KEYBRIDGE®
CAPITAL LIMITED

Annual Report 2015

Financial Calendar

EVENT DATES FOR FINANCIAL YEAR 2016

Annual General Meeting	Monday 23 November 2015
Financial year 2016 half year results announced	Monday 29 February 2016
Financial year 2016 annual results announced	Wednesday 31 August 2016
Annual General Meeting	Monday 21 November 2016

Keybridge reserves the right to change these dates.

This Annual Report (including the Financial Report) is for Keybridge up to 30 June 2015.

THE REGISTERED OFFICE OF KEYBRIDGE CAPITAL LIMITED IS:

Level 4
1 Alfred Street
Sydney NSW 2000

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Chairman's Letter

On behalf of the Directors of Keybridge Capital Limited (Keybridge), I present the Group's Annual Report for the year ended 30 June 2015.

The Directors are pleased to report that the Group earned a net profit after tax in the 2015 financial year of $0.968 million. This is a positive reversal after a number of years of losses incurred on investments in a diverse range of legacy assets that were made by previous management.

The year ended 30 June 2015 was a significant transition year for Keybridge, with your management team considering and pursuing a number of potential strategic investments before completing the acquisition of Aurora Funds Management (Aurora). Aurora forms the base of a new strategic direction for Keybridge which intends to become a significant Alternative-Asset Funds Management business.

We welcome the addition of the Aurora team to Keybridge, who bring substantial investment expertise and management experience to the Group. We believe the Aurora team provide a strong core upon which to build the business with the backing of Keybridge's strong balance sheet.

As part of this new funds management strategy, Keybridge also acquired significant stakes in two cash backed ASX-listed entities, with the aim of growing funds under management. Aurora has already been appointed to manage one of these entities.

The Keybridge management team also continued to manage or exit a number of difficult historical investments throughout the year with a number of litigations being pursued and asset realisations being achieved totalling $3.832 million. We believe that this was a very solid result.

After years of accounting losses, Keybridge returned to profitability and at the end of the year, rewarded shareholders by returning $4.957 million in capital through a pro-rata issue of convertible redeemable promissory notes (CRPN). These CRPN will provide holders with interest payments at a fixed rate of 7% per annum fully franked.

Since the end of the period, the Directors have recommended the payment of a final fully franked dividend of 0.25 cents per share to be paid on 1 October 2015, bringing full year dividends to a total of 0.5 cents fully franked.

On behalf of the Board and management, I thank you for your support over the past year.

Andrew Moffat
Chairman

Managing Director's Report

FY15 was another busy year for the small team at Keybridge. I am pleased to report our first full year profit since 2008, along with a number of milestone achievements during the year.

To highlight a few of these Keybridge achievements:

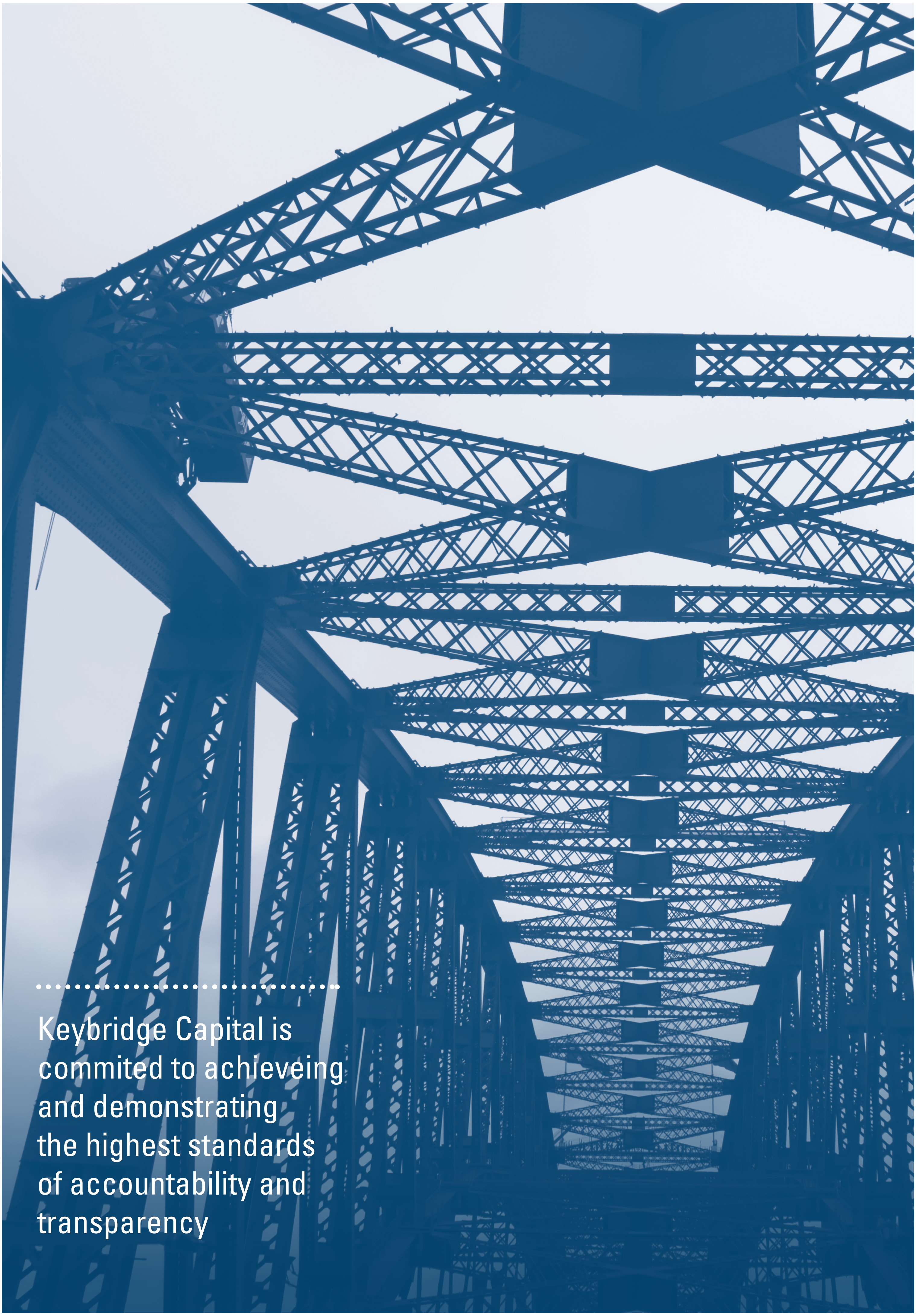
- We returned a total of $5.962 million to shareholders through dividends, a buy-back of shares and the in-specie distribution of Convertible Redeemable Promissory Notes.
- We acquired Aurora Funds Management Limited (Aurora), a boutique alternative assets manager, and successfully integrated the team and business into the Keybridge Group. The Keybridge team has, as a result, grown from 5 full time employees to 17.
- Aurora's underlying fund performance has been strong in recent volatile markets, highlighting the defensive and uncorrelated nature of the strategies.
- We acquired a strategic 10.1% stake in Foundation Life, formerly Tower Life NZ. The asset is performing within expectations and delivering solid returns on investment.
- We acquired, with associates, a strategic 19.67% stake in Molopo Energy, a $68 million cashbox, at a discount to NTA. We successfully removed the previous board and appointed Antony Sormann as our representative to an entirely refreshed Board. Through this representation, we played a role in materially reducing the operating cost base. We are now considering the future of the vehicle.
- We acquired a 19.99% interest in HHY Fund and appointed Aurora as manager and Responsible Entity. HHY is an $11 million listed cashbox trust.
- I joined the PTB Group Board as Keybridge's representative to allow greater influence on our 19.86% shareholding.
- We continued to aggressively pursue litigation on a number of matters where Keybridge has wrongfully suffered loss. This area was a negative contributor to FY15, however it is likely to contribute positively in FY16.
- We exited our economic interest in a very difficult asset, AMX Money, for a $1.0 million book gain.
- We continued the orderly and opportunistic realisation of our legacy assets, realising $3.832 million in total.
- The Company established an employee incentive scheme that both reduces cash costs and suitably aligns employees to the performance of Keybridge. Given the high hurdle rates for share price performance associated with the scheme, the ESP provided a small net cost benefit to the Company over the period.

The team has also patiently established a number of strategies based on building Keybridge into an Alternative-Asset Funds Management business. We have acquired Aurora, and stakes in Molopo and HHY, as the first stages of implementation.

We continue to pursue further funds management and other opportunities with the aim of building Keybridge into a sound, profitable business upon which to create value for all shareholders.

I would like to thank shareholders for their continued support, and look forward to improving upon these results in 2016.

Nicholas Bolton
Managing Director


Keybridge Capital is commited to achieveing and demonstrating the highest standards of accountability and transparency

Corporate Governance

Keybridge Capital Limited (Keybridge) and the Board of Directors are committed to achieving and demonstrating the highest standards of accountability and transparency and see the continued development of a cohesive set of corporate governance policies and practice as fundamental to the successful growth of Keybridge.

Keybridge's existing corporate governance policies and practices meet the requirements of both the *Corporations Act 2001 (Cth) (Corporations Act)* and the Listing Rules of the Australian Securities Exchange (ASX). In formulating its policies, Keybridge has endeavoured, as far as practicable, to be consistent with the ASX Corporate Governance Council's 'Corporate Governance Principles and Recommendations – 3rd edition' released in March 2014 (ASX Principles). If there are instances where Keybridge is unable to comply with the ASX Principles, Keybridge has provided information as to the reasons it has been unable to comply within this Report.

Keybridge and its Board of Directors are committed to achieving and demonstrating the highest standards of accountability and transparency and see the maintenance of a cohesive set of corporate governance policies and practices as fundamental to the success of Keybridge. This is an organisational priority since Keybridge is both a listed company and an entity operating within the highly regulated financial services sector (through its wholly owned subsidiary, Aurora Funds Management Limited), overseen by the Australian Securities and Investment Commission (ASIC) and the Australian Securities Exchange (ASX).

The following table sets out relevant ASX Principles and where in this Report they are discussed:

Principle Number	Description	Discussion in Report
1	Lay solid foundations for management and oversight	pages 5 to 7
2	Structure the Board to add value	pages 7 to 11
3	Act ethically and responsibly	pages 11 to 12
4	Safeguard integrity in corporate reporting	pages 13 to 14
5	Make timely and balanced disclosure	page 14
6	Respect the rights of security holders	page 15
7	Recognise and manage risk	pages 15 to 16
8	Remunerate fairly and responsibly	page 17

Each of Keybridge's policies and charters referred to below are available on Keybridge's website at www.keybridge.com.au.

This statement is current as at 31 August 2015, and has been approved by the Board of Keybridge Capital.

PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Relevant policies and charters

- Board Charter

The Board's primary responsibilities include:

- approving management's corporate strategy and performance objectives;
- overseeing Keybridge, including its control and accountability systems;
- appointing, monitoring and, where appropriate, removing the Managing Director and senior executives;
- approving and monitoring the progress of major investments, capital expenditure, capital management, acquisitions and divestments;
- approving and monitoring financial and other reporting, including the review and approval of the annual and half-yearly financial statements;
- reviewing and ratifying systems of risk management, internal compliance and control and legal compliance to ensure appropriate compliance frameworks and controls are in place; and
- monitoring and ensuring compliance with legal and regulatory requirements, ethical standards and policies and best practice corporate governance requirements.

The Board has delegated to management the responsibility for:

- developing, and upon approval, implementing, strategies, business plans and annual budgets for Keybridge;
- managing resources within the budget and reporting performance against budget to the Board;
- day-to-day management and administration of Keybridge;
- managing the risk and compliance frameworks, including reporting to the Board and the market;
- appointing staff and evaluating their performance and training requirements, as well as developing Keybridge policies to ensure the effective operation of Keybridge;
- ensuring compliance with applicable laws and regulations; and
- ensuring the Board is given sufficient information to enable it to perform its functions.

The Managing Director is responsible for ensuring the responsibilities delegated by the Board are properly discharged by management and for keeping the Board informed on these matters.

The Company Secretary is responsible for the operation and management of Keybridge's secretariat function. The Company Secretary has a dual reporting line to the Managing Director and the Chairman (on behalf of the Board) with respect to the proper functioning of the Board. Each member of the Board has access to Keybridge.

Nicholas Bolton represents the interests of Australian Style Group Pty Ltd, Keybridge's largest shareholder. Craig Coleman represents the interests of Viburnum Funds (Viburnum), Keybridge's second largest shareholder. The Board Charter sets out the role and responsibilities of directors associated with significant shareholdings, which include to:

- act in the best interests of Keybridge;
- avoid conflicts of interest; and
- recognise and maintain the confidentiality of Keybridge's information and, in particular, information that is, or may be, price sensitive.

