written back/(off)	100,000	(5,178,256)
Impairment (reversal) /expense	411,064	(124,656)
Reversal of share based payment reserve	-	475,224
Classified to Current Receivables	(362,234)	-
Closing balance	10,828,552	10,679,722

(a) **Loan Receivables - Private Equity:** Keybridge advanced ~US\$4.3m to RPE I Investor LLC (**RPE Investor**) (a subsidiary of Republic Financial Corporation (**RPC**), a US private investment company) under a limited recourse promissory note (**Note**) secured (via collateral pledged) over RPE Investor's interest in the Republic Private Equity I Limited Liability Limited Partnership, a private equity fund (managed by a related party to RPC) with investments in US based manufacturing/distribution businesses (**RPE Fund**). The principal and accrued interest (at 14.5% pa) under the note was repayable on maturity on 29 December 2017.

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.

(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 date, the loan was carried at \$0.985m (2019: \$0.885m) (based on the Directors' judgement) .

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2019

11. LOANS AND RECEIVABLES (continued)

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

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

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

- (i) \$0.046m (30 June 2018: \$0.093m) attributable to 3,666,285 shares in Molopo Energy Limited (ASX:MPO) that were vested in the Commonwealth (on trust for Keybridge) on 7 July 2017 under the declaration and orders of the Takeovers Panel in the matter of Molopo Energy Limited 03R, 04R & 05R. These vested shares will be sold by ASIC with the proceeds of sale accounted to the Company (net of the costs, fees and expenses of the sale and any costs, fees and expenses incurred by ASIC and the Commonwealth (if any)). As these vested MPO shares are held on trust for Keybridge pending sale by ASIC, Keybridge continues to recognise the shares as company assets (as a loan receivable) at the same carrying value per share as its holding of 46 million MPO shares (1.28 cents per share - further details are in Note 8); and
- (ii) \$0.052m (30 June 2018: Nil) attributable to 1,054,148 shares in Yowie Group Ltd (ASX:YOW) that were vested in the Commonwealth (on trust for Keybridge) on 26 April 2019 under the declaration and orders of the Takeovers Panel in the matter of Yowie Group Ltd 01 & 02. These vested shares will be sold by ASIC with the proceeds of sale accounted to the Company (net of the costs, fees and expenses of the sale and any costs, fees and expenses incurred by ASIC and the Commonwealth (if any)). As these vested YOW shares are held on trust for Keybridge pending sale by ASIC, Keybridge continues to recognise the shares as company assets (as a loan receivable) at the same carrying value per share as its holding of 13,752,903 YOW shares (5.1 cents per share).

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

Critical accounting judgement and estimate

Judgements have been made in the determination of the carrying value, fair value, recoverability of various loans and receivables, credit risk and loss allowance. In making these judgements, the Consolidated Entity has given additional consideration to loans and receivables that have not been making interest and or principal repayments during the half year as discussed below.

Accounting policy

Receivables are recognised at amortised cost, less any allowance for expected credit losses (**ECL**) as:

- (i) it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- (ii) the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest, and is not designated as at FVTPL.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2019

12. FINANCIAL RISK MANAGEMENT

The Consolidated Entity seeks to minimise the effects of financial risks arising in the normal course of the Consolidated Entity's business.

Financial risk management is undertaken by Management/the Investment Committee (**IC**) (as appropriate, as applicable) under policies approved by the Board. During the year, Management/the IC continued to monitor the Consolidated Entity's policies and sought Board approval for any necessary changes to manage financial risks.

The Board is responsible for overseeing the implementation of, and ensuring there are adequate policies in relation to the Consolidated Entity's risk management, compliance and control systems. These systems require Management/the IC to be responsible for identifying and managing the Consolidated Entity's risks in this regard.

The Board has an Audit, Finance and Risk Committee (**AFRC**). The AFRC's responsibilities include assisting the Board to achieve the Board's oversight requirements in relation to financial risk management, internal control and risk management.

The Consolidated Entity's principal financial assets comprise cash and cash equivalents, trade and other receivables, loans and loan receivables, debt instruments/securities and investments in listed and unlisted securities. The Consolidated Entity's principal financial liabilities comprise the listed CRPNs (which matures on 31 July 2020) and trade and other payables. The Consolidated Entity's activities expose it to a variety of direct and indirect financial risks comprising market risk, interest rate risk, credit risk, liquidity risk and foreign currency risk.

(a) Market risk

Market risk is the risk that changes in market prices, such as interest rates, equities and property prices will affect the Consolidated Entity's profitability. The objective of market risk management is to seek to manage and control risk exposures within acceptable parameters, while optimising expected returns.

(i) Price risk

The Consolidated Entity is exposed to equity securities price risk. This arises from investments held by the Consolidated Entity and classified in the Statement of Financial Position at fair value through profit or loss. The Consolidated Entity may also be indirectly exposed to commodity price risk in respect of its underlying investments.

The value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument, its issuer or factors affecting all instruments in the market. The Consolidated Entity will always be subject to market risk as it invests its capital in securities that are not risk free. This is reflected in the market price of these securities which can and will fluctuate. The Consolidated Entity may endeavour to manage this risk through entering into derivative contracts, futures, options or swaps (as applicable).

Equity price risk is also managed by ensuring that investment activities are undertaken in accordance with Board established mandate limits and investment strategies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2019

12. FINANCIAL RISK MANAGEMENT (continued)

(i) Price risk (continued)

Sensitivity analysis

The Consolidated Entity has performed a sensitivity analysis on its exposure to equity securities price risk for its listed financial assets at fair value through profit or loss. The analysis demonstrates the effect on the current year results and equity which could result from a change in these risks. The ASX/S&P 200 Accumulation Index was utilised as the benchmark for the investment portfolio.

	Profit or loss		Equity	
	2019	2018	2019	2018
	\$	\$	\$	\$
5% increase	346,910	357,770	346,910	357,770
5% decrease	(346,910)	(357,770)	(346,910)	(357,770)

(ii) Interest rate risk

The Consolidated Entity is exposed to interest rate risk primarily in cash held in interest bearing instruments. The weighted average interest rate of the cash deposits for the year is 1.65%.

The Consolidated Entity's Loans and Receivables are generally at fixed rates and where applicable, asset-specific debt may be 'term matched' with fixed interest rates to endeavour to hedge those specific cash flows. The Consolidated Entity's policy is to ensure that, where appropriate, all material interest rates in relation to non-recourse financing within an investment are fixed for the term of the non-recourse financing.

The Consolidated Entity may be entitled to receive a fixed rate of interest in relation to its financial assets. Interest income received as cash or, where there is a reasonable probability of receipt, accrued as income, are recognised in the profit and loss statements.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates throughout the reporting period would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates remain constant. As at 30 June 2019 the Consolidated Entity is exposed to cash-on-hand deposit interest rates. Cash flow sensitivity analysis for variable rate instruments are as follows:

	Profit or loss		Equity	
	2019	2018	2019	2018
	\$	\$	\$	\$
100bp increase				
Variable rate instruments	15,492	50,080	-	-
Cash flow sensitivity (net)	15,492	50,080	-	-
100bp decrease				
Variable rate instruments	(15,492)	(50,080)	-	-
Cash flow sensitivity (net)	(15,492)	(50,080)	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2019

12. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk

The Consolidated Entity is exposed to credit risk in the event that a counterparty fails to meet its contractual obligations in relation to the Consolidated Entity's investments or deposits with banks and other financial institutions.

The Consolidated Entity manages ongoing credit risk by monitoring the performance of investments, the cyclical impact of the underlying asset class, and financial health of counterparties, banks and other financial institutions.