The Board has in place procedures to assess the performance of executives, including the Managing Director. For the Managing Director, this process involves the Remuneration and Nomination Committee and the Board reviewing the performance of the Managing Director across a range of key areas including profitability, business planning, stakeholder management and team leadership. The review is discussed with the Managing Director and a recommendation developed for Board approval covering base pay, incentive awards, equity awards and terms of engagement. For other executives, the Managing Director reviews each executive's performance across the same key areas, discusses the review with the executive and recommends any change in remuneration to the Remuneration and Nomination Committee for approval. Performance evaluations of the Managing Director and other senior executives took place during the 2015 financial year. Further details regarding the performance review process and outcome for senior executives for the 2015 financial year are contained in the Remuneration Report at pages 25 to 34.

Diversity

Keybridge has adopted a Diversity Policy that aims to promote diversity across the Group through a number of initiatives.

Keybridge's objective is to promote a culture that draws on the diverse and relevant experience, skills, expertise, backgrounds and perspectives of its directors and employees. It recognises the importance of gender diversity within its Board and management team.

It is the responsibility of all employees to understand and comply with the Diversity Policy.

The Diversity Policy provides for the Board, in consultation with the Remuneration and Nomination Committee, to:

- set measurable objectives to promote gender diversity and review the objectives on an annual basis;
- evaluate Keybridge's performance against the set measurable objectives as part of the annual review of the effectiveness of this Policy; and
- review the proportion of women employed within Keybridge at least annually.

In the 2015 financial year, Keybridge did not set any specific measurable objectives and therefore has not complied with Recommendation 1.5 of the ASX Principles in full. This is reflective of the small size of Keybridge and the Board considers that as Keybridge increases the scale of its operations, it will be appropriate to set measurable objectives and focus on improving diversity across Keybridge.

Recommendation 1.5 of the ASX Principles requires Keybridge to disclose the proportion of women employees across the whole organisation, women in senior executive positions and women on the board. Keybridge currently has twenty employees, five of whom are female.

PRINCIPLE 2 – STRUCTURE THE BOARD TO ADD VALUE

Relevant policies and charters
- Board Charter
- Remuneration and Nomination Committee Charter

The size and composition of the Board is determined by the Board within the parameters set by Keybridge's Constitution which requires that there are no less than three and no more than 10 directors.

The Board currently comprises five directors: two executive directors (Nicholas Bolton and Antony Sormann), two non-executive independent directors (the Chairman, Andrew Moffat, and Bill Brown) and one non-independent non-executive director (Craig Coleman). The composition of the Keybridge Board during the 2015 financial year, including the respective skills, experience, relevant expertise and term of office of each director, is set out on pages 22 to 25.

The Board comprises directors with an appropriate range of skills, experience and expertise to understand and deal competently with Keybridge's current and emerging business issues. The Board seeks to achieve the appropriate mix of skills and diversity in its membership by assessing existing and potential directors' skills to ensure they have appropriate and demonstrated industry expertise in Keybridge's operating segments. Those skills that the Board believes are important for the Board as a whole to carry out their duties are as follows:

Industry	• financial planning • investments • funds management • trustee and fiduciary • mergers and acquisitions • operations
Technical	• audit and accounting • business management • stakeholder engagement • education / qualifications • human resources • governance / regulatory • policy development • financial performance • risk and compliance oversight
Behavioural	• ethics and integrity • leadership • contribution and commitment • influencer • crisis management • innovative thinker

Upon appointment each new Director participates in an induction programme. This generally includes informal presentations from senior management to gain an understanding of the Group's operations. Keybridge also supports the directors with education and training by arranging in-house education facilitated by individuals with the relevant expertise. In addition, Keybridge ensures that directors can have access to any external training they require to ensure they remain fit and proper.

Keybridge's director tenure policy, which applies to all directors except the Managing Director, specifies that no director may hold office for more than three years without re-election by shareholders and that the maximum term for a director is 10 years (in the absence of exceptional circumstances).

The Board met 11 times during the 2015 financial year. Full details of Directors' attendance at Board and committee meetings are set out in the Directors' Report on page 25.

Board performance review

A performance review of the Board and Audit, Finance and Risk Committee (AFRC) was completed in June 2015, and included the following assessments:

- whether directors have satisfied the time requirements necessary for the performance of their functions;
- whether directors have worked together effectively;
- whether directors have the necessary skills, experience and knowledge to perform their duties; and
- whether the Board and AFRC could more effectively review key business and strategic issues.

Director independence

The Board assesses each director against a range of criteria on a case-by-case basis to determine whether they are in a position to be characterised as independent, meaning they can bring, and be perceived to bring, quality judgements, free of bias, to all issues. The Board's specific principles in relation to director independence include:

- Being free from any business or other relationship which could, or could reasonably be perceived to, interfere materially with the director's ability to act in the best interests of Keybridge. Such interference could arise as a result of a director having been, within the last three years, directly or indirectly:
  - a material supplier or customer of Keybridge;
  - a principal of a material professional adviser or material consultant to Keybridge;
  - employed in an executive capacity by Keybridge; or
  - in a material contractual relationship with Keybridge other than as a director.

  Materiality is assessed on a case-by-case basis having regard to the individual circumstances of each director.
- Whether a substantial shareholding exists, including where the director has a relevant interest in shares held by another party. The definition of substantial shareholder for the purpose of this assessment is based on the *Corporations Act*, which generally sets 'substantial' as a holding of 5% or more of a company's voting shares.

Directors provide the Board with all information regarding interests and relationships so as to enable the Board to make assessments regarding independence. It is Keybridge's practice to allow its directors to accept appointments outside of Keybridge only with the prior approval of the Board.

As at the close of the 2015 financial year, the number of directors on the Board is five; (three non-independent directors and two independent directors). The following directors are not considered to be independent:

- Nicholas Bolton is Managing Director and represents the interests of Keybridge's largest shareholder;
- Craig Coleman is a Non-executive Director and represents the interests of Keybridge's second largest shareholder; and
- Antony Sormann is an Executive Director.

Recommendation 2.4 of the ASX Principles states that 'a majority of the Board should be independent directors'. Keybridge did not comply with Recommendation 2.4 during the 2015 financial year.

Corporate Governance

There is a majority of non-executive Directors but there is not a majority of independent Directors on the Keybridge Board. The current composition of the Board is reflective of the small size of Keybridge and the significant shareholdings held by Australian Style Group and Viburnum. The Board believes that Keybridge is not of sufficient size, at this stage, to warrant the inclusion of more independent non-executive Directors in order to meet the ASX Recommendation of maintaining a majority of independent non-executive Directors. Keybridge maintains a mix of Directors from different backgrounds with complementary skills and experience.

Chairman

In recognition of the importance of independent views and the Board's role in supervising the activities of management the Chairman of Keybridge is a Non-executive Director. The Chairman is selected by the Board and the role includes:

- providing leadership to the Board and Keybridge including promoting the efficient organisation and conduct of the Board's functions;
- facilitating Board discussions to ensure core issues facing Keybridge are addressed and that the Board considers and adopts strategies designed to meet present and future needs of Keybridge;
- monitoring the performance of the Board; and
- facilitating the effective contribution and ongoing development of all directors.

Indemnity, access to information and independent professional advice

The directors may access any information they consider necessary to fulfil their responsibilities. This information includes access to:

- executive management, to seek explanations and information; and
- external auditors, to seek explanations and information without executive management being present.

Directors and Board committees have the right, in connection with their duties and responsibilities, to seek independent professional advice at Keybridge's expense.

Information in relation to indemnity and insurance arrangements for directors and officers of Keybridge is contained on page 25 of this Annual Report.

Board committees

The Board has established committees to assist it in carrying out its responsibilities and to consider certain issues and functions in detail. Each committee has its own written charter setting out its role and responsibilities, composition, structure, membership requirements and the manner in which the committee is to operate. The charter, committee structure and composition are reviewed on an annual basis.

The current Board committees are:

- Remuneration and Nomination Committee (RNC); and
- Audit, Finance and Risk Committee (AFRC);

Details about the AFRC are contained in the discussion of ASX Principles 4 and 7 on pages 13 and 15, respectively.

Remuneration and Nomination Committee

Details regarding the Remuneration and Nomination Committee are as follows:

Members and composition	Role
Craig Coleman *(Chairman)* Bill Brown Andrew Moffat	The primary objective of the Remuneration and Nomination Committee is to help the Board to achieve its objectives of ensuring that Keybridge: • has a board of an effective composition, size and commitment to adequately discharge is responsibilities and duties; • has coherent remuneration policies and practices to attract and retain executives and directors who will preserve value for shareholders; • observes those remuneration policies and practices; and • fairly and responsibly rewards executives having regard to the performance of Keybridge, the performance of the executives and the general pay environment. The Remuneration and Nomination Committee is responsible for: • reviewing the Board's performance and each director's performance; • identifying, and recommending to the Board, nominees for membership of the Board (including the Managing Director) and undertaking appropriate background checks prior to appointment; • identifying and assessing the necessary and desirable competencies and characteristics for Board membership and regularly assessing the extent to which those competencies and characteristics are represented on the Board; • ensuring succession plans are in place to maintain an appropriate balance of skills on the Board and reviewing those plans; • if appropriate, recommending the removal of directors; • remuneration packages and other terms of employment for the executive directors and senior executives; • reviewing, approving and recommending to the Board the design of any executive incentive plan, including equity plans and any proposed payments under those plans; and • remuneration and retirement policies for non-executive directors. The Remuneration and Nomination Committee oversees the process for selecting and appointing new directors. As part of this process, the Remuneration and Nomination Committee considers the potential director's suitability against a range of criteria including whether the potential director: • has the necessary skills, experience and knowledge to perform their duties and responsibilities as a director; • is able to devote the time necessary to perform their duties and responsibilities; • is sufficiently independent; and • is able to work with the other members of the Board. The terms of engagement of new non-executive directors are set out in a formal letter of appointment.

Keybridge does not comply with Recommendations 2.1 and 8.1 of the ASX Principles, which provide that a Remuneration Committee should have at least three members, a majority of whom are independent, and that the committee be chaired by an independent director (who is not Chairman of the board). The current Keybridge Remuneration and Nomination Committee comprises two independent directors, Bill Brown and Andrew Moffat, and one non-independent non-executive Director, Craig Coleman, who chairs the committee. The Board considers Craig Coleman, given his expertise, to be the most appropriate chairman of the committee and the Board is satisfied that the current composition of committee members is adequate and that non-compliance with the ASX Principles will therefore not be detrimental to Keybridge.

The number of Remuneration and Nomination Committee meetings held during the 2015 financial year, and each directors' attendance at these meetings, is set out in the Directors' Report on page 25 of this Annual Report.

PRINCIPLE 3 – ACT ETHICALLY AND RESPONSIBLY

Relevant policies and charters

- Corporate Code of Conduct
- Code of Conduct for Directors and Senior Executives
- Securities Trading Policy
- Related Party Policy
- Communications and Continuous Disclosure Policy
- Diversity Policy

Keybridge has developed a number of policies to ensure that Keybridge is mindful of and complies with the guidelines for ethical and responsible decision-making. Those policies require that, at all times, all Keybridge personnel act with the highest levels of integrity and objectivity in their relationships with the Group's stakeholders and in compliance with the letter and the spirit of the law and Keybridge policies.

Keybridge's over-arching policy is its Corporate Code of Conduct. This Corporate Code of Conduct supports the Code of Conduct for Directors and senior executives which articulates the high standards of honesty, integrity and ethical and law-abiding behaviour expected of people in positions of influence.

Key issues addressed in these Codes of Conduct include:

Corporate mission	Keybridge is now in a position where it has settled its Board, management and shareholder composition, has been largely cleansed of problematic and underperforming legacy assets and has significant available tax losses. Keybridge's current mission is to create value for its shareholders through the identification of appropriate risk-weighted investment opportunities. Key elements in achieving this mission include: • protecting the value of investments; • managing risk; • maintaining strong relationships with key stakeholders; • ensuring ongoing financial stability; and • retaining a high quality team.
Responsibility to shareholders and investors	Keybridge seeks to: • serve and protect the long term interests of its shareholders and investors; • communicate openly, honestly and on a timely basis with its shareholders and the financial markets generally; and • ensure that financial disclosure to shareholders and other investors is based on best practice and complies with all relevant laws, regulations and rules.
Honesty and fairness	Keybridge will act honestly and fairly in all of its dealings. This includes: • honouring contractual commitments; • avoiding profiting from situations in which it has a conflict of interest; • where conflicts of interest arise, Keybridge uses its best endeavours to ensure disclosure to all relevant parties; and • Keybridge and its employees not offering or accepting bribes or secret commissions.

Responsibilities to the community	Keybridge will engage in support for community activities, including donations and sponsorship activities that are reasonable for a company of its size and financial resources.
Regulatory compliance	Keybridge does, and will continue to, comply with all relevant laws, regulations and rules governing its activities in Australia and other jurisdictions in which it may operate.
Responsibilities to the individual	Keybridge seeks to ensure that: • employment practices are consistent with market practice and all relevant employment laws, regulations and rules; and • privacy of employees is respected and any confidential or privileged employee information in its possession is not misused.
Compliance	It is expected that senior executives and other employees will report promptly and in good faith, any actual or suspected violation of the standards, requirements or expectations set out in the Corporate Code of Conduct or the Code of Conduct for Directors and Senior Executives and encourage others to do the same. The latter Code requires that all reports of any violation or unethical behaviour must be investigated thoroughly, the rules of natural justice are observed and appropriate disciplinary action is taken if an allegation is substantiated.

Steps are taken to ensure that employees remain aware of Keybridge's policies and practices and of their ongoing responsibilities.

Trading in Keybridge securities

Under the Keybridge's Securities Trading Policy, Keybridge directors, senior executives and other specified employees (Designated Persons), must not deal in Keybridge securities during the following periods:

- from Keybridge's balance date to the day after the release of Keybridge's Preliminary Final Report;
- from Keybridge's balance date to the day after the release of Keybridge's Half Year Report;
- one week prior to Keybridge's Annual General Meeting to the day after the end of the meeting; or
- such other times that the Board resolves.

At all other times, dealing in Keybridge securities by Designated Persons is subject to an approval process. Approval will only be granted if the person confirms in writing that he or she does not possess materially price sensitive information regarding Keybridge which is not generally available. Designated Persons are generally responsible for prohibiting any dealing in Keybridge securities by any associated person, which includes:

- immediate family members or a family company, trust or nominee over which the Designated Person has control or is a beneficiary;
- any investment manager acting on his or her behalf or on behalf of an associated person; and
- any other entity in which the person is a significant shareholder or a director, or manager of funds on behalf of that other entity.

The Policy requires directors to advise the Company Secretary within two business days of any dealing, and to report the dealing to the Board at the next Board meeting (other than shares held through the Executive Share Plan).

The Policy also prohibits Keybridge's Directors from providing Keybridge shares in which they have a beneficial interest as security for borrowings.

The Directors are satisfied that Keybridge has complied with its policies on ethical standards, including trading in securities during the past year.

PRINCIPLE 4 – SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

Relevant policies and charters

- Audit, Finance and Risk Committee Charter
- Selection and Appointment of External Auditor

The Board has established an Audit, Finance and Risk Committee (AFRC). The members, composition and role of the AFRC are as follows:

Members and composition	Role
Bill Brown *(Chairman)* Craig Coleman Andrew Moffat	The primary objective of the AFRC is to assist the Board achieve its corporate governance and oversight responsibilities in relation to financial risk management, application of accounting policies, internal control and risk management systems, external financial reporting and legal and regulatory compliance. The Committee is required to consist of members who have: • appropriate financial expertise; and • a working knowledge of the financial services industry in which Keybridge operates. The Chairman of the Board is precluded from being the Chairman of the AFRC. Specifically, the role of the AFRC includes: • maintaining and improving the quality, credibility and objectivity of the financial reporting process; • assessing the appropriateness and application of Keybridge's accounting policies and principles so that they accord with the applicable financial reporting framework; • monitoring Keybridge's financial management, including management of Keybridge's funding, hedging, liquidity and insurance coverage; • reviewing the framework for management of Keybridge's transactional risks, including concentration exposures and the manner in which transaction-based decisions are made; • providing a forum for communication between the Board, external auditor and senior executives; • ensuring effective communication between the Board and the external auditor; • reviewing the independence and performance of the external auditor and providing them with confidential access to the non-executive members of the Board and an ability to attend AFRC meetings; and • recommending to the Board the appointment, removal and remuneration of the external auditor, and reviewing the terms of their engagement, and the scope and quality of the audit.

In fulfilling its responsibilities, the AFRC receives regular reports from management and the external auditor and meets separately with the external auditor at least twice a year without the presence of management.

The AFRC has authority, within the scope of its responsibilities, to seek any information it requires from any employee or external party.

Keybridge complies with Recommendation 4.1 of the ASX Principles which states that an Audit Committee should have at least three members, all of whom are non-executive directors and a majority of whom are independent, and that the committee be chaired by an independent director (who is not chair of the Board).

Further information on the qualifications of the members of the AFRC is set out in the Directors' Report on pages 18 to 35 of this Annual Report. The number of AFRC meetings held during the year, and each directors' attendance at these meetings, is set out in the Directors' Report on page 25 of this Annual Report.

Management sign-off on financial reports

Consistent with their obligations under section 295A of the Corporations Act, the Managing Director and the Chief Financial Officer provide formal statements to the Board confirming that the Consolidated Financial Statements of Keybridge and each of the subsidiaries present a true and fair view, in all material aspects, of the Group's financial position and performance and have been prepared in accordance with all relevant accounting standards. In addition, the Managing Director and the Chief Financial Officer report on Keybridge's risk management system (financial; strategic and operational) and its effectiveness.

External auditor

Keybridge's policy is to appoint an external auditor that clearly demonstrates experience, quality and independence.

KPMG has been Keybridge's external auditor since 18 October 2005.

The performance of the external auditor is reviewed annually. In addition, the AFRC will periodically invite the incumbent auditor and other acceptable audit firms to submit proposals for the provision of statutory audit, taxation and GST services to Keybridge. The AFRC will assess proposals on the basis of the firms' understanding of Keybridge's business and its needs, their capacity for proactive and positive contribution to the efficiency and effectiveness of Keybridge's business operations and the demonstrated knowledge and teamwork of the audit team.

Keybridge complies with auditor rotation requirements. The previous lead partner of KPMG for Keybridge's audit rotated from the audit team after the June 2014 audit.

An analysis of fees paid to the external auditor, including a breakdown of fees for non-audit services, is provided in Note 34 to the Financial Statements. It is the policy of the external auditor to provide to the AFRC an annual declaration of its independence. The external auditor will also attend the Annual General Meeting and will be available to answer shareholder questions about the conduct of the audit and the preparation and content of the Auditor's Report.

PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE

Relevant policies and charters

- Communications and Continuous Disclosure Policy

Keybridge has a policy to ensure compliance with the continuous disclosure requirements of the ASX Listing Rules and the Corporations Act. The policy requires timely disclosure of any information concerning Keybridge that a reasonable person would expect to have a material effect on the price of Keybridge's securities, subject only to the exclusions identified in the ASX Listing Rules.

The Managing Director and the Company Secretary have been appointed as the persons responsible for communications with the ASX. This role includes responsibility for overseeing and coordinating information disclosure to the ASX, analysts, brokers, shareholders, media and the public.

Directors receive advice of all announcements released to the ASX and copies of the announcements are posted on Keybridge Capital's website.

PRINCIPLE 6 – RESPECT THE RIGHTS OF SECURITY HOLDERS

Relevant policies and charters

- Board Charter
- Communications and Continuous Disclosure Policy

Keybridge recognises the right of shareholders to receive effective communication ensuring they are informed of all necessary information to fully assess Keybridge's performance. Keybridge does this by:

- continuously reporting developments through the ASX Company Announcements Platform;
- reporting through a monthly market update, monthly NAV (Net Asset Value) update, half-yearly financial report and the Annual Report;
- releasing Keybridge announcements, media briefings, details of Keybridge meetings, press releases and financial reports on Keybridge's website (www.keybridge.com.au);
- encouraging shareholder participation at the Annual General Meeting and other general meetings and allowing adequate time to address any queries or questions put by shareholders; and
- requiring the attendance of the external auditor at the Annual General Meeting and to be available to answer questions concerning the conduct of the audit and the preparation and content of the Auditor's Report.

In addition, shareholders have the opportunity to receive relevant documentation electronically via Keybridge's Registry and can communicate with Keybridge by email.

PRINCIPLE 7 – RECOGNISE AND MANAGE RISK

Relevant policies and charters

- Board Charter
- Audit, Finance and Risk Committee Charter
- Investment Committee
- Risk Management Policy
- Financial Management Policy

The Board recognises that the identification, assessment and management of risks is vital to the growth and success of Keybridge. As previously discussed, the state of the markets in which Keybridge has historically operated has resulted in continuous and extensive review and monitoring by Keybridge's management and reporting to the Board and AFRC.

Risk management systems

The Board is responsible for overseeing the implementation of, and ensuring there are adequate policies in relation to the Keybridge's risk management, compliance and control systems. These systems require management to be responsible for identifying and managing Keybridge's material business risks.

Keybridge's policies aim to ensure that material financial and non-financial risks facing Keybridge and within individual investments are identified, analysed and evaluated and that active processes are in place for the management and reporting of these risks.

The Board has also established the Audit, Finance and Risk Committee (AFRC). Its responsibilities, in a risk management context, are set out below.

Division of risk management functions

Board of Directors

In relation to risk management, the Board's responsibilities include:

a) overseeing Keybridge, including its control and accountability systems;
b) approving and monitoring the progress of major investments, capital management, acquisitions and divestments;

c) reviewing and ratifying systems of risk management, internal compliance and control and legal compliance to ensure appropriate compliance frameworks and controls are in place; and
d) monitoring and ensuring compliance with legal and regulatory requirements and ethical standards and policies.

The Board reviews Keybridge's risk management policies and procedures on an annual basis and where necessary modifies these to promote ongoing improvements in Keybridge's business model and risk management practices.

Audit, Finance and Risk Committee (AFRC)

In relation to risk management, the AFRC's responsibilities include:

a) overseeing the establishment and implementation of risk management and internal compliance and control systems and ensuring there is a mechanism for assessing the efficiency and effectiveness of those systems;
b) approving and recommending to the Board for adoption policies and procedures on risk oversight and management to establish an effective and efficient system for:
    - identifying, assessing, monitoring and managing risk; and
    - regularly reviewing and updating the risk profile of Keybridge and disclosing any material change;
c) assessing the adequacy of the internal audit function with management and the external auditor;
d) monitoring the effectiveness of the internal risk control system; and
e) ensuring the risk management system takes into account all material risks.

The AFRC reviews Keybridge's main risk exposures before they are presented to the Board. During the year, the ARFC reviewed both the risk framework and the details of Keybridge's main risks. Recommendations arising from that review have been incorporated into Keybridge's risk framework.

The Board believes that Keybridge is not of sufficient size, at this stage, to warrant the formal appointment of an independent auditor, Instead, the ARFC is responsible for assessing the adequacy and effectiveness of Keybridge's control processes and risk management procedures.

Further details on the AFRC are included under ASX Principle 4 above.

Management reporting on risk

Management reporting on risk operates on a number of levels.

All reports to the Board on strategic, operational and investment issues include an assessment by management of the material risks, to ensure that the Board is in a position to make fully-informed business judgements.

The Board receives regular reports from management on the status of Keybridge's investments portfolio. Management also provides the Board with assessments of Keybridge's strategic transaction partners, as well as risk management updates addressing the material business risks facing Keybridge and the extent to which these are being managed effectively. Management reported to the Board on this basis throughout the financial year ended 30 June 2015.

Safety, sustainability and environment

The Board does not believe that it has any material exposure to economic, environmental and social sustainability risk. The Board is responsible for setting Keybridge's risk appetite and ensures that it quarterly reviews the risk profile for the business. This monitoring is undertaken by the AFRC.

PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY

Relevant policies and charters

- Remuneration and Nomination Committee Charter

The Remuneration and Nomination Committee (RNC) assists the Board to develop a remuneration strategy that seeks to:

- maintain alignment with the short and long term interests of shareholders; and
- enable Keybridge to retain key staff with the requisite skills and experience to deliver Keybridge's strategy.

Keybridge's Remuneration and Nomination Policy was reviewed by the Board in the 2015 financial year to ensure alignment between the remuneration strategy, Keybridge's ability to pay and its intent to manage existing investments and realise those investments over the medium term. Remuneration arrangements are outlined in the Remuneration Report on pages 25 to 34.

The members, composition and role of the RNC and Keybridge's adherence to Principle 8 of the ASX Principles are set out in detail in Principle 2 on page 7.

The structure and details of the remuneration paid to directors and senior executives and any equity-based remuneration scheme during the period are set out in the Remuneration Report on pages 25 to 34 of this Annual Report and Note 25 and 26 to the Financial Statements on pages 72 to 76 of this Annual Report.

Directors' Report

The Directors present their Report together with the Financial Statements of the Group comprising Keybridge Capital Limited (Keybridge) and its subsidiaries, and the Group's interest in associates for the financial year ended 30 June 2015 and the Auditor's Report thereon.

DIRECTORS

The Directors of Keybridge during the year to 30 June 2015 and up to the date of this Report were as follows:

Non-executive Directors

Andrew Moffat (Chairman)
Bill Brown
Craig Coleman

Executive Directors

Nicholas Bolton (Managing Director)
Antony Sormann

PRINCIPAL ACTIVITIES

Keybridge is a financial services and funds management company that focuses on investing directly or on behalf of investors in alternative asset classes with a focus on delivering absolute returns for shareholders and investors.

DIVIDENDS – KEYBRIDGE CAPITAL LIMITED

Since the end of the period, the Directors have recommended the payment of a final fully franked dividend of $0.450 million (equivalent to 0.25 cents per share) to be paid on 1 October 2015.

This is in addition to the franked dividends that are payable under the Keybridge CRPN, that are also due in October 2015.