Trade receivables

The maximum exposure to credit risk is the carrying amount of assets, net of any provision for doubtful debts of those assets, as disclosed in the consolidated statement of financial position and notes to the financial statements. The Consolidated Entity does not have any material credit risk exposure to any single trade debtor.

Cash and cash equivalents

Credit risk for cash deposits is managed by holding all cash with major reputable Australian banks.

The carrying amount of the Consolidated Entity's financial assets represents its maximum credit exposure. The Consolidated Entity's credit risk exposure relates mainly to the following assets at the reporting date:

	2019	2018
	\$	\$
Cash and cash equivalents	1,549,219	5,007,980
Loans and receivables	5,022,517	5,085,649
Trade and other receivables	377,036	421,297
	6,948,772	10,514,926

The Consolidated Entity's most significant counterparty exposure relates to non-current Loans and Receivables totalling \$5.463 million as at 30 June 2019 (30 June 2018: \$5.086 million).

(c) Liquidity risk

Liquidity risk is the risk that the Consolidated Entity may encounter difficulty in meeting obligations associated with financial liabilities. The Consolidated Entity has CRPNs on issue, has drawn down on a margin loan facility and has no other borrowings. The Consolidated Entity's non-cash investments can be realised to meet payables arising in the normal course of business and to meet the quarterly interest payments to CRPN holders. The Company may elect to convert the CRPN into ordinary shares (at any time and at maturity). Refer Note 8 for further details in relation to the CRPN.

The current financial liabilities (ie. payables) have a maturity obligation of not more than 30 days. The non-current financial liabilities (ie. CRPN, inclusive of assumed accrued interest) have maturity obligations as follows:

	2019	2018
	\$	\$
CRPN - expected cash outflow		
Not more than 1 year	561,534	308,073
Longer than 1 year but not longer than 4 years	8,000,000	4,709,120
	8,561,534	5,017,193

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2019

12. FINANCIAL RISK MANAGEMENT (continued)

(d) Foreign currency risk

Foreign currency risk arises from assets and liabilities that are denominated in a currency that is not the Consolidated Entity's functional currency, being Australian dollars (**AUD**). The Consolidated Entity has a significant loan receivable denominated in New Zealand dollars (**NZD**) (Insurance) (refer Note 11), material investments denominated in US dollars (**USD**) and minor investments denominated in other currencies. The Consolidated Entity also holds cash reserves denominated in foreign currencies from time to time, with a material exposure to Euros (**EUR**) at balance date. The Consolidated Entity does not hedge its assets denominated in foreign currencies and is therefore exposed to foreign exchange (**FX**) movements when the value of such assets are translated into Australian dollars. Any loss or gain arising on translation is recorded in the profit or loss statement. The Consolidated Entity's exposure to foreign currency risk at balance date was as follows:

	USD	Euro	NZD
	\$	\$	\$
AUD equivalents			
2019			
Cash and cash equivalent	(1,400,237)	414,953	804
Financial assets at fair value through profit or loss	1,875,671	-	103,777
Loans and Receivables	561,255	324,097	3,377,947
Total asset exposure	1,036,689	739,050	3,482,528
2018			
Cash and cash equivalent	(1,362,908)	7,041,760	176,873
Financial assets at fair value through profit or loss	1,478,031	-	99579
Loans and Receivables	532,551	-	3,135,158
Net exposure at carrying value	647,674	7,041,760	3,411,610

Sensitivity analysis

The Consolidated Entity has performed a sensitivity analysis on its exposure to foreign currency risk. It demonstrates the gain/loss on translation in AUD terms if there was a 10% change in relevant foreign currency exchange rates, as follows:

	USD	Euro	NZD
	\$	\$	\$
2019			
10% increase	(103,669)	(73,905)	(348,253)
10% decrease	103,669	73,905	348,253
2018			
10% increase	(64,767)	(704,176)	(341,161)
10% decrease	64,767	704,176	341,161

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2019

13. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Fair value hierarchy

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

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

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

Level 3 fair value measurements

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

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
2019				
Financial assets at fair value through profit or loss:				
Shares in listed investments	6,347,356	-	590,851	6,938,207
Unlisted investments at fair value	-	-	103,777	103,777
Futures derivatives at fair value	14,688	-	-	14,688
Total financial assets	6,362,044	-	694,628	7,056,672
Financial liabilities at fair value through profit or loss				
CRPN	7,600,000	-	-	7,600,000
Total financial liabilities	7,600,000	-	-	7,600,000
2018				
Financial assets at fair value through profit or loss:				
Shares in listed investments	5,958,940	-	1,196,456	7,155,396
Unlisted investments at fair value	-	-	99,579	99,579
Futures derivative at fair value	23,352	-	-	23,352
Total financial assets	5,982,292	-	1,296,035	7,278,327
Financial liabilities at fair value through profit or loss				
CRPN	4,053,364	-	-	4,053,364
Total financial liabilities	4,053,364	-	-	4,053,364

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2019

13. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

Accounting policy

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The fair value of financial instruments traded in active markets (such as publicly traded derivatives and trading and available-for-sale securities) is based on quoted market prices at balance date. The quoted market price used for financial assets held by the Consolidated Entity is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques including but not limited to recent arm's length transactions, reference to similar instruments and option pricing models. The Consolidated Entity may use a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Other techniques, such as estimated discounted cash flows, are used to determine fair value for other financial instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Consolidated Entity for similar financial instruments.

The Consolidated Entity's "financial assets at fair value through profit and loss" and "financial liabilities at fair value through profit and loss" is carried at fair value based on the quoted last bid prices at the reporting date (refer Note 8).

Valuation techniques

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques such as the use of quoted market prices or dealer quotes for similar instruments. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

The difference between the carrying amount and the fair value of the Loans and Receivables is as a result of discounting the estimated future cash flows of the loan and receivable using prevailing market rates (i.e. if the Consolidated Entity were to provide new loans and advances or acquire new borrowing facilities as at balance date instead of the original effective interest rate).

Fair values of other financial instruments	2019	2018
Financial assets	\$	\$
Cash and cash equivalents	1,549,219	5,007,980
Trade and other receivables	377,036	421,297
	<u>1,926,255</u>	<u>5,429,277</u>
Financial liabilities		
Payables	<u>(1,678,682)</u>	<u>(320,116)</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2019

14. PAYABLES	2019	2018
	\$	\$
Trade creditors	74,724	163,968
Margin loan	1,370,800	-
Accrued expenses	134,148	112,048
Other payables	99,010	44,100
	<u>1,678,682</u>	<u>320,116</u>

Accounting policy

Trade creditors and accrued expenses represent liabilities for goods and services provided (or to be provided) to the Consolidated Entity prior to the end of financial period which are unpaid. These amounts are unsecured and are usually paid within 30 days of recognition. The Margin loan relates to a draw down of cash from the Company's account held with Interactive Brokers Australia Pty Ltd.

Risk exposure

The Consolidated Entity's exposure to risks arising from current payables is set out in Note 12.

15. ISSUED CAPITAL	2019	2018
	\$	\$
157,136,486 (2018: 158,080,432) Fully paid ordinary shares	<u>253,577,894</u>	<u>253,637,724</u>

The Company also have on issue listed Convertible Redeemable Promissory Notes (CRPN's), which are convertible into fully paid ordinary shares (refer Note 8), and unlisted fully paid ordinary shares (subject to dividend/voting restrictions) issued under the Executive Share Plan.