REVIEW OF OPERATIONS AND RESULTS

During the year to 30 June 2015, Keybridge Capital:

- Completed the acquisition of Aurora Funds Management Limited (AFML or Aurora) for $3.797 million plus $2.368 million of net tangible assets (predominantly cash) on 27 March 2015.
  - As a result of the transaction, Aurora Funds Limited (the vendor) used the proceeds to return capital to its shareholders. As Keybridge held a 19.9% investment in Aurora Funds Limited approximately $1.058 million was returned to Keybridge by way of a capital return.
  - Aurora is a critical platform business under which Keybridge intends to build a substantial funds management operation.
- Completed a NZD3.799 million investment in Foundation Life, to assist in the acquisition of Tower Limited's residual life insurance business. The business manages a large portfolio of life funds with long term duration and fits within Keybridge's current strategy to build a diversified suite of funds under management.
- Built up a strategic 17.79% stake in Molopo Energy Limited (Molopo), an ASX-listed company with significant cash backing. The stake was acquired at a substantial discount to its net cash holdings and Antony Sormann, Keybridge's Executive Director, was appointed as a Non-Executive Director to the Molopo Board as Keybridge's representative.
- Built up a strategic 19.99% stake in Hasting High Yield Fund, now renamed HHY Fund. Keybridge convened a meeting at which Aurora was appointed as the Responsible Entity and Manager of the Fund.

- Returned to shareholders $4.957 million in capital by issuing Convertible Redeemable Promissory Notes (CRPN). These CRPN provide holders with an interest rate fixed at 7% per annum fully franked.
- Continued with its program to realise non-core assets, achieving $3.832 million in repayments from its historical Lending and Property portfolios.

Financial Results

The Directors are pleased to report that the Group earned a net profit after tax in the 2015 financial year of $0.968 million. This was a significant turnaround from the loss in the previous financial year (2014: $2.919 million net loss after tax) and represents the first full year profit in 7 years.

Basic and diluted earnings per share for FY15 was 0.61 cents per share compared with a loss of (1.74) cents in the prior period.

Operating revenue increased approximately 88% on the previous corresponding period, driven by better performing investments and the inclusion of three months of AFML management and performance fees.

Management was also successful in recovering approximately $1.0 million from a Lending asset that was previously held at a nil value, and is recorded in the accounts as part of a net impairment reversal of $0.915 million.

In addition, the Group incurred a net unrealised mark-to-market loss of $0.320 million from positions in the Group's portfolio of Listed Equity investments, which includes strategic stakes in PTB Group, Molopo and HHY Fund.

Between 1 July 2014 and 30 June 2015, the Australian Dollar depreciated by 18.3% in value against the US Dollar and by 0.2% against the Euro. From 28 August 2014, being the date of investment into Foundation Life, the Australian Dollar depreciated in value by 1.1% against the New Zealand Dollar. The movements in these currencies resulted in net unrealised FX gains over the period of $1.024 million (2014:gain of $0.116 million).

Expenses increased by approximately 5% for the reporting period largely as a result of consolidating the AFML business in the final quarter of the year. Other one-off costs incurred included legal fees in relation to the Molopo and HHY Fund investments, the issuing of the CRPN as well as continuing to recover Keybridge's legacy assets.

As a result of the issue of CRPN to current shareholders with a value of approximately $4.957 million, the Group's underlying equity position declined during the 2015 financial year from $36.590 million at 30 June 2014 to $32.358 million at 30 June 2015, but this value remains in the hands of shareholders that continue to hold the CRPN.

	2015 $'000	2014 $'000
Income	3,554	1,886
Operating costs	(3,496)	(2,776)
Non-recurring costs	(1,000)	(1,432)
Operating loss before FX adjustments	(942)	(2,322)
FX unrealised gain on revaluation of FX asset	1,024	116
Realised net FX gain/(loss) on FX assets	170	(35)
Net impairments/(Impairment reversal)	915	(549)
Finance costs	(27)	(1)
Bargain purchase gain	–	23
Income tax (expense)/benefit	(172)	(151)
Net profit/(loss) after tax	968	(2,919)

Statement of Financial Position

As at 30 June 2015, the Group's balance sheet can be summarised as follows:

	$'000
Investments	18,846
Historical investments	17,585
Cash-on-hand	2,833
Other assets	3,462
Liabilities	(10,368)
Shareholders' funds	32,358

Shareholders' funds equates to net asset value of approximately 20.3 cents per ordinary share at 30 June 2015 and net tangible assets of 17.8 cents per ordinary share after excluding $3.797 million of goodwill in relation to the Aurora acquisition.

As at 30 June 2015 the value of Keybridge's investments by asset class was as follows:

	2014 $' 000	2015 $'000	2015 % of total
Core Business			
Cash	14,535	2,833	7.2%
Listed Equities	6,062	14,343	36.5%
Funds Management	–	3,496	8.9%
Insurance	–	3,136	8.0%
Historical Investments			
Infrastructure	6,957	6,668	17.0%
Private Equity	5,228	6,529	16.6%
Property	2,473	2,259	5.8%
Lending and Shipping	1,828	–	–
	37,083	39,264	100%

In the twelve months to 30 June 2015, repayments were received from four historical investment transactions totalling $3.832 million. The majority of these repayments came from the Lending asset class with the remainder from Property and Infrastructure asset classes.

Description of Assets

Core Business

Funds Management

On 27 March 2015 Keybridge completed the acquisition AFML for $3.797 million plus $2.368 million of net tangible assets (largely cash). As a result of the transaction, Aurora Funds Limited (the vendor) used the proceeds to return capital to its shareholders. As Keybridge held a 19.9% investment in Aurora Funds Limited approximately, $1.058 million was returned to Keybridge by way of a capital return.

Aurora is the Responsible Entity and Investment Manager for a number of alternative investment funds, including the:

- Aurora Fortitude Absolute Return Fund (AFARF);
- Aurora Absolute Return Fund (ASX:ABW);
- Aurora Dividend Income Trust (ASX:AOD);
- Aurora Global Income Trust (ASX:AIB);
- Aurora Property Buy-Write Income Trust (ASX:AUP); and
- HHY Fund (previously Hasting High Yield Fund) (ASX:HHY).

The collective retail funds under management (FUM) at 30 June 2015 was approximately $141 million. Keybridge expects that it will be able to provide Aurora with an increased capacity to expand its alternative asset management offering.

Listed Equities

Keybridge's Listed Equities portfolio at 30 June totalled $14.343 million (2014:$6.062 million). The majority of investments have been small shareholdings in companies listed on the ASX and international stock exchanges, with three strategic holdings being:

- a 17.79% (as at 30 June 2015) stake in Molopo, which was historically an oil and gas exploration and production company. Molopo has exited all of its former oil production and exploration assets, and currently has a large cash balance with no debt, but is facing litigation in relation to previous trading activities. Keybridge considers that the current market valuation of Molopo's shares trading on the ASX is well below the value of its likely cash backing after the litigation is settled. In December 2014 Molopo appointed Antony Sormann as Keybridge's representative on its Board.
- a 19.99% investment in Hasting High Yield Fund, now renamed HHY Fund. Keybridge has recently announced that Aurora has been appointed as the Responsible Entity and Manager of the Fund;
- a 19.86% investment in PTB Group Limited (PTB), a turbo-prop aircraft parts and services supply organisation with operations in Queensland and New South Wales. During the half year PTB appointed Nicholas Bolton as Keybridge's representative on its Board.

Insurance

On 28 August 2014 Keybridge invested NZD3.799 million into Foundation Life Holdings (FLH). FLH purchased all of the shares in Tower Life New Zealand, a non-core life insurance subsidiary of Tower Limited. The investment is structured to earn ongoing interest at 9% per annum, payable at the end of FLH's financial year, plus some upside over time. Keybridge has received NZD0.539 million in repayments during the year which included both return of capital and interest payments.

Historical Investments

Infrastructure

In March 2008, Keybridge invested in the development, construction and ownership of a 1.05MWp twin-axis tracking solar photovoltaic (PV) park in the Murcia region in southern Spain, named Totana. Upon completion, the park was registered under Royal Decree (RD) 661/2007 which legislated that for a period of 25 years Iberdrola, the energy supplier, was required to purchase all electricity produced by the park at a government mandated inflated feed-in tariff.

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

The tariff is now based on what the Spanish government has deemed to be a reasonable fixed rate of return on capital invested for such an asset. The Spanish government has indicated that the next review of tariffs will not occur before 2017. Until then, total annual compensation under the new structure is expected to continue to deliver approximately EUR0.53 million (AUD0.78 million) of gross annual revenue, down from approximately EUR0.75 million (AUD1.1 million) per annum.

During the year, Keybridge received EUR0.806 million (AUD1.162 million) in repayments which included both return of principal and interest payments.

Private Equity

Keybridge holds a limited recourse loan to RPE1 Investor LLC, a Colorado USA limited liability company, which holds units in a Private Equity Fund. This loan accrues interest at 14.5% per annum and has a maturity date of 31 December 2017. Keybridge's loan of USD5.0 million is secured by Republic Limited Partnership Capital's interest in the Private Equity Fund (RPE). RPE's internal valuation of the Fund was USD28.2 million (AUD36.7 million) (as of end March 2015) with the value of the stake forming Keybridge's security interest valued at approximately USD14.1 million (AUD18.4 million).

Keybridge received no repayments from its Private Equity investment during the financial year 2015 and accrued AUD0.1 million in income.

Property

In September 2014, Keybridge took direct control of the last two loans that were held in a fund managed by Ashe Morgan, which invested in first ranking mortgage loans over commercial properties. The loans are secured by property in the Melbourne suburb of Prahran and a property in the Sydney suburb of Manly. During the year the Melbourne property was sold and the loan is expected to be repaid in full during October 2015.

Keybridge's other investment in the property portfolio was repaid during the year and generated a return on investment of 20.2% in ten months.

Lending

During the year, Keybridge recovered $2.38 million against a loan carried at $1.48 million to entities formerly associated with PR Finance Group Limited. A provision for $60,000 was recognised during the year which related to a different loan to an entity that had ceased to make interest repayments and therefore placed doubt on the recovery of the loan. It is now carried at nil. There are no other investments in the Lending segment.

Events Subsequent to Reporting Date

Subsequent to the balance date the Directors declared a final fully franked final dividend of $0.450 million (equivalent to 0.25 cents per share) to be paid on 1 October 2015.

There are no other matters which significantly affected or may significantly affect the operations of the Group, the results of the operations, or the state of affairs of the Group in future financial periods, other than that included in this report under the Review of Operations and Results.

Outlook

Keybridge's focus is continuing to grow its Aurora business and its funds under management more generally. Keybridge will also maintain its program of managing and opportunistically realising its historical assets with a view to maximising shareholder value.

ENVIRONMENTAL REGULATION

The operations of the consolidated entity are not subject to any particular or significant environmental regulation under Commonwealth, State or Territory Law.

INFORMATION ON DIRECTORS

Andrew Moffat

B.Bus, Curtin University, Perth

Experience and expertise

Andrew has in excess of 20 years of corporate and investment banking experience and is the principal of Cowoso Capital Pty Ltd, a company providing strategic corporate advisory services.

Prior to establishing Cowoso Capital Pty Ltd, Andrew was a Director of Equity Capital Markets & Advisory for BNP Paribas Equities (Australia) Limited where he took principal responsibility for mergers and acquisition advisory services and a range of equity capital raising mandates.

Other current directorships in publicly listed companies

Pacific Star Network Limited
Rubik Financial Limited
360 Capital Group Limited
CCK Financial Solutions Limited

Former directorships in last three years in publicly listed companies

Nil

Special responsibilities

Chairman of Keybridge Capital Limited
Member of the Audit, Finance and Risk Committee
Member of the Remuneration and Nomination Committee

Interests in shares and options

3,991,453 KBC Indirect
110,876 KBCPA Indirect

Nicholas Bolton

Experience and expertise

Nicholas Bolton is a director of Australian Style Group Pty Ltd, a 21.04% shareholder of Keybridge. Over the past 12 years, Nicholas has managed operational investments in the IT sector, invested in and led activist investments in a number of ASX-listed entities, as well as a number of risk arbitrage transactions focused on share class arbitrage, relative value and sum of parts analysis.

Nicholas is focused on delivering superior risk adjusted returns through active management and innovative solutions to challenging issues.

Other current directorships in publicly listed companies

PTB Group Limited

Former directorships in last three years in publicly listed companies

Nil

Special responsibilities

Managing Director of Keybridge Capital Limited

Interests in shares and options

36,151,130 KBC Indirect
12,612,872 KBC Direct
1,019,473 KBCPA Indirect
350,357 KBCPA Direct

Bill Brown

B.Ec, ANU, LLB, University of Melbourne

Experience and expertise

Bill Brown has over 30 years' experience as a commercial lawyer and senior executive in both private practice and in-house legal and management roles. Bill's areas of expertise include mergers and acquisitions, corporate governance and regulated industries.

Bill is currently the principal of Orange Advisory Pty Ltd, a company providing corporate governance and strategic advisory services, and the independent member of Crown Resorts Limited's Gaming Compliance Committee. In prior roles, he was a partner/principal in two Melbourne/Sydney law firms and the group legal and regulatory manager in one of Australia's largest ASX-listed gaming companies.

Other current directorships in publicly listed companies

Nil

Former directorships in last three years in publicly listed companies

Nil

Special responsibilities

Chairman of the Audit, Finance and Risk Committee
Member of the Remuneration and Nomination Committee

Interests in shares and options

245,000 KBC Indirect
6,805 KBCPA Indirect

Craig Coleman

B.Com, University of Western Australia

Experience and expertise

Craig is Executive Chairman of Viburnum Funds Pty Ltd (Viburnum) and a Non-executive Director of family investment company Wyllie Group. Viburnum is a 15.98% shareholder in Keybridge. He is a former Managing Director of publicly listed Home Building Society Limited and prior to this role Craig held a number of senior executive positions and directorships with ANZ including Managing Director Banking Products, Managing Director Wealth Management and Non-executive Director of E-Trade Australia Limited.

Other current directorships in publicly listed companies

Bell Financial Group Ltd
Pulse Health Group Ltd
Rubik Financial Ltd

Former directorships in last three years in publicly listed companies

Amcom Telecommunications Ltd
Lonestar Resources Ltd

Special responsibilities

Member of the Audit, Finance and Risk Committee
Chairman of the Remuneration and Nomination Committee

Interests in shares and options

3,440,000 KBC Indirect
95,555 KBCPA Indirect

Antony Sormann

LLB, B.Ec, Monash University, Melbourne

Experience and expertise

Antony has over 18 years' experience in investment banking and legal advisory services, including nine years as a director of SLM Corporate Pty Ltd and six years working in the investment banking division of N.M. Rothschild & Sons (Australia) Limited of which two years were as an executive in the Rothschild Group's New York office.

Other current directorships in publicly listed companies

Molopo Energy Limited

Former directorships in last three years in publicly listed companies

Nil

Special responsibilities

Nil

Interests in shares and options

7,294,189 KBC Indirect
202,615 KBCPA Indirect

COMPANY SECRETARY

The Company Secretary is Adrian Martin. Adrian is a Certified Practicing Accountant and holds a B.Com from University of Western Sydney and a Masters of Business Administration from Deakin University. Adrian was appointed to the position of Company Secretary on 1 April 2010. He also holds the position of Chief Financial Officer. Prior to joining Keybridge in 2007, Adrian held Senior Finance positions in a structured finance and investment company.

INDEMNITIES AND INSURANCE

In addition to the amounts disclosed for remuneration of Directors and key management, Keybridge pays a premium each year in respect of Directors' and Officers' insurance. In accordance with normal commercial practice, disclosure of the premium payable under, and the nature of the liabilities covered by, the insurance contract is prohibited by a confidentiality clause in the contract.

MEETINGS OF DIRECTORS

In addition to scheduled meetings of the Board, Keybridge has an Audit, Finance and Risk Committee, and a Remuneration and Nomination Committee. The numbers of meetings of the Board of Directors and of each Committee held during the year ended 30 June 2015, and the numbers of meetings attended by each Director were as follows:

	Board		Audit, Finance and Risk Committee		Remuneration and Nomination Committee	
	A	B	A	B	A	B
Director						
Andrew Moffat	11	11	4	4	2	2
Nicholas Bolton	11	11	N/A	N/A	N/A	N/A
Bill Brown	11	11	4	4	2	2
Craig Coleman	11	11	4	4	2	2
Antony Sormann	11	10	N/A	N/A	N/A	N/A

A – Number of meetings held during the time the director held office during the period. B – Number of meetings attended.

REMUNERATION REPORT (AUDITED)

This Remuneration Report comprises five sections as follows:

1. Organisational context.
2. Summary of Directors and senior executives.
3. Principles of Keybridge's approach to remuneration.
4. Trading in Keybridge securities.
5. Details of Directors' and senior executives' remuneration.

This Remuneration Report has been prepared for the Group for the year ended 30 June 2015 in accordance with section 300A of the Corporations Act, and associated regulations. The Remuneration Report has been audited by the Group's auditor as required by section 308(3C) of the Corporations Act.

1. Organisational context – Audited

1.1 Business performance

A summary of the Group's business performance, as measured by a range of financial indicators, is outlined in the table below. For further discussion on financial performance, refer to the Review of Operations and Results in the Directors' Report on pages 18 to 26.

In considering the Group's performance and benefits for shareholder value, the Remuneration and Nomination Committee has regard to the following indices in respect of the current financial year and the previous five financial years:

	2015	2014	2013	2012	2011
Profit/(loss) before net financing cost/income impairment, depreciation and amortisation and income tax (A$ millions)	0.25	(2.2)	4.5	15.9	(31.5)
Profit/(loss) after impairment expenses before net financing cost /income and income tax (A$ millions)	1.1	(2.7)	(7.6)	4.4	(47.6)
Profit /(loss) for the year attributable to members of Keybridge (A$ millions)	1.0	(2.9)	(3.8)	(3.2)	(34.0)
Share price at year end (A$)	0.175	0.185	0.14	0.12	0.075
Basic earnings/(loss) per share (cents)	0.61	(1.74)	(2.21)	(1.87)	(19.78)
Dividends paid per share (cents)	0.25	–	–	–	–
Capital returned via CRPN per share (cents)	2.8	–	–	–	–

1.2 Remuneration at Keybridge

The Group implemented remuneration arrangements for executives comprising fixed remuneration, short-term discretionary incentives and a new Executive Share Plan (ESP), which was to act as an equity-based incentive scheme.

Keybridge's current remuneration policy is that all staff are remunerated on a market-based Base Salary and any STI or LTI is solely at the discretion of the Board. Keybridge is reviewing this policy in context of considering a future strategy for Keybridge. This may necessitate new remuneration arrangements for key management personnel.

2. Summary of Directors and senior executives – Audited

2.1 Directors

As at 30 June 2015 the Directors of Keybridge were:

- Andrew Moffat, Chairman.
- Nicholas Bolton, Managing Director.
- Bill Brown, Non-executive Director.
- Craig Coleman, Non-executive Director.
- Antony Sormann, Executive Director.

There have been no appointments to the Board between the balance date and the date of this Report.

2.2 Senior executives

The following persons were senior executives of the Group during the 2015 financial year:

- Nicholas Bolton, Managing Director.
- Antony Sormann, Executive Director.

- Simon Lindsay, Managing Director (AFML) (from 27 March 2015).
- John Corr, Chief Investment Officer (AFML) (from 27 March 2015).
- Adrian Martin, Chief Financial Officer and Company Secretary.

3. Principles of Keybridge's approach to remuneration – Audited

3.1 Overview of strategy and remuneration policy

Keybridge's approach to remuneration reflects a balance between the need to motivate, attract and retain key employees and the need to be economical in managing operating expenses.

The Group's Remuneration and Nomination Policy for the year to 30 June 2015 was structured to incorporate fixed fees for the Chairman, Non-executive Directors, Managing Director and Executive Director and fixed and discretionary potential bonus elements for executives, including the Managing Director. Any bonuses are solely at the discretion of the Board.

	Chairman, Non-executive Directors	Senior executives, including the Managing Director
Fixed remuneration		
Fees	Yes	No
Salary	No	Yes
Superannuation	Yes[(a)]	Yes
Other benefits	Yes[(b)]	Yes[(b)]
Performance-based remuneration		
Short-term incentive and retention payments	No	No
Long-term incentive and retention share-based payments	No	Yes
Termination benefits	No	Yes

(a) The Chairman, Non-executive Directors, Managing Director and Executive Director have the right to elect to salary sacrifice a portion of their fees towards superannuation payments.
(b) Other benefits include car parking and travel costs and costs associated with services related to employment (inclusive of applicable Fringe Benefits Tax).

Each of these elements of remuneration is explained in further detail in the sections below.

3.2 Chairman and Non-executive Directors

Fees and other benefits

The Chairman's fee is $80,000 per annum (plus statutory superannuation or GST) and the Non-executive Directors' annual fee is $60,000 (plus statutory superannuation or GST). There are no additional fees for chairing or being a member of a committee. The fees to the Chairman and Non-executive Directors were recommended by the Remuneration and Nomination Committee and set by the Board within a maximum aggregate annual amount of $525,000 (being the amount approved at the Annual General Meeting on 28 November 2007). The aggregate amount of fees paid in the 2015 financial year was $205,750 (2014:$264,266).

Board members are also entitled to be reimbursed for expenses properly incurred by them in attending any meeting or otherwise in connection with the business or affairs of the Group, in accordance with Keybridge's Constitution.

The Chairman and Non-executive Directors do not receive retirement allowances, bonuses or other performance-based incentive payments, and are not participants in any executive share scheme.

The structure and quantum of fees are reviewed annually and determined by the Board, after taking into account market practices for appropriate comparable roles. The Board also considers the time commitments being devoted by Keybridge's relatively small board, as well as the level of remuneration required to attract and retain directors of an appropriate calibre.

3.3 Executive remuneration

Keybridge's remuneration has been structured to be market competitive and to retain and motivate a small team of employees capable of delivering the Group's business objectives. Total remuneration for executives has historically consisted of a mix of 'fixed' and 'performance-based' elements however for the 2015 financial year there were no 'performance-based' elements of remuneration.

3.3.1 Fixed remuneration

The fixed element provides a regular base remuneration that reflects the applied professional competence of each executive according to his/her knowledge, experience and accountabilities. Executives' fixed remuneration comprises salary and may comprise other benefits (including statutory superannuation contributions) that may be taken in an agreed form, including cash, leased motor vehicles and additional superannuation, provided no extra cost is incurred by the Group.

3.3.2 Performance-based reward

Keybridge presently has no formal performance-linked incentive arrangements. Any bonus in addition to base remuneration is determined solely at the discretion of the Board.

Employment conditions, including basic remuneration entitlements, for the Group's senior executives are formalised in service agreements. Key features are shown in the following table:

Name	Term of contract	Notice period by either party	Termination benefit*
Managing Director, Nicholas Bolton	No fixed term	3 months	3 months of current base annual salary
Executive Director, Antony Sormann	No fixed term	3 months	3 months of current base annual salary
Managing Director (AFML)[(a)], Simon Lindsay	No fixed term	3 months	3 months of current base annual salary
Chief Investment Officer (AFML)[(a)], John Corr	No fixed term	3 months	3 months of current base annual salary
Company Secretary, Adrian Martin	No fixed term	3 months	6 months of current base annual salary

[(a)] *From 27 March 2015. * A termination benefit is not payable in the case of dismissal.*

4. Trading in Keybridge securities – Audited

4.1 Securities Trading Policy

Keybridge's Securities Trading Policy sets out Keybridge's position regarding dealing in the Group's securities. The Policy states:

- Directors, senior executives and other employees may deal in Keybridge securities only during the nominated periods set out in the Policy;
- clearance must be obtained from an approving officer prior to trading in Keybridge's securities; and
- notification of any share trading must be made in accordance with the Policy.

4.2 Hedging of Keybridge securities

Keybridge's Securities Trading Policy sets out the Group's position regarding hedging of vested and unvested Keybridge securities. The policy provides that:

- Directors and senior executives are prohibited from entering into hedging transactions in relation to securities that have not yet vested, or that are held subject to a holding lock or restriction on dealing under an employee share plan operated by Keybridge;
- clearance must be obtained from an approving officer prior to entering into a hedging transaction in relation to vested securities; and
- notification of any hedging transaction must be made in accordance with the Policy.

Any breach of the Securities Trading Policy is reported to the AFRC and the Board. A breach of the Policy by an employee may lead to disciplinary action, including dismissal in serious cases. It may also be a breach of law.

The Company Secretary or approving officer notifies all Directors and employees when a nominated period is available for dealing in Keybridge's securities and, when doing so, underlines the need for Directors and employees to refer to the terms of the Securities Trading Policy before undertaking any such dealings.

Further details are included on page 12 of this Annual Report.

5. Details of Directors' and senior executives' remuneration – Audited

5.1 Total remuneration paid or payable to Non-executive Directors

Total remuneration received by the Chairman and Non-executive Directors in the 2015 financial year was $205,750 (2014:$264,266). Payments and non-monetary benefits received by the Chairman and Non-executive Directors individually are set out in the following table:

	Short-term employee benefits	Post-employment benefits	
	Cash fees $	Company contributions to superannuation $	Total $
Chairman			
Andrew Moffat			
2015	80,000	–	80,000
2014	20,000	1,850	21,850
Peter Wood (a)			
2014^	94,027	8,698	102,725
Non-executive Directors			
Bill Brown			
2015	60,000	5,700	65,700
2014^	76,250	7,053	83,303
Craig Coleman			
2015	60,000	–	60,000
2014	15,000	1,388	16,388
Robert Moran (b)			
2014	40,000	–	40,000
Total Chairman and Non-executive Directors			
2015	200,000	5,700	205,750
2014	245,277	18,989	264,266

(a) Resigned 6 March 2014. (b) Resigned 28 February 2014 (fees paid to Robert Moran's employer). ^ Additional services provided to the Takeovers Sub-committee which were agreed that the services performed were outside the normal directors' duties.