Movement in ordinary shares	Number of shares	Total \$'000
At 30 June 2017	158,812,327	253,717,174
Share buy-back	(731,895)	(79,450)
At 30 June 2018	158,080,432	253,637,724
Share buy-back	(943,946)	(59,830)
At 30 June 2019	157,136,486	253,577,894

Share buy-back

The Company bought-back 943,946 shares on-market at a total cost of \$59,830 and at an average buy-back cost of \$0.063 per share during the financial year.

Accounting policy

Ordinary shares are classified as equity. Fully paid ordinary shares carry one vote per share and the right to dividends.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2019

16. RESERVES

	2019	2018
	\$	\$
Profits reserve	1,024,993	1,815,395
Share-based payment reserve	321,600	321,600
Foreign currency translation reserve	9,389	(2,557)
	1,355,982	2,134,438
Movements in Profits reserve		
Opening balance	1,815,395	2,466,025
Profits reserve transfer	-	139,772
Dividends paid (Note 17)	(790,402)	(790,402)
Closing balance	1,024,993	1,815,395
Movements in Share based payment reserve		
Opening balance	321,600	692,988
Recognition of Share based payment reserve	-	103,836
Reversal of Share based payment reserve	-	(475,224)
Closing balance	321,600	321,600

Profits reserve

This comprises the appropriation from net profits during a relevant period and characterises profits available for distribution as dividends in future years.

Share-based payment reserve

This comprises the portion of the fair value of the Employee Share Plan shares recognised as an expense.

Foreign currency translation reserve

Exchange differences arising on translation of the foreign controlled entities are taken to the foreign currency translation reserve as described in the accounting policy note below and accumulate in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

Accounting policy

Foreign currency translation reserve

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- (ii) income and expenses for Consolidated Statement of Profit or Loss and Other Comprehensive Income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- (iii) all resulting exchange differences are recognised in Other Comprehensive Income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in Other Comprehensive Income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2019

16. RESERVES (continued)

Accounting policy (continued)

Profits reserve

An increase in the Profits Reserve will arise when the Company generates a net profit (after tax) for a relevant financial period (eg. half year or full year) which the Board determines to credit to the Company's Profits Reserve. Dividends may be paid out of (and debited from) the Company's Profits Reserve, from time to time.

17. DIVIDENDS AND CRPN INTEREST PAYMENTS

		2019	2018
	Paid On	\$	\$
Dividends paid during the financial year:			
0.5 cent per share fully franked dividend	08-Dec-17	-	790,402
0.5 cent per share fully franked dividend	28-Sep-18	790,402	-
		<u>790,402</u>	<u>790,402</u>
CRPN interest paid during the financial year:			
CRPN interest payment (fully franked)	20-Sep-17	-	77,020
CRPN interest payment (fully franked)	20-Dec-17	-	77,020
CRPN interest payment (fully franked)	20-Mar-18	-	77,019
CRPN interest payment (fully franked)	20-Jun-18	-	77,020
CRPN interest payment (fully franked)	20-Sep-18	77,019	-
CRPN interest payment (fully franked)	20-Dec-18	77,020	-
CRPN interest payment (fully franked)	20-Mar-19	97,314	-
CRPN interest payment (fully franked)	20-Jun-19	140,001	-
		<u>391,354</u>	<u>308,079</u>

Convertible Redeemable Promissory Notes (ASX:KBCPA) (CRPNs) are regarded as an 'equity interest' under Australian tax law with interest payments (7% per annum payable in arrears generally on 20 March, 20 June, 20 September and 20 December each year) regarded as a 'non-share dividend'. Interest payments will be fully franked (where possible) or grossed up with additional cash payments to compensate for any unfranked component. 'Qualified' Australian resident holders will have access to franking credits in this regard. Refer Note 8 for further details in relation to the CRPN terms.

	2019	2018
	\$	\$
Franking credits available for subsequent periods based on a tax rate of 27.5% (2018: 27.5%)	<u>6,969,208</u>	<u>7,803,337</u>

The above amounts represent the balance of the franking account as at the end of the reporting period, adjusted for:

- Franking credits that will arise from the receipt of dividends recognised as receivables at balance date;
- Franking credits that will arise from the payment of the amount of the provision for income tax; and
- Franking debits that will arise from the payment of dividends and CRPN interest recognised as a liability at balance date.

The franking credits attributable to the Consolidated Entity include franking credits that would be available to the parent entity if distributable profits of subsidiaries were paid out as franked dividends.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2019

17. DIVIDENDS AND CRPN INTEREST PAYMENTS (continued)

Accounting policy

Provision is made for the amount of any dividend declared (being appropriately authorised and no longer at the discretion of the entity) on or before the end of the financial year but not distributed at the Balance Date.

18. CAPITAL RISK MANAGEMENT

The Company's objectives when managing its capital are to safeguard its ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain a capital structure balancing the interests of all shareholders.

The Board will consider capital management initiatives as is appropriate and in the best interests of the Company and shareholders from time to time, including undertaking capital raisings, issues of CRPNs (or equivalents), CRPN and share buy-backs, capital returns/reductions and the payment of dividends.

The Consolidated Entity has no external borrowings (other than CRPNs (refer Note 8) and a margin loan (refer Note 14)). The Consolidated Entity's non-cash investments can be realised to meet accounts payable arising in the normal course of business and to meet the quarterly interest payments to CRPN holders. The Company may also elect to convert the CRPN into ordinary shares (at any time and at maturity). Refer Note 8 for further details in relation to the CRPN.

19. PARENT ENTITY INFORMATION

The following information provided relates to the Company, Keybridge Capital Limited, as at 30 June 2019.

	2019	2018
	\$	\$
Statement of profit or loss and other comprehensive income		
Loss for the year	(3,174,316)	(7,562,924)
Income tax	-	-
Total comprehensive income for the year	<u>(3,174,316)</u>	<u>(7,562,924)</u>
Statement of financial position		
Current assets	13,913,579	13,055,851
Non-current assets	5,823,713	6,243,390
Current liabilities	(1,638,919)	(221,274)
Non-current liabilities	(7,600,000)	(4,555,044)
Net assets	<u>10,498,373</u>	<u>14,522,923</u>
Issued capital	253,577,894	253,637,724
Reserves	1,169,609	1,960,012
Accumulated losses	(244,249,130)	(241,074,813)
Equity	<u>10,498,373</u>	<u>14,522,923</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2019

20. INVESTMENT IN CONTROLLED ENTITIES

Investment in controlled entities	Incorporated	Ownership interest	
		2019	2018
Bridge Financial Pty Limited	Australia	100%	100%
Bridge Property Investments Pty Limited	Australia	100%	100%
KBC Telco Infrastructure Pty Limited	Australia	100%	100%
MB Finance Pty Limited	Australia	100%	100%
Bridge Infrastructure Capital Pty Limited	Australia	100%	100%
Bridge Infrastructure Capital (Midlum) Pty Limited	Australia	100%	100%
Pacific Bridge Cyprus Limited	Cyprus	100%	100%
BIC Europe Limited	Malta	100%	100%
Australian Media Holdings Unit Trust	Australia	100%	-

Accounting policy

Subsidiaries are entities over which the Consolidated Entity has control. The Consolidated Entity controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is assumed by the Consolidated Entity and are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Consolidated Entity.

Australian controlled entities have a June financial year-end. Foreign controlled entities have a December financial year-end. All inter-company balances and transactions between entities in the Consolidated Entity, including any unrealised profits or losses, have been eliminated on consolidation.