5.1.1 Share-based payments to Non-executive Directors

No shares have been granted to the Chairman and Non-executive Directors for the 2015 financial year. Neither the Chairman nor any Non-executive Directors are a participant in any employee share scheme conducted by Keybridge.

5.2 Total remuneration paid or payable to senior executives

The following table itemises the total remuneration cost recorded for senior executives, including for the Managing Director and Executive Director:

	Short-term employee benefits				Post-employment benefits			
	Cash salary $	Short term Incentive cash bonus $	Share-based payments $	Non-monetary $	Company contributions to superannuation $	Total $	Proportion of remuneration performance related %	Value of shares as a proportion remuneration %
Senior executives								
Nicholas Bolton, Managing Director								
2015	389,792	–	19,813	–	18,783	428,388	–	4.6%
2014	424,225	80,000	–	–	17,775	522,000	15%	–
Antony Sormann, Executive Director ^								
2015	257,913	–	12,956	–	14,088	284,957	–	4.5%
2014	107,000	–	–	–	–	107,000	–	–
*Simon Lindsay, Managing Director (AFML)***								
2015	60,327	–	1,533	–	4,444	66,304	–	2.3%
2014	–	–	–	–	–	–	–	–
*John Corr, Chief Investment Officer (AFML)***								
2015	47,250	–	2,044	–	4,444	53,738	–	3.8%
2014	–	–	–	–	–	–	–	–
Adrian Martin, Company Secretary								
2015	203,530	–	–	–	18,783	222,313	–	–
2014	203,530	60,000	–	–	17,775	281,305	21%	–
Totals								
2015	958,812	–	36,346	–	60,542	1,055,700	–	–
2014	734,755	140,000	–	–	35,550	910,305	–	–

** Appointed 6 March 2014. ^ Fees paid are included in professional fees. Refer Note 26(c). ** From 27 March 2015.*

5.2.1 Executive Share Plan for 2015 financial year

On 28 November 2014, shareholders approved a new Executive Share Plan (ESP). For accounting purposes, under IFRS rules the shares issued under the ESP are accounted for as Call Options

The ESP involves Keybridge providing interest-bearing limited-recourse loans to eligible employees to purchase ordinary shares in the capital of Keybridge which to date have been issued in two tranches. There are two separate loan arrangements for the two tranches and, as part of both loan arrangements, Keybridge has taken security over those ordinary shares, as well as any CRPN's issued to the shares that are held in escrow to secure repayment of the relevant loans. The interest rate of the loans is a fixed rate of 6.45% per annum for the term of the loans, capitalised monthly to the loans, with the term of the loans being 3 years and 3 months. The interest accrued is recourse to the eligible employee. Additionally, for the loans for the second tranche of shares only, there is an additional release payment payable at the end of the term of the loans to Keybridge by the relevant participating employees of 11.5 cents per share. None of the loans may be repaid early, unless otherwise agreed between the relevant employee and Keybridge. The loans for the two tranches are not cross-collateralised.

The issue price for both tranches of shares was 18.65 cents per share and both tranches of shares are subject to a holding lock under escrow arrangements, such that they are not capable of being sold for a period of three years from their date of issue.

In any event, the shares may only be released to the relevant employees if certain vesting and service conditions are met, including Keybridge's share price reaching levels equivalent to a defined strike price and the relevant employees paying a top up amount being equal to the difference between the issue price and the vesting price. As the limited-recourse loan is used only with newly issued shares, rather than with shares bought on market, shareholders are not exposed to any cash loss risk arising from the limited-recourse loan.

Upon acquisition of Aurora, their employees were offered to participate in the ESP at an issue price of 19.99 cents and similar loan terms.

During the year, the following loans were made to Key Management Personnel to purchase 18,500,000 shares under the terms of the ESP:

		Transactions value year ended 30 June		Balance outstanding* as at 30 June	
		2015 $	2014 $	2015 $	2014 $
Director	*Transaction*				
Nicholas Bolton	Executive Share Plan Loan	82,423	–	1,760,923	–
Antony Sormann	Executive Share Plan Loan	54,949	–	1,173,949	–
John Corr	Executive Share Plan Loan	6,214	–	404,215	–
Simon Lindsay	Executive Share Plan Loan	4,661	–	303,161	–
Total		148,247	–	3,642,248	–

** Due to the different recourse nature of the principal amount and the accrued interest of the loans, only the accrued interest on the executive loans are recorded as a non-current asset on the Statement of Financial Position. The principal amount is not recorded until vesting.*

Equity instruments – audited

The tables below refer to the implicit call option cost that has been attributed to the arrangement between Keybridge and certain executives for the purchase of ordinary shares in Keybridge Capital Limited, and which have already been issued to the executives under the ESP and held in escrow until repayment of the loans.

Implicit Option Value relating to the ESP shares issued as compensation – audited

Details of the ESP shares (accounted for as options) granted as compensation to key management personnel during the reporting period, and the details on the vesting of these shares during the reporting period are as follows:

	Number of shares granted under the ESP during 2015	Grant date	Fair value of the Option component of the ESP at grant date $	Implicit option exercise price per share $	Expiry date	Number of shares fully vested during 2015
ESP Shares						
Nicholas Bolton	6,000,000	19 Dec 2014	0.0076	0.23	31 Dec 2017	–
Nicholas Bolton	3,000,000	19 Dec 2014	0.0022	0.345	31 Dec 2017	–
Antony Sormann	4,000,000	19 Dec 2014	0.0076	0.23	31 Dec 2017	–
Antony Sormann	2,000,000	19 Dec 2014	0.0022	0.345	31 Dec 2017	–
John Corr	2,000,000	28 April 2015	0.0069	0.244	30 June 2018	–
Simon Lindsay	1,500,000	28 April 2015	0.0069	0.244	30 June 2018	–

All rights to retain the shares under the ESP expire on the earlier of their expiry date or termination of the individual's employment. The shares vest progressively over the period to 30 June 2018, subject to continuing employment and the outstanding loan and accumulated interest balance being paid in full.

Vesting of shares granted as compensation

During the reporting period, no shares vested.

Details of equity incentives affecting current and future remuneration – audited

Details of vesting profiles of the shares (accounted for as options) held by each key management person of the Group under the ESP are detailed below:

	Number of ESP shares issued	Grant date	% vested in year	% forfeited in year (A)	Financial years in which grant vests
Nicholas Bolton	2,000,000	19 Dec 2014	–%	–%	30 June 2016
Nicholas Bolton	1,000,000	19 Dec 2014	–%	–%	30 June 2016
Nicholas Bolton	2,000,000	19 Dec 2014	–%	–%	30 June 2017
Nicholas Bolton	1,000,000	19 Dec 2014	–%	–%	30 June 2017
Nicholas Bolton	2,000,000	19 Dec 2014	–%	–%	30 June 2018
Nicholas Bolton	1,000,000	19 Dec 2014	–%	–%	30 June 2018
Antony Sormann	1,333,334	19 Dec 2014	–%	–%	30 June 2016
Antony Sormann	666,667	19 Dec 2014	–%	–%	30 June 2016
Antony Sormann	1,333,333	19 Dec 2014	–%	–%	30 June 2017
Antony Sormann	666,667	19 Dec 2014	–%	–%	30 June 2017
Antony Sormann	1,333,333	19 Dec 2014	–%	–%	30 June 2018
Antony Sormann	666,666	19 Dec 2014	–%	–%	30 June 2018
John Corr	666,667	28 April 2015	–%	–%	30 June 2016
John Corr	666,667	28 April 2015	–%	–%	30 June 2017
John Corr	666,666	28 April 2015	–%	–%	30 June 2018
Simon Lindsay	500,000	28 April 2015	–%	–%	30 June 2016
Simon Lindsay	500,000	28 April 2015	–%	–%	30 June 2017
Simon Lindsay	500,000	28 April 2015	–%	–%	30 June 2018

(A)The percentage forfeited in the year represents the reduction from the maximum number of instruments available to vest due to performance criteria not being achieved.

Analysis of movements in equity instruments – audited

The movement during the reporting period, by value, of the implicit option value contained in the ESP arrangement for shares in Keybridge issued under the ESP, held by each key management person is detailed below:

	Granted in year (A)	Value of shares vested in year (B)	Lapsed in year (C)
Nicholas Bolton	52,500	–	–
Antony Sormann	33,600	–	–
John Corr*	13,867	–	–
Simon Lindsay*	10,400	–	–

*A) The implicit option value of the shares granted in the year is based on the fair value calculated using a Black-Sholes model at grant date. The amounts calculated are allocated to the executives' remuneration over the entire vesting period (i.e. in years 19 December 2014 to 1 October 2017 and in years *28 April 2015 to 1 April 2018). (B) The Option value of shares vested during the year is calculated as the market price of shares of Keybridge as at close of trading on the date the shares were issued above the price paid upon issue of the shares. (C) The Option value of and rights to shares under the ESP that lapsed during the year represents the benefit forgone and is calculated at the date the shares lapsed using the Black Scholes option-pricing model assuming the performance criteria had been achieved.*

Changes to holdings in Shares under the ESP during the period

The movement during the reporting period, by number of ordinary shares in Keybridge issued under the ESP held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

	Held at 1 July 2014	Granted as compensation	Exercised	Other changes*	Held at 30 June 2015	Vested during the year	Vested and exercisable at 30 June 2015
Shares							
Nicholas Bolton	–	9,000,000	–	117,739	9,117,739	–	–
Antony Sormann	–	6,000,000	–	78,492	6,078,492	–	–
John Corr	–	2,000,000	–	–	2,000,000	–	–
Simon Lindsay	–	1,500,000	–	–	1,500,000	–	–

** Other changes represent shares that were issued under the Dividend Reinvestment Plan during the period.*

Other related party transactions

The aggregate value of transactions and outstanding balances relating to key management personnel and entities over which they have control or significant influence were as follows:

		Transactions value year ended 30 June		Balance outstanding* as at 30 June	
		2015 $	2014** $	2015 $	2014 $
Director	*Transaction*				
Antony Sormann*	Consultant fees	77,000	107,000	–	–
		77,000	107,000	–	–

** Antony Sormann was appointed as Executive Director on 6 March 2014. ** Keybridge engaged the consultancy services of Nero Capital Pty Ltd, where Antony Sormann is a director, in relation to assistance and input over sale of assets and new investment opportunities. Amounts were billed based on market rates for such services and were due and payable under standard payment terms. This arrangement terminated in September 2014 when Antony Sormann became an employee of Keybridge Capital.*

Movements in shares

The numbers of shares in Keybridge held during the financial year by key management personnel of the Group, including their personally-related entities is set out below:

	Held at 1 July 2014	Purchases	Sales	Other	Held at 30 June 2015
Directors					
Andrew Moffat	2,940,000	1,051,543	–	–	3,991,543
Nicholas Bolton	36,044,842	3,601,421	–	–	39,646,263
Bill Brown	170,000	75,000	–	–	245,000
Craig Coleman	2,940,000	500,000	–	–	3,440,000
Antony Sormann	1,200,000	15,697	–	–	1,215,697
Other key management personnel					
Simon Lindsay*	–	768,869	–	–	768,869
John Corr*	–	1,459,091	–	–	1,459,091
Adrian Martin	180,000	2,354	–	–	182,354
Total	43,474,842	7,473,975	–	–	50,948,817

** From 27 March 2015.*

	Held at 1 July 2013	Purchases	Sales	Other	Held at 30 June 2014
Directors					
Andrew Moffat*	–	–	–	2,940,000	2,940,000
Nicholas Bolton	33,853,398	2,191,444	–	–	36,044,842
Bill Brown	–	170,000	–	–	170,000
Craig Coleman*	–	–	–	2,940,000	2,940,000
Antony Sormann**	–	–	–	1,200,000	1,200,000
Robert Moran+	–	–	–	–	–
Peter Wood***	–	176,515	–	(176,515)	–
Other key management personnel					
Adrian Martin	180,000	—	–	–	180,000
Total	34,033,398	2,537,959	–	6,903,485	43,474,842

** Appointed 7 March 2014. ** Appointed 6 March 2014. *** Resigned 6 March 2014. + Resigned 28 February 2014.*

Movements in convertible redeemable promissory notes (CRPN)

The numbers of CRPN in Keybridge held during the financial year by key management personnel of the Group, including their personally-related entities is set out below.

	Held at 1 July 2014	Purchases	Sales	Other	Held at 30 June 2015
Directors					
Andrew Moffat	–	110,876	–	–	110,876
Nicholas Bolton	–	1,369,830	–	–	1,369,830
Bill Brown	–	6,805	–	–	6,805
Craig Coleman	–	95,555	–	–	95,555
Antony Sormann	–	202,615	–	–	202,615
Other key management personnel					
Simon Lindsay*	–	63,023		–	63,023
John Corr*	–	80,807		–	80,807
Adrian Martin	–	5,064	–	-	5,064
Total	–	1,934,575	–		1,934,575

* *From 27 March 2015.*

NON-AUDIT SERVICES

Keybridge may decide to employ its auditor (KPMG) on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group and/or the consolidated entity are important.

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

The Board has considered the position and, in accordance with the advice received from the AFRC, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001*.

A copy of the Lead Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 36 and forms part of this Report.

During the year to 30 June 2015 the following fees were paid to the auditor of the Group, its related practices and non-related audit firms:

	2015 $	2014 $
KPMG		
Audit and review of financial reports	96,500	153,500
Regulatory audits	5,000	5,000
Tax services*	145,086	79,091
Due diligence services	26,000	–
	272,586	237,591
Deloitte Touche Tohmatsu		
Audit of financial reports and AFSL	99,638	–
Tax services	15,000	–
	114,638	–

** Included costs in obtaining an ATO class ruling on the issue CRPN for the benefit of shareholders.*

Rounding off

Keybridge is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and, in accordance with that Class Order, amounts in the Financial Report and Directors’ Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

This Report is made in accordance with a Resolution of Directors.

Andrew Moffat
Chairman

Sydney, 31 August 2015

Lead Auditor’s Independence Declaration

Lead Auditor’s Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Keybridge Capital Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2015 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Malcom Kafer

Partner

Sydney

31 August 2015

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.

Financials

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2015

	Note	2015 $'000	2014 $'000
Revenue and income			
Fees	6	849	348
Interest income	7	2,053	1,953
Net unrealised (loss) on investments		(320)	(497)
Net realised gain on disposal of investments		207	44
Dividend received		616	2
Other income		149	35
Operating income		3,554	1,886
Expenses			
Net impairment expenses	15	915	(549)
Unrealised gain on revaluation of foreign currency assets		1,024	116
Realised net foreign currency gain/(loss) on foreign currency assets		170	(35)
Administration expenses		(478)	(441)
Employment costs	8	(1,526)	(988)
Legal and professional fees	9	(2,240)	(2,476)
Other expenses		(252)	(303)
Results from operating activities		1,167	(2,790)
Finance costs		(27)	(1)
Net finance (costs)		(27)	(1)
Profit/(Loss) before income tax		1,140	(2,791)
Income tax expense	10	(172)	(151)
Profit/(Loss) for the period		968	(2,942)
Acquired operation			
Bargain purchase gain (net of tax)	27	–	7,514
Discontinued operation			
Loss from discontinued operation (net of tax)	28	–	(7,491)
Profit/(Loss) for the period		968	(2,919)
Profit/(Loss) attributable to:			
Owners of Keybridge		968	(2,681)
Non-controlling interests		–	(238)
Profit/(loss) for the period		968	(2,919)
Other comprehensive income, net of income tax			
Other comprehensive income for the period, net of income tax		–	–
Total comprehensive profit/(loss) for the period, net of income tax		968	(2,919)
		Cents	Cents
Basic profit/(loss) (cents per share)		0.61	(1.74)
Diluted profit/(loss) (cents per share)		0.61	(1.74)

The Consolidated Statement of Comprehensive Income is to be read in conjunction with the Notes to the Financial Statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2015

	Share capital '000	Share-based payment reserve $'000	Profits reserve $'000	Retained (losses) $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 July 2014	258,118	–	–	(221,528)	36,590	–	36,590
Total comprehensive income for the period							
Profit for the period	–	–	968	–	968	–	968
Other comprehensive income							
Total comprehensive income for the period	–	–	968	–	968	–	968
Transactions with owners, recorded directly in equity							
Contributions by and distribution to owners							
Issue of ordinary shares	500	–	–	–	500	–	500
Issue of ordinary shares related to dividend reinvestment	225	–	–	–	225	–	225
Dividends	–	–	(434)	–	(434)	–	(434)
Acquisition of Keybridge own shares via on-market buy-back	(571)	–	–	–	(571)	–	(571)
Capital return via convertible redeemable promissory notes	(4,957)	–	–	–	(4,957)	–	(4,957)
Equity-settled share-based payment	–	37	–	–	37	–	37
Total transactions with owners of Keybridge	(4,803)	37	(434)	–	(5,200)	–	(5,200)
Balance at 30 June 2015	253,315	37	534	(221,528)	32,358	–	32,358

The Consolidated Statement of Changes in Equity is to be read in conjunction with the Notes to the Financial Statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(continued)*

For the year ended 30 June 2014

	Share capital '000	Retained (losses) $'000	Profit reserve $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 July 2013	260,651	(218,609)	–	42,042	–	42,042
Total comprehensive income for the period						
Loss for the period	–	(2,681)	–	(2,681)	(238)	(2,919)
Other comprehensive income						
Total comprehensive income for the period	–	(2,681)	–	(2,681)	(238)	(2,919)
Transactions with owners, recorded directly in equity						
Contributions by and distributions to owners						
Issue of ordinary shares related to business combinations	500	–	–	500	–	500
Acquisition of Keybridge own shares via on-market buy-back	(3,033)	–	–	(3,033)	–	(3,033)
Changes in ownership interest in subsidiaries						
Acquisition of subsidiary with non-controlling interests	–	–	–	–	(14)	(14)
Disposal of subsidiary with non-controlling interests	–	(238)	–	(238)	252	14
Reserves transferred	–	–	–	–	–	–
Total transactions with owners of Keybridge	(2,533)	(238)	–	(2,771)	238	(2,533)
Balance at 30 June 2014	258,118	(221,528)	–	36,590	–	36,590

The Consolidated Statement of Changes in Equity is to be read in conjunction with the Notes to the Financial Statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 30 June 2015

	Note	2015 $'000	2014 $'000
Cash and cash equivalents	12(a)	2,833	14,535
Trade and other receivables		1,680	68
Loans and Receivables – net	15	1,754	1,402
Financial assets at fair value through profit or loss	16	10,791	6,364
Assets held-for-sale		–	100
Goodwill	14	–	25
Other assets		413	51
Total current assets		17,471	22,545
Loans and Receivables – net	15	16,611	14,913
Financial assets at fair value through profit or loss	16	4,642	–
Goodwill	14	3,797	–
Trade and other receivables		149	143
Property, plant and equipment	13	56	4
Total non-current assets		25,255	15,060
Total assets		42,726	37,605
Payables	18	3,301	714
Financial liabilities at fair value through profit or loss	16	1,090	301
Borrowings	19	1,020	–
Total current liabilities		5,411	1,015
Financial liabilities at fair value through profit or loss	16	4,957	–
Total Noncurrent liabilities		4,957	–
Total liabilities		10,368	1,015
Net assets		32,358	36,590
Equity			
Share capital	20	253,315	258,118
Reserves		571	–
Retained earnings/(losses)		(221,528)	(221,528)
Total equity attributable to equity holders of Keybridge		32,358	36,590

The Consolidated Statement of Financial Position is to be read in conjunction with the Notes to the Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2015

	Note	2015 $'000	2014 $'000
Cash flows from operating activities			
Fees received		290	320
Interest received		1,659	929
Receipts from customers		–	2,988
Receipts from Shipping activities		–	10,164
Payment for Shipping expenses		–	(12,695)
Payments to suppliers and employees*		(3,774)	(9,000)
Interest payment		–	(1,374)
Realised cash from foreign exchange		85	64
Income tax (paid)/received		1	(153)
Other income		95	35
Net cash from operating activities	12(b)	(1,644)	(8,721)
Cash flows from investing activities			
Dividends received		22	2
Loans and Receivables and advances		(3,736)	(4,200)
Proceeds from sale/repayments of loan and receivables		4,676	14,939
Proceeds from sale of Motor Vehicle Division		–	52,500
Proceeds from sale of Shipping Vessels		–	18,224
Disposal of discontinued operations, net of cash disposed of		–	(986)
Acquisition of subsidiary, net of cash acquired		(2,092)	832
Payments for purchase of financial assets held at fair value through profit or loss		(18,464)	(2,838)
Proceeds from sale of financial assets held at fair value through profit or loss		9,830	–
Net cash from investing activities		(9,764)	78,472
Cash flow from financing activities			
Repurchase of Keybridge own shares (market buy-back)		(572)	(3,123)
Proceeds from the issue of ordinary share capital		500	–
Dividends paid		(208)	–
Repayment of loans and borrowings		–	(64,716)
Net cash from/(used) financing activities		(280)	(67,839)
Net increase/(decrease) in cash and cash equivalents		(11,688)	1,913
Cash and cash equivalents at 1 July		14,535	12,551
Effect of exchange rate fluctuations on cash held		(13)	71
Cash and cash equivalents at 30 June	12(a)	2,833	14,535

** Includes $1.0 million of investment recovery and acquisition costs, which are non-recurring.*

The Consolidated Statement of Cash Flows is to be read in conjunction with the Notes to the Financial Statements.

For the year ended 30 June 2015

1. REPORTING ENTITY

Keybridge Capital Limited (referred to as Keybridge) is a company incorporated and domiciled in Australia. The Consolidated Financial Statements of Keybridge as at and for the year ended 30 June 2015 comprise Keybridge and its subsidiaries (together referred to as the Group) and the Group's interests in associates and jointly controlled entities. Keybridge is a for-profit entity and is primarily involved as a financial services company that has invested in, or lent to, transactions which predominantly are in the core asset classes of funds management, infrastructure, listed equity, private equity, insurance, property and lending.

The consolidated annual financial statements of the Group as at and for the year ended 30 June 2015 is available upon request from Keybridge's registered office at Level 4, 1 Alfred Street, Sydney NSW 2000 or at www.keybridge.com.au.

2. BASIS OF PREPARATION

(a) Statement of compliance

The Consolidated Financial Statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The Consolidated Financial Statements comply with International Financial Reporting Standards (IFRSs) adopted by the International Accounting Standards Board (IASB). The Consolidated Financial Statements were approved by the Board of Directors on 31 August 2015.

(b) Basis of measurement

The Consolidated Financial Statements have been prepared on the historical cost basis except for 'other investments' which is measured at fair value. The methods used to measure fair values are discussed further in Note 4.

(c) Functional and presentation currency

These Consolidated Financial Statements are presented in Australian Dollars, which is Keybridge's functional currency and the functional currency for the entire Group.

Keybridge is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, all financial information presented in Australian Dollars has been rounded to the nearest thousand unless otherwise stated.

(d) Use of estimates and judgements

The preparation of Consolidated Financial Statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. In particular, information about 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:

- Note 11 – Deferred tax assets and liabilities.
- Note 14 – Intangible assets and goodwill.
- Note 27 – Acquisition of subsidiary and non-controlling interests.
- Note 28 – Discontinued operation.

(e) Changes in accounting policies

For the current reporting period the Group did not adopt any new accounting standards

(f) Segment information

The amendment to AASB 134 clarifies that the Group needs to disclose the measures of total assets and liabilities for a particular reportable segment only if the amounts are regularly provided to the Group's chief operating decision maker, and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment. As a result of this amendment, the Group has included additional disclosure of segment assets (see Note 5).

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these Consolidated Financial Statements and have been applied consistently by the Group entities, except as explained in Note 2(e), which address changes in accounting policies.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(a) Basis of consolidation

(i) Business Combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group (see (a)(ii)). The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment (see (f)). Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities (see (d)).

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards), then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based measure of the replacement awards compared with the market-based measure of the acquiree's awards and the extent to which the replacement awards relate to pre-combination service.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group 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 over the entity. The financial statements of subsidiaries are included in the Consolidated Financial Statements from the date that control commences until the date that control ceases.

(iii) Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related Non-Controlling Interest and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(iv) Investments in equity-accounted investees

The Group's interests in equity-accounted investees comprise interests in associates and a joint venture.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and the joint venture are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the Consolidated Financial Statements include the Group's share of the profit or loss and Other Comprehensive Income (OCI) of equity-accounted investees, until the date on which significant influence or joint control ceases.

(v) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the Consolidated Financial Statements.

Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee.

Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographical area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to re-sale.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and OCI is re-presented as if the operation had been discontinued from the start of the comparative year.

(c) Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the foreign exchange rate at that date.

The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss.

Foreign currency losses on foreign assets are recognised as an expense in the Consolidated Statement of Comprehensive Income.

(d) Financial instruments

(i) Non-derivative financial instruments

The Group initially recognises Loans and Receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial assets: Financial assets at fair value through profit or loss and Loans and Receivables.

Cash and cash equivalents comprise cash balances, call deposits and short term deposits.

Accounting for interest income and borrowings costs is discussed in Notes 3(j) and 3(k).

Financial assets at fair value through profit or loss

A financial asset is classified as at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy, which is presently being developed. Attributable transaction costs are recognised in profit or loss when incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Financial assets designated at fair value through profit or loss comprise equity securities that otherwise would have been classified as available-for-sale.