21. INVESTMENT IN ASSOCIATE ENTITY

Associate entity incorporated in Australia:	Ownership Interest		2019	2018
	2019	2018	\$	\$
HHY Fund (ASX:HHY)	31.10%	30.89%	1,302,483	2,081,631

HHY is regarded as an Associated Entity as the Company has a greater than 20% interest and is presumed to have 'significant influence' over HHY pursuant to AASB 128. The Company was also the Investment Manager of HHY (between 30 June 2016 to 19 July 2019).

Reconciliation of carrying amount:	2019	2018
	\$	\$
Opening balance	2,081,631	2,584,020
Purchase of additional units	4,304	258,455
Share of Associate entity's net loss after tax	(783,452)	(760,844)
Carrying amount of investment in Associate Entity	1,302,483	2,081,631
Fair value (at market price on ASX) of investment in Associate entity	1,160,993	1,986,611
Net tangible asset backing value of investment in Associate entity	1,324,947	2,109,831

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2019

21. INVESTMENT IN ASSOCIATE ENTITY (continued)	2019	2018
	\$	\$
Summarised statement of profit or loss and other comprehensive income		
Revenue	778	267,144
Expenses	(2,561,387)	(2,689,503)
Loss from continuing operations before income tax	(2,560,609)	(2,422,359)
 Summarised statement of financial position		
Total assets	4,325,863	6,908,734
Total liabilities	(65,622)	(74,573)
Net assets	4,260,241	6,834,161

Accounting policy

Associate entities are entities over which the Consolidated Entity has significant influence but not control or joint control, generally accompanied by a holding of between approximately 20% and 50% of the voting rights in the same. An investment in an Associate entity in the consolidated financial statements is accounted for under the 'equity method' under AASB 128 (Investments in Associates). On initial recognition, an investment in an Associate entity is recognised at cost - for an investment which was classified as fair value through profit or loss, any gains or losses previously recognised are reversed through profit or loss. Under this method, the Consolidated Entity's share of the post-acquisition profits or losses of an Associate entity is recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income and its share of post-acquisition movements in reserves is recognised in Other Comprehensive Income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

Dividends or trust distributions from an Associate entity are recognised in the Statement of Profit or Loss and Other Comprehensive Income and in the Statement of Financial Position, they reduce the carrying amount of the investment. When the Consolidated Entity's share of losses in an Associate entity equals or exceeds its interest in the Associate, including any other unsecured long-term receivables, the Consolidated Entity does not recognise further losses, unless it has incurred obligations or made payments on behalf of the Associate.

Where applicable, unrealised gains on transactions between the Consolidated Entity and an Associate entity is eliminated to the extent of the Consolidated Entity's interest in the Associate entity. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The accounting policies of Associates are aligned to ensure consistency with the policies adopted by the Consolidated Entity, where practicable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2019

22. RELATED PARTY TRANSACTIONS

(a) Transactions with Key Management Personnel (KMP)

Refer to the Remuneration Report contained in the Directors' Report for details of the remuneration paid or payable to each member of the Consolidated Entity's KMP for the year ended 30 June 2019. The total remuneration paid to KMP of the Consolidated Entity during the year is as follows:

	2019	2018
	\$	\$
Directors		
Short-term employee benefits	355,000	354,999
Post-employment benefits	70,237	33,725
Equity-based benefits	-	-
	<u>425,237</u>	<u>388,724</u>
Other KMP		
Short-term employee benefits	181,731	150,000
Post-employment benefits	3,014	-
	<u>609,982</u>	<u>538,724</u>

(b) Transactions with Directors

- (i) On 23 November 2016, the Company entered into an agreement with Aurora Funds Management Limited (**AFML**) for an AFML employee to provide limited portfolio management services to the Company in respect of the Company's management of the investment portfolio of the HHY Fund (ASX:HHY) (ie. pursuant to the IMA referred to below). The Company's Chairman, John Patton is also the Managing Director and a beneficial owner of AFML. During the financial year, fees of \$7,500 (2018: \$18,000) (excluding GST) have been incurred by the Company in this regard. The arrangement was negotiated and agreement reached on an arms length commercial basis. The arrangement was terminated by mutual agreement on 30 November 2018.
- (ii) During the financial year, Wilson Hanna Pty Ltd (an entity controlled by/associated with/related to the Company's Chairman, John Patton, and his spouse) received \$32,500 (excluding GST) in respect of the Company's contribution towards Wilson Hanna's office lease costs for the Company to use the same as its Registered Office and specified Principal Place of Business during the period between 13 October 2016 and 30 June 2019. This contribution was approved by the Board (excluding Mr Patton).
- (iii) During the financial year, the Company's Non-Executive Director, Jeremy Kriewaldt received (or was entitled to receive) \$43,200 (2018: Nil) (excluding GST) 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.

(c) Transactions with Associate Entities

- (i) The Company entered into an Investment Management Agreement (**IMA**) (dated 30 June 2016) with AFML (as Responsible Entity/Trustee) for the Company to manage the investment portfolio of the HHY Fund ARSN 112 579 129 (ASX:HHY). During the financial year, the Company earned \$34,103 (2018: \$60,170) (excluding GST) in management fees income under the IMA. AFML terminated the IMA with effect on 19 July 2019. AFML owes the Company \$49,964 in unpaid management fees under the IMA as at balance date. AFML has rendered an invoice totalling \$22,000 (which remains unpaid as at balance date) in respect of AFML permitting the Company to act as an Authorised Corporate Representative under AFML's Australian Financial Services Licence (AFSL) to manage HHY.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2019

22. RELATED PARTY TRANSACTIONS (continued)

(d) Other Matters

- (i) During the financial year, the Company paid \$181,183 (excluding GST) consultant corporate advisory fees to Nicholas Bolton prior to Mr Bolton's commencement as the Company's CEO on 28 May 2019. Mr Bolton (as a consultant corporate advisor) did not qualify as a KMP under AASB 124 (Related Party Disclosures) as he was not a person having authority and responsibility for planning, directing and controlling the activities of the Consolidated Entity, directly or indirectly. Mr Bolton's remuneration as CEO during the financial year is included in Other KMP benefits disclosed in Note 22(a).
- (ii) During the financial year, the Company paid \$20,241 (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, 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.
- (iii) During the financial year, the Company advanced funds to AFML as Responsible Entity (**RE**) of the unlisted Aurora Fortitude Absolute Return Fund (**AFARF**) pursuant to a Loan Agreement dated 9 October 2018. The loan was secured via a General Security Deed and Share Mortgage granted by AFML as RE of AFARF (dated 9 October 2018). \$1.5 million was advanced on 2 October 2018 (**AFARF Loan**). The AFARF Loan accrued interest at a rate of 20% per annum. The AFARF Loan was discharged on 31 May 2019. During the financial year, the Company received establishment and term extension fees totalling \$162,500 (excluding gst) and interest income totalling \$114,008 from AFML. The loan arrangement was negotiated by the Board (excluding John Patton) on an arm's length basis on commercial terms.
- (iv) The Company agreed to advance \$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 and between 2 January 2013 and 17 December 2015 (as Executive Director from 22 February 2013 and as Managing Director from March 2014). As at balance date, \$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 30 June 2019 and currently.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2019

22. RELATED PARTY TRANSACTIONS (continued)

(d) Other Matters (continued)

- (iv) The \$440,000 advance is accounted as a loan receivable asset, however, as at balance date, 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.
- (v) On 28 November 2014, shareholders approved the Company's Executive Share Plan (ESP). For accounting purposes (under AASB 2 (Share-based Payment)), the ESP shares were treated as options over shares in the Company with the 'option' expiry date being the maturity date in respect of the ESP loans granted to holders to fund the cost of the ESP shares issued.

The ESP involved the Company providing interest-bearing limited-recourse loans to fund the cost of fully paid ordinary shares issued to eligible executives and employees, typically with vesting conditions. Under the ESP loan arrangements, the Company took security over the relevant ESP shares, which are unlisted and held in escrow until repayment of the relevant loans. The applicable interest rate was 6.45% per annum, capitalised monthly. The loans were repayable on 31 December 2017 (with a facility for earlier payment in accordance with the terms of the ESP loan arrangements, including in the event the executive/employee ceased employment with the Company). The principal amount of the ESP loan is with limited-recourse against the ESP shares issued and the accrued interest component is full-recourse.

As the ESP loans were created in respect of newly issued ESP shares (as opposed to being advanced to acquire existing shares on-market), shareholders were not exposed to any cash loss risk arising from non-repayment of any such loans. The accrued interest on ESP loans were recognised as an employee benefits expense with a corresponding increase in the Share based payments reserve in equity. Further details about the ESP are contained in the Company's ASX announcement dated 19 December 2014 (Appendix 3B and Further Detail Regarding Issuance of Loan Funded Shares) and in the Company's Notice of AGM released on ASX on 19 October 2014.

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**). After allowing for dividends and capital returns (\$362,500) paid by the Company (**Adjustment Amounts**), the balance of the ESP Loan principal (\$1,316,000) and accrued interest at 6.45% pa (\$336,164) to 31 December 2017 was \$1,652,164. The principal component of the ESP Loan is limited recourse to the ESP shares issued – as such, the Company is entitled to cancel Mr Bolton's 9m ESP shares against the \$1.316m principal loan balance; the Company has not recognised the principal component as a receivable asset. The interest component is full-recourse – as such, Mr Bolton is liable to pay this balance to the Company; the Company has recognised the interest component as a receivable asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2019

22. RELATED PARTY TRANSACTIONS (continued)

(d) Other Matters (continued)

- (v) 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 has 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.

23. AUDITORS' REMUNERATION

During the year, the following fees were paid or payable for services provided by the Auditor of the parent entity, the Auditor's related practices and other non-related audit firms (as applicable):

	2019	2018
	\$	\$
Deloitte Touche Tohmatsu		
Audit and review of financial statements	98,000	304,000
Other payments - disbursements	5,000	18,599
	103,000	322,599

24. LOAN COMMITMENTS

The Consolidated Entity does not have any loan commitments (2018: Nil), save for Financial Liabilities related to Convertible Redeemable Promissory Notes (CRPNs) repayable (or convertible) on 31 July 2020 (refer Note 8) and Payables related to a Margin loan (refer Note 14)).

25. CONTINGENCIES

- (i) **Foundation Life:** In September 2014, the Company invested NZ\$3.8m (via NZ\$0.109m (10.13%) equity and NZ\$3.691m loan notes) into Foundation Life, to finance Foundation's acquisition of Tower Limited's life insurance business in New Zealand in 2014. The Foundation Life Group comprises Foundation Life Holdings Trust (**Foundation Trust**) owns 100% of the shares in Foundation Life (NZ) Holdings Limited (**FLNZ Holdings**), which in turn owns 100% of Foundation Life (NZ) Limited (**FLNZ**) the operating company and NZ registered life insurer (together, the **Foundation Life Group**)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2019

25. CONTINGENCIES (continued)

- (i) **Foundation Life (continued):** As at 30 June 2019 balance date, the Company has recognised its investment in the Foundation Life Group as follows:
- (a) Loan receivable asset due from FLNZ Holdings carried at face value (plus accrued interest at 9% pa) of NZ\$3.53m (A\$3.38m), which is redeemable by noteholders in 50 years (May 2064) or by FLNZ Holdings (from time to time); and
 - (b) 10.13% equity interest in Foundation Trust carried at cost of NZ\$0.109m (A\$0.104m).

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; or (c) being a mixture of (a) and (b) (refer <https://www.foundationlife.co.nz/scheme-of-arrangement.html>).

The Company understands that post-restructuring, Foundation Life will be in a position to discharge its loan notes in full with surplus capital held within the Foundation Life Group available for distribution to equity holders (which includes the Company with a 10.13% equity interest). In this regard, the Company notes that the Foundation Group's reported net asset position (net of the loan notes) is significantly higher than the NZ\$0.109m cost value ascribed to the Company's 10.13% interest in Foundation Trust (which owns 100% of FLNZ Holdings/FLNZ).

- (ii) **Aurora Corporate Claims:** Pursuant to a Share Sale Agreement dated 27 June 2016 (**Sale Agreement**), the Company sold its funds management business, Aurora Fund Management Limited (**Aurora Funds**), to Aurora Corporate Pty Ltd (formerly Seventh Orion Pty Ltd; Aurora Corporate had acquired Aurora Funds as Trustee for the Aurora Investments Unit Trust (Aurora Trust)) (**Aurora Corporate**) on 30 June 2016 (refer Keybridge ASX Announcements dated 27 June 2016: Sale of Aurora Funds Management and 1 July 2016: Sale of Aurora Funds Management and Keybridge 2016 Annual Report (at pages 9 and 78)). Under the Sale Agreement, Keybridge received \$152,211.41 consideration at completion (on 30 June 2016) and was due to receive further fixed and variable/contingent consideration post-completion.

Keybridge contends that Aurora Corporate has admitted (in correspondence received in June 2019) that it owes Keybridge, but has not paid, the amount of \$264,964.54 by way of deferred consideration. Keybridge contends that additional amounts are also due. Keybridge is entitled to be paid these monies together with compound interest at 12% p.a. (with interest totalling at least \$137,000 as at 30 June 2019).

In June 2019, Keybridge received correspondence from Aurora Corporate with a claim for alleged breaches of vendor warranties in respect of the fraudulent activities of a former Director, Company Secretary and CFO of Aurora Funds (refer ASX announcements lodged by Aurora Funds as Responsible Entity of Aurora Property Buy-Write Income Trust (ASX:AUP) (**AUP**) dated 27 November 2017: Fund Announcement and Termination of Employment, 29 November 2017: Termination of Director and Company Secretary, 18 December 2017: Market Update and 26 March 2018: Repayment of Funds). Aurora Corporate claims the amount of \$1,522,446.81 is owed by Keybridge less an acknowledged amount of \$264,964.54 as the deferred consideration. Given the amount of deferred consideration it owes, Aurora Corporate sought to resolve the matter with Keybridge.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2019

25. CONTINGENCIES (continued)

Aurora Corporate Claims (continued): Although Keybridge has notified its Insurer about the claims made by Aurora Corporate, Keybridge rejects these claims, which it contends are uncertain, ambit in nature and the majority of the claims do not fall within the terms of the Sale Agreement (having regard but not limited to limitations in the Sale Agreement, including the notice provisions and the cap on the vendor's total aggregate liability). Keybridge will defend any claim made by Aurora Corporate should Aurora Corporate determine to proceed with this matter.

In July 2019, Keybridge commenced litigation against Aurora Corporate in relation to the Sale Agreement. Keybridge contends that under the Sale Agreement, amongst other matters:

- (a) Aurora Corporate was required to pay Keybridge deferred consideration of \$250,000 on 30 June 2017 (**Deferred Consideration**);
- (b) Aurora Corporate was required to pay Keybridge an adjustment amount of \$14,964.54 based on a reconciliation of the net assets of Aurora Funds at completion (on 30 June 2016) (**Adjustment Amount**);
- (c) If a party fails to pay any amount payable under the Sale Agreement, that party must pay interest on the amount unpaid at 12% pa;
- (d) As security for Aurora Corporate's obligation to pay the Deferred Consideration, Aurora Corporate granted Keybridge a security interest over the sale sales in Aurora Funds (**Security Interest**);
- (e) Until such time as the Deferred Consideration had been paid, Aurora Corporate is required to:
 - (i) Procure that the net tangible asset (**NTA**) position of Aurora Funds does not fall below \$500,000 at any stage; and
 - (ii) Provide monthly statements representing that Aurora Funds' NTA has not fallen below \$500,000.

Despite demand, Keybridge contends that Aurora Corporate has failed or refused:

- (a) to pay Keybridge the Adjustment Amount and Deferred Consideration totalling \$264,964.54; and
- (b) to provide any of the monthly statements concerning Aurora Funds' NTA position not having fallen below \$500,000.

Keybridge has accordingly filed a Writ in the Supreme Court of Western Australia (Keybridge Capital Limited v. Aurora Corporate Pty Ltd, Supreme Court of Western Australia CIV 2219 of 2019) claiming:

- (1) The sum of \$264,964.54 plus interest in accordance with the terms of the Sale Agreement at 12% pa (being approximately \$74,000 to 10 July 2019);
- (2) Specific performance of Aurora Corporate's obligation to provide the monthly statements on Aurora Funds' NTA position; and
- (3) Interim, interlocutory and final orders for the appointment of a Receiver over Aurora Corporate's shareholding in Aurora Funds.

In September 2019, the litigation against Aurora Corporate Pty Ltd was transferred from Western Australia to Victoria, with Keybridge being ordered to pay the costs of Aurora Corporate Pty Ltd's transfer application.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2019

25. CONTINGENCIES (continued)

- (iii) **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.

By way of background, on 16 August 2013, Keybridge acquired, by way of scheme of arrangement, 100% of the equity in PRFG (refer KBC ASX Announcements dated 2 April 2013: Scheme of Arrangement related to Keybridge's Loan to PR Finance Group Limited, 23 May 2013: PR Finance Group Limited Scheme Booklet, 14 June 2013: PR Finance Group Approves Scheme of Arrangement, 12 August 2013: PR Finance Group Approves Supplemental Scheme of Arrangement, 14 August 2013: Court Approves Scheme of Arrangement.) Keybridge relied upon warranties of the former directors that, amongst other things, the company was compliant with all relevant laws.

On 21 October 2013 (refer KBC ASX Announcement 21 October 2013: Keybridge places PR Finance Group Limited (PRFG) and its subsidiaries into external administration), Keybridge appointed administrators to PRFG and its subsidiaries as a result of PRFG's new directors (under Keybridge Control) receiving a notice from the ASIC (refer KBC ASX Announcement 3 October 2013: Market Update – Australian Money Exchange (AMX)) that PRFG had not been complying with the National Consumer Credit Laws (**NCCL**).

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 NCCL and accordingly breached its representations and warranties to Keybridge, with damages being suffered by Keybridge as a result.

- (iii) **Molopo Energy Limited:** Keybridge and Molopo Energy Limited (ASX:MPO) have an agreement that in relation to various Victorian Supreme Court proceedings where (by consent orders) MPO replaced Keybridge as Plaintiff (in July and August 2018), Keybridge's costs incurred in these proceedings (to be agreed by the parties or as determined by a cost assessor) will be paid out of any funds recovered by MPO from any source. In this regard, Keybridge notes that approximately \$400k of costs are potentially recoverable from MPO under this agreement. This amount has not been recognised by Keybridge as a loan receivable asset.

On 26 September 2018, the Takeovers Panel announced its decision in the matter of Molopo Energy Limited 12R, which varied the final orders in Molopo Energy Limited 10 & 11 to include, inter alia, an order that former MPO Directors (Messrs Baljit Singh Johal (former Chairman and Managing Director), Richard Matthews (former Finance Director and Company Secretary) and Matthew Edward Cudmore (former Non-Executive Director)) (**Former Directors**) pay to Keybridge (within 2 months) \$46,235 (representing Keybridge's cost incurred in the course of the Molopo Energy Limited 10 & 11 proceedings). As at 30 June 2019 balance date and currently, the Former Directors have not paid Keybridge this amount. Keybridge is pursuing payment of this amount from the Former Directors. The Company had accounted for \$46,235 as a loan receivable asset, however, as at 30 June 2019 balance date, a provision (ie. impairment expense) has been recognised in respect of the full amount of \$46,235 (based on the Directors' judgement). This provision/impairment does not prejudice the Company's rights (including recovery) against the Former Directors. If the Company receives a payment (or recovery payment) in respect of amount, the provision (impairment expense) will be reversed to the extent of such receipt.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2019

25. CONTINGENCIES (continued)

- (iv) **Other Loans and Receivables:** Keybridge has a number of legacy loan receivables due from various Australian and overseas entities (some of which are in liquidation or another form of administration). These loans have previously been impaired to nil and are not generally reflected in the Loans and Receivables table in Note 11 (Loans and Receivables). As such, Keybridge has not historically commented on these Loans and Receivables unless there has been a material development such as the receipt of a material distribution/repayment or a settlement of a dispute with relevant parties. Keybridge continues to manage and monitor these Loans and Receivables as potential 'assets' in this regard.

26. EVENTS OCCURRING AFTER THE REPORTING PERIOD

- (i) On 10 and 16 July 2019, meetings of directors were held at which it was asserted by some directors and denied by other directors that resolutions were passed, principally in relation to the removal and appointment of the Chairman. As a consequence there was an impasse concerning the corporate governance of the Company. As a result, on 16 July 2019, ASX suspended the Company's securities from trading. The suspension remains in operation although the directors are seeking to remedy it.
- (ii) On 18 July 2019, Aurora Funds Management Limited terminated the Company's Investment Management Agreement in relation to HHY Fund (ASX:HHY).
- (iii) In September 2019, the litigation against Aurora Corporate Pty Ltd was transferred from Western Australia to Victoria, with Keybridge being ordered to pay the costs of Aurora Corporate Pty Ltd's transfer application.
- (iv) The Federal Court of Australia ruled on 11 October 2019 that the Chairman was not validly removed at the 10 July meeting, so Mr John Patton is, and has been at times since 13 October 2016, the Chairman of the Company. The Company was a defendant in those proceedings and has incurred expenses as a result. The Court has not yet made any order as to costs.
- (v) Two general meetings of shareholders were held on 14 October 2019, with the second meeting being adjourned until 28 October 2019.
- (vi) One consequence of the suspension of trading of the Company's securities on the ASX stock market is that after 20 Business Days an Event of Default occurred in relation to the Company's CRPNs. A notice of the default was given to holders of the CRPNs providing them with the opportunity to request repayment or conversion of their CRPNs. Unless the suspension of the Company ceases on or before 21 October 2019, the Company will be obliged to redeem or convert CRPNs having a face value of circa \$6.7 million. The Company is taking steps to raise the necessary funds to pay the redemption proceeds, should its suspension not be lifted before 22 October 2019.
- (vii) On Sunday 13 October 2019, the Company was notified by WAM Active of its intention to make an all cash off-market bid for the Company at 6.9 cents per share. This follows an earlier takeover bid made by WAM Active on 28 June 2019, at 7.5 cents per share, which was later withdrawn on 22 August 2019.

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

DIRECTORS' DECLARATION

The Directors of the Company declare that:

- (1) The financial statements, comprising the Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Cash Flows, Consolidated Statement of Changes in Equity, and accompanying notes as set out on pages 25 to 64 are in accordance with the *Corporations Act 2001 (Cth)* and:
 - (a) comply with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting; and
 - (b) give a true and fair view of the Consolidated Entity's financial position as at 30 June 2019 and of their performance for the year ended on that date;
- (2) In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
- (3) The Directors have been given the declarations required by section 295A of the *Corporations Act 2001 (Cth)* by the Company's Chief Executive Officer and Company Secretary (the person who, in the opinion of the Directors, performs the Chief Financial Officer function); and
- (4) The Company has included in the notes to the Financial Statements an explicit and unreserved statement of compliance with the International Financial Reporting Standards.

This declaration is made in accordance with a resolution of the Directors made pursuant to section 295(5) of the *Corporations Act 2001 (Cth)*.



John Patton
Chairman



Simon Cato
Director and
Chairman of Audit, Finance and Risk Committee

16 October 2019

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

Report on the Audit of the Financial Report

Disclaimer of Opinion

We were engaged to audit the financial report of Keybridge Capital Limited (the "Company") and its subsidiaries (the "Group"), which comprises the consolidated balance sheet as at 30 June 2019, the consolidated statement of profit or loss and comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies, and the declaration by the directors.

We do not express an opinion on the accompanying financial report of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion as to whether the financial report is in accordance with the *Corporations Act 2001*, including whether it:

- i. gives a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year then ended; and
- ii. complies with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Disclaimer of Opinion

During and subsequent to the end of the financial year, a series of allegations have been made by directors and other key management personnel in respect of a range of issues including alleged breaches of directors' duties under the *Corporations Act 2001*, transactions being undertaken without appropriate authority or for a proper purpose, and certain directors being denied access to the Group's books and records. The allegations, together with ongoing disputes between the directors, resulted in the Company's shares being suspended from trading on the Australian Securities Exchange on 16 July 2019.

Due to the nature of these allegations, we have been unable to satisfy ourselves as to the integrity of the Group's books and records and, in particular, whether certain transactions recorded in the Group's accounting records were appropriately authorised and undertaken for the Group's benefit. As a result of these matters, we were unable to determine whether adjustments might have been found necessary in respect of the Group's financial report.

The Group has other assets of \$5,171,756 as at 30 June 2019. As disclosed in Note 9, included in this other assets amount is an item classified as an advance of \$5,000,000. We have been unable to obtain sufficient appropriate audit evidence or the underlying agreements in respect of this advance to enable us to determine whether it will be recoverable by the Group. 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 this other asset exceeds its recoverable amount, it would be necessary for the carrying value to be written down to its recoverable amount.



The Group has receivables of \$5,399,553 as at 30 June 2019. As disclosed in Note 11, included in this receivables amount is a long outstanding loan receivable of \$561,225. We have been unable to obtain sufficient appropriate audit evidence to determine whether the receivable will be recoverable by the Group. Accordingly, we have been unable to determine whether the recoverable amount of the receivable is at least equal to its carrying value. In the event that the carrying value of this receivable exceeds its recoverable amount, it would be necessary for the carrying value to be written down to its recoverable amount.

Given the above circumstance, the matters are so material and pervasive to the financial report that we are unable to express an opinion on the financial report taken as a whole.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our responsibility is to conduct an audit of the financial report in accordance with Australian Auditing Standards and to issue an auditor's report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate evidence to provide a basis for an audit opinion on the financial report.

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 "Code of Ethics for Professional Accountants" (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

Report on Other Legal and Regulatory Requirements

As a result of the matters described in the Basis of Disclaimer of Opinion section of our report, we are unable to determine whether:

- a. the Group has kept financial records sufficient to enable the financial report to be prepared and audited; and
- b. the Group has kept other records and registers as required by the Corporations Act 2001.

Report on the Remuneration Report

Disclaimer of Opinion on the Remuneration Report

As a result of the matters noted in the Basis for Disclaimer of Opinion section of the Report on the Audit of the Financial Report, we have been unable to obtain sufficient appropriate evidence on the Remuneration Report included in pages 13 to 21 of the Directors' Report for the year ended 30 June 2019.

Deloitte.

Therefore we do not express an opinion on the Remuneration Report of Keybridge Capital Limited, for the year ended 30 June 2019.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate evidence to provide a basis for an audit opinion on the Remuneration Report

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU



Ian Skelton

Partner

Chartered Accountants

Perth, 16 October 2019

ADDITIONAL ASX INFORMATION

as at 31 October 2019

CORPORATE GOVERNANCE STATEMENT

The Company has adopted the Corporate Governance Principles and Recommendations (3rd Edition, March 2014) issued by the ASX Corporate Governance Council in respect of the financial year ended 30 June 2019.

Pursuant to ASX Listing Rule 4.10.3, the Company's 2019 Corporate Governance Statement and ASX Appendix 4G (Key to Disclosures of Corporate Governance Principles and Recommendations) can be found at the following URL on the Company's Internet website (when available):
http://keybridge.com.au/corporate_governance.php

VOTING RIGHTS

Fully Paid Ordinary Shares

- At any meeting of the shareholders, each shareholder entitled to vote may vote in person or by proxy or by power of attorney or, in the case of a shareholder which is a corporation, by representative.
- Every person who is present in the capacity of shareholder or the representative of a corporate shareholder shall, on a show of hands, have one vote.
- Every shareholder who is present in person, by proxy, by power of attorney or by corporate representative shall, on a poll, have one vote in respect of every fully paid share held by him.

Unlisted Executive Share Plan (ESP) Shares

- No voting rights until after the satisfaction of conditions under their terms of issue.
- Thereafter, ESP shares will have the same voting rights as fully paid ordinary shares (subject to their terms of issue).

Listed Convertible Redeemable Promissory Notes

- No voting rights (unless the Corporations Act or ASX Listing Rules provide otherwise).

ON-MARKET BUY-BACKS

The Company currently has the following on-market buy-back programmes in place respect of its listed shares (ASX:KBC) and listed Convertible Redeemable Promissory Notes (ASX:KBCPA) (**CRPN**):

- **Share Buy-Back:** On 3 January 2019, the Company announced its intention to undertake an on-market buy-back of up to 14,179,752 shares (being ~9% of 157,552,806 total shares then on issue) on or before 17 January 2020; and
- **CRPN Buy-Back:** On 3 April 2019, the Company announced its intention to undertake an on-market buy-back of up to 800,000 CRPNs (being ~10% of 8,000,000 total notes then on issue) on or before 31 March 2020.

416,320 shares (at a total cost of \$25,535) and no CRPNs have been bought-back under these on-market buy-back programmes as at 31 October 2019.

ADDITIONAL ASX INFORMATION

as at 31 October 2019

SECURITIES ON ISSUE

Class of Security	Quoted on ASX	Unlisted
Fully paid ordinary shares (ASX:KBC)	157,136,486	-
Executive Share Plan shares ^A	-	9,000,000
Convertible Redeemable Promissory Notes (ASX:KBCPA) ^B	7,602,056	-

SUBSTANTIAL SHAREHOLDERS

Substantial Shareholder	Registered Shareholder	Number of Shares held	%Voting Power ⁽⁵⁾ (as at 31 October 2019)
Australian Style Group Pty Ltd	Australian Style Group Pty Ltd	33,608,425	22.67% ⁽¹⁾
	BNP Paribas Nominees Pty Ltd	2,012,267	
Wilson Asset Management Group	WAM Capital Limited	31,645,808	22.43% ⁽²⁾
	WAM Active Limited	2,255,734	
Bentley Capital Limited (ASX:BEL)	Botanical Nominees Pty Limited	1,343,781	20.17% ⁽³⁾
	Bentley Capital Limited	15,850,000	
Orion Equities Limited (ASX:OEQ)	Scarborough Equities Pty Ltd	15,850,000	20.17% ⁽⁴⁾
	Bentley Capital Limited	15,850,000	
Queste Communications Ltd (ASX:QUE)	Scarborough Equities Pty Ltd	15,850,000	20.17% ⁽⁴⁾
	Bentley Capital Limited	15,850,000	

Notes:

- (1) Based on the Change of Substantial Holder Notice lodged by Australian Style Group Pty Ltd dated 24 March 2014 (updated to reflect current registered shareholdings and percentage voting power)
- (2) Based on the Change of Substantial Holder Notice lodged by Wilson Asset Management Group dated 6 June 2019 (updated to reflect current registered shareholdings and percentage voting power)
- (3) Based on the Change of Substantial Holder Notice lodged by BEL dated 23 October 2017 (updated to reflect current percentage voting power)
- (4) Based on the Change of Substantial Holder Notice lodged by QUE and OEQ dated 8 July 2016 (updated to reflect current percentage voting power)
- (5) Movements of less than 1% in voting power are not required to be disclosed to ASX via an updated substantial shareholding notice and accordingly, there may be variances between the shareholdings recorded in the table above and the most recent substantial shareholding notices lodged on ASX. Current registered shareholdings have been disclosed (where applicable).

A 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)

B Keybridge issued Convertible Redeemable Promissory Notes on 30 June 2015 (refer KBC's ASX Announcement dated 18 June 2015: Appendix 3B) after receipt of shareholder approval on 28 November 2014 (refer KBC's Notice of AGM released on ASX on 30 October 2014 and KBC's ASX announcement dated 1 December 2014: Results of AGM). The notes have a face value of \$1.00, pays interest at 7% pa and matures on 31 July 2020 (unless redeemed or bought-back by Keybridge earlier). Further details are in Note 8 of the accompanying financial statements and in the CRPN Prospectus (dated 17 June 2015) and ATO Class Ruling CR 2015/54 (dated 22 July 2015).

ADDITIONAL ASX INFORMATION

as at 31 October 2019

DISTRIBUTION OF LISTED CONVERTIBLE REDEEMABLE PROMISSORY NOTES

Spread of Holdings	Number of Holders	Number of Notes	% of Total Issued Notes
1 - 1,000	670	120,459	1.59%
1,001 - 5,000	57	118,925	1.56%
5,001 - 10,000	15	108,757	1.43%
10,001 - 100,000	24	743,320	9.784%
100,001 - and over	3	6,510,595	85.64%
TOTAL	769	7,602,056	100%

TOP TWENTY LISTED CONVERTIBLE REDEEMABLE PROMISSORY NOTEHOLDERS

Rank	Registered Noteholder	Notes Held	Total Notes Held	% Total Issued
1	J P Morgan Nominees Australia Limited		4,494,625	59.12%
2	HSBC Custody Nominees (Australia) Limited HSBC Custody Nominees (Australia) Limited - GSCO ECA	1,835,111 32,250		
		Sub-total	1,867,361	24.56%
3	Marko Nominees Pty Ltd		180,859	2.38%
4	Namibia Pty Ltd		82,368	1.08%
5	Mr Colin John Vaughan + Mrs Robin Vaughan		68,501	0.90%
6	BNP Paribas Nominees Pty Ltd		61,964	0.82%
7	Freshmo Investments Pty Ltd		41,200	0.54%
8	Mr Gabriel Berger		40,000	0.53%
9	Mr Yee Teck Teo		35,245	0.46%
10	Denald Nominees Pty Ltd		33,333	0.44%
11	Tadmaro Pty Limited		33,000	0.43%
12	Australian Style Holdings Pty Ltd <NFJB Superfund A/C>		31,414	0.41%
13	Bread N Milk Pty Ltd		28,789	0.38%
14	Appwam Pty Ltd		27,777	0.37%
15	Dean Whitestone Pty Limited		27,777	0.37%
16	Trafalgar Street Nominees		25,252	0.33%
17	John Kernick S/F Pty Ltd		25,000	0.33%
18	Mrs Laura Huang		23,369	0.31%
19	Nihco Super Pty Ltd		20,500	0.27%
20	A & G Siciliano Superannuation Pty Ltd		20,000	0.26%
TOTAL			7,168,334	94.29%

ADDITIONAL ASX INFORMATION

as at 31 October 2019

DISTRIBUTION OF LISTED ORDINARY SHARES

Spread of Holdings	Number of Holders	Number of Shares	% of Total Issued Capital
1 - 1,000	46	8,457	0.01%
1,001 - 5,000	161	578,480	0.37%
5,001 - 10,000	136	1,065,395	0.68%
10,001 - 100,000	225	7,973,214	5.07%
100,001 - and over	68	147,510,940	93.87%
TOTAL	636	157,136,486	100.00%

UNMARKETABLE PARCELS

Spread of Holdings	Number of Holders	Number of Shares	% of Total Issued Capital
1 - 7,042	266	952,705	0.61%
7,403 - over	370	156,183,781	99.39%
TOTAL	636	157,136,486	100.00%

An unmarketable parcel is considered, for the purposes of the above table, to be a shareholding of 7,042 shares or less, being a value of \$500 or less in total, based upon the Company's last sale price on ASX as at 15 July 2019 of \$0.071 per share (prior to the suspension of the Company's securities from trading on ASX on 16 July 2019)

TOP TWENTY LISTED ORDINARY FULLY PAID SHAREHOLDERS

Rank	Registered Shareholder	Shares Held	Total Shares Held	% Issued Capital
1	WAM Capital Limited	31,645,808	35,245,323	22.43%
	WAM Active Limited	2,255,734		
	Botanical Nominees Pty Limited <Wilson Asset Mgt Eqty A/C>	1,343,781		
	Sub-total			
2	Australian Style Group Pty Ltd		33,608,425	21.39%
3	Bentley Capital Limited	15,850,000	31,700,000	20.17%
	Scarborough Equities Pty Ltd	15,850,000		
	Sub-total			
4	J P Morgan Nominees Australia Limited		6,850,005	4.36%
5	Cowoso Capital Pty Ltd		5,996,353	3.82%
6	HSBC Custody Nominees (Australia) Limited-GSCO ECA		5,625,000	3.58%
7	BNP Paribas Nominees Pty Ltd		3,361,976	2.14%
8	Mr Nicholas Bolton	1,563,000	2,380,100	1.51%
	Mr Nicholas Bolton + Mr John Bolton <NFJB Superfund A/C>	325,000		
	Australian Style Holdings Pty Ltd <NFJB Superfund A/C>	492,100		
	Sub-total			
9	Dean Whitestone Pty Ltd		2,000,000	1.27%
10	Bainpro Nominees Pty Limited		1,544,330	0.98%
11	Mr Colin John Vaughan + Mrs Robin Vaughan		1,254,440	0.80%
12	Denald Nominees Pty Ltd		1,200,000	0.76%
13	Appwam Pty Ltd		1,000,000	0.64%
14	Mr Keith Danby Lucas		1,000,000	0.64%
15	Trafalgar Street Nominees		909,091	0.58%
16	Mr Peter Howells		699,287	0.45%
17	Dr Lionel Joshua Hovey		675,343	0.43%
18	Mr Yee Teck Teo		604,283	0.38%
19	Peter Davies Pty Ltd		550,000	0.35%
20	Ryan Constructions Pty Limited		528,000	0.34%
TOTAL			136,731,956	87.02%



ASX Codes: KBC and KBCPA

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