Changes in the fair value of financial assets at fair value through profit and loss are recognised in profit or loss.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition Loans and Receivables are measured using the effective interest method, less any impairment losses.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

The collectability of debts is assessed at reporting date and where required specific provision is made for any doubtful debts or on a collective basis for a portfolio of loans considered collectively impaired. Refer to Note 3(e).

Loan write-offs

Loans (and the related impairment allowance accounts) are normally written off, either partially or in full, when there is no realistic prospect of recovery of these amounts and, for collateralised loans, when the proceeds from the realisation of security have been received.

Other financial liabilities

The Group initially recognises other financial liabilities on the date that they are originated, which is the date the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The Group classified 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 using the effective interest rate method.

Other financial liabilities comprise loans and borrowings and trade payables.

(ii) Derivative financial instruments

The Group may hold derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

Derivatives are recognised initially at fair value and attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Cash flow hedges

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in equity to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity remains there until the forecast transaction occurs. When the hedged item is a non-financial asset, the amount recognised in equity is transferred to the carrying amount of the asset when it is recognised. In other cases the amount recognised in equity is transferred to profit or loss in the same period that the hedged item affects profit or loss.

Hedge effectiveness testing

To qualify for hedge accounting the Group requires that at the inception of the hedge and throughout its life, each hedge must be expected to be highly effective (prospective effectiveness). Actual effectiveness (retrospective testing) must also be demonstrated on an ongoing basis.

The documentation of each hedging relationship sets out how the effectiveness of the hedge is assessed. The method the Group adopts for assessing hedge effectiveness will depend on its risk management strategy.

For prospective effectiveness, the hedging instrument must be expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated. For actual effectiveness, the changes in fair value or cash flows must offset each other in the range of 80% to 125% for the hedge to be deemed effective. This method is currently only performed for foreign currency hedges. Hedges used for interest rate swaps are tested for effectiveness using the Hypothetical Derivative Method.

Hedge ineffectiveness, if any, is recognised in the income statement in net foreign currency gains or losses.

Separable embedded derivatives

Changes in the fair value of separable embedded derivatives are recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(iii) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any related income tax effects.

Dividends

Dividends are recognised as a liability in the period in which they are declared.

Repurchase, disposal and reissue of share capital (treasury shares)

When share capital recognised as equity is repurchased and cancelled, the amount of the consideration paid which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity.

When the Group repurchases shares to provide shares to employees under an employee equity plan, when the shares are assigned to employees the cost of these shares is transferred to the share-based payment reserve.

(e) Impairment of financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

The Group considers evidence of impairment for Loans and Receivables at a specific asset level. All Loans and Receivables are assessed for specific impairment.

Future cash flows for Loans and Receivables in the infrastructure segment have taken into account longer term market indicators, such as future energy prices. The reason for the longer term market indicators being used is due to the fact that financial assets are not expected to be realised over the short term. Individually significant financial assets are tested for impairment on an individual basis.

All impairments are recognised in profit or loss. An impairment loss is reversed where such reversal can be related objectively to an event occurring after the impairment was recognised. For financial assets measured at amortised cost, the reversal is recognised in profit or loss.

(f) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than biological assets, investment property, inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(g) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within 'other income' in profit or loss.

(ii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment.

The estimated useful lives for the current and comparative periods are as follows:

- Leasehold improvements: 13 years.
- Furniture and fittings: 5 years.
- Computer equipment: 3 years.

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

(h) Intangible assets and goodwill

(i) Goodwill

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses. Goodwill is not amortised.

(i) Employee benefits

(i) Short term benefits

Liabilities for employee benefits for wages, salaries, annual leave and sick leave represent present obligations resulting from employees' services provided to reporting date and are calculated at undiscounted amounts based on wage and salary rates that the Group expects to pay as at reporting date including related on-costs, such as superannuation workers' compensation insurance and payroll tax.

A provision is recognised for the amount expected to be paid under short-term cash retention or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) Retirement benefit obligations

Contributions to a defined contribution fund are recognised as an expense as they become payable. These are paid into a separate entity and the Group has no legal or constructive obligation to pay further amounts. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iii) Share-based payment transactions

The fair value of performance rights granted to employees in relation to any Employee Equity Plan would be measured at grant date and recognised as an employee expense, with a corresponding increase in equity, over the period in which the performance rights vest. The grant date is defined as the date when Keybridge and employee have a shared understanding of the terms and conditions.

The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do not meet the related service and non-market performance conditions at the vesting date.

(j) Fees and interest income

Interest income 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 Group estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Where there are uncertainties in relation to the collectability of interest income, the Group will determine whether income is probable. Where it is not probable, the interest is accordingly not accrued.

The Group receives fees for such services as loan extensions or debt facility management. Fees that are integrated in the effective yield of the financial assets are included in the measurement of the effective interest rate.

Management and performance fee revenue

Management fee revenue is recognised in profit or loss as it accrues based on the entitlements set out in the relevant investment management agreements, and listed and unlisted fund constitutions or product disclosure statements. Performance fee revenue is recognised in profit or loss when Keybridge's entitlement to it becomes certain, usually at the end of the period to which the fee relates.

(k) Finance income and finance costs

Finance expenses comprise interest expense on borrowings and accrual of deferred establishment fees over the term of each loan. Foreign currency gain or losses on borrowings are disclosed separately. All borrowing costs are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

(l) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity or in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

(i) Tax consolidation

Keybridge is the Head Entity of the tax consolidated group comprising all the Australian wholly-owned subsidiaries. The entities entered into a tax sharing and funding agreement effective June 2013.

Under the terms of this agreement current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax consolidated group are recognised in the separate financial statements of the members of the tax consolidated group by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries is assumed by the Head Entity in the tax consolidated group and are recognised as amounts payable/ (receivable) to/(from) other entities in the tax consolidated group in conjunction with any tax funding arrangement amounts. Any difference between these amounts is recognised by the Head Entity and members as an equity contribution or distribution.

The Group recognises deferred tax assets arising from unused tax losses of the tax consolidated group to the extent that it is probable that future taxable profits of the tax consolidated group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the Head Entity only.

(ii) Nature of tax funding arrangements and tax sharing arrangements

The Head Entity, in conjunction with other members of the tax consolidated group, has entered into a tax funding arrangement which sets out the funding obligations of members of the tax consolidated group in respect of tax amounts. The tax funding arrangements require payments to/from the Head Entity equal to the current tax liability/(asset) assumed by the Head Entity and any tax loss deferred tax asset assumed by the Head Entity, resulting in the Head Entity recognising an inter-entity receivable (payable) equal in amount to the tax liability (asset) assumed. The inter-entity receivables (payables) are at call.

Contributions to fund the current tax liabilities are payable as per the tax funding arrangement and reflect the timing of the Head Entity's obligation to make payments for tax liabilities to the relevant tax authorities. The contribution amount arising under the tax funding arrangement is charged to Keybridge through the inter-company account.

(m) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the Australian Taxation Office (ATO) is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(n) Earnings per share

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of Keybridge by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise any share options granted to employees.

(o) Segment reporting

Determination and presentation of operating segments

An operating segment is a component of the Group 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 Group's other components. All operating segments' operating results are regularly reviewed by the Group's Executive Directors to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Executive Directors include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly, head office expenses, and income tax assets and liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

The Group comprises the following main operating segments:

- Infrastructure
- Listed Equity
- Private Equity
- Funds Management
- Insurance
- Property
- Lending

(p) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2014, and have not been applied in preparing these Consolidated Financial Statements. Those, which may be relevant to the Group, are set out below. The Group does not plan to adopt these standards early.

AASB 9 Financial Instruments (2013), AASB 9 Financial Instruments (2010) and AASB 9 Financial Instruments (2009) (together AASB 9)

AASB 9, approved in December 2014, replaces the existing guidance in AASB 139 Financial Instruments: Recognition and Measurement. AASB 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from AASB 139.

AASB 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The Group is assessing the potential impact on the consolidated financial statements resulting from the application of AASB 9.

Given the nature of the Group's operations, this standard is expected to have a pervasive impact on the Group's financial statements. In particular, calculation of impairment of financial instruments on an expected credit loss basis is expected to result in an increase in the overall level of impairment allowances.

AASB 15 Revenue from Contracts with Customers

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including AASB 118 Revenue, AASB 111 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

AASB 15 is effective for annual reporting periods beginning on or after 1 January 2017, with early adoption permitted.

4. DETERMINATION OF FAIR VALUES

The Group has an established control framework with respect to the measurement of fair values. This includes regular reviewing of significant fair value measurements, including Level 3 fair values, and reports directly to the Managing Director.

Management regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then management assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

Significant valuation issues are reported to the Audit, Finance and Risk Committee.

When measuring the fair value of an asset or a liability, management uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

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

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

4. DETERMINATION OF FAIR VALUES *(continued)*

Further information about the assumptions made in measuring fair values is included in Note 23 – Financial instruments.

5. OPERATING SEGMENTS

The Group has seven reportable segments, as described below, which are Keybridge's strategic business segments. Keybridge's Managing Director reviews internal management reports on at least a monthly basis for each of these strategic business segments, and is the chief operating decision-maker. The following summary describes the operations in each of the Group's reportable segments:

- *Infrastructure*: Loan and equity investment in a renewable energy facility.
- *Private Equity*: Loans to an entity investing in businesses in a range of industries.
- *Listed Equity*: Comprises investments in listed equities which currently have exposure to various types of industries.
- *Insurance*: An investment in Foundation Life Holdings which acquired a non-core life insurance subsidiary of Tower Limited. The investment is structured as a loan note and equity in Foundation Life.
- *Funds Management*: An investment in Aurora Funds Management Limited (AFML). The investment is structured as a wholly-owned subsidiary of Keybridge.
- *Property*: Includes loans to properties which are exposed to residential and commercial sites located in Australia.
- *Lending (including Shipping)*: Senior secured loans and subordinated loans to entities in a range of industries. Loans to and equity investments in ship holding companies chartered for various terms to ship operating companies.

Information regarding the results of each reportable segment is included in this note. Performance is measured based on operating income less net impairment expense, unrealised losses on embedded derivatives and other assets and foreign exchange losses as included in the internal management reports that are reviewed by Keybridge's Managing Director.

Segment results are used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other segments within the Group's loans and investments. This allows management to determine where to best allocate the Group's resources as well as enabling the evaluation of the results to other lenders in the different industries.

5. OPERATING SEGMENTS *(continued)*

Business segments	Infrastructure		Listed Equity		Private Equity		Funds Management		Insurance		Property		Lending*		Consolidated	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000	2015 $'000	2014 $'000	2015 $'000	2014 $'000	2015 $'000	2014 $'000	2015 $'000	2014 $'000	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Operating income																
Fees	285	–	55	–	–	–	503	–	–	–	6	–	–	348	849	348
Interest income	479	786	25	–	123	446	–	–	260	–	383	–	347	89	1,617	1,322
Unrealised (loss) on listed investments	–	–	(320)	(497)	–	–	–	–	–	–	–	–	–	–	(320)	(497)
Realised gain/(loss) on disposal of investments	64	–	282	27	–	–	–	–	–	–	(142)	–	–	17	204	44
Dividends received	–	–	616	2	–	–	–	–	–	–	–	–	–	–	616	2
Other income	–	–	(1)	–	–	–	54	–	–	–	27	–	–	–	80	–
Total operating income	828	786	657	(467)	123	446	557	–	260	–	274	–	347	454	3,046	1,220
Unrealised gain/(loss) on revaluation of foreign currency assets, net changes in fair value of cash flow hedges and realised foreign exchange gain on disposal of investments	21	131	18	2	1,177	(87)	–	–	(44)	–	–	–	–	54	1,172	100
Add: Reversed impairments	145	–	–	–	–	–	–	–	–	–	–	3,056	1,482	–	1,628	3,056
Less impairments	–	(1,507)	–	–	–	–	–	–	–	–	–	(41)	(712)	(2,056)	(712)	(3,604)
Reportable segment profit/(loss) before income tax	994	(590)	675	(465)	1,300	359	557	–	216	–	274	3,015	1,117	(1,548)	5,133	771
Gross segment assets	12,751	13,173	15,433	6,364	6,529	5,228	4,516	–	3,136	–	5,563	6,846	14,351	14,688	62,279	46,299
Less impairment provisions	(6,082)	(6,216)	–	–	–	–	–	–	–	–	(3,304)	(4,373)	(14,350)	(12,859)	(23,736)	(23,449)
Less segment liabilities	–	–	(1,090)	(301)	–	–	(1,020)	–	–	–	–	–	–	–	(2,110)	(301)
Net segment assets	6,668	6,957	14,343	6,062	6,529	5,228	3,496	–	3,136	–	2,259	2,473	1	1,828	36,433	22,548

** Lending includes the asset class of Shipping for FY2014.*

5. OPERATING SEGMENTS *(continued)*

Geographic segments	Australia		Spain		United States		New Zealand		Italy*		Singapore		Consolidated	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Operating income	1,609	(427)	458	786	247	468	260	–	285	389	187	4	3,046	1,220
Less: Impairment expense	828	958	145	(1,507)	(58)	–	–	–	–	–	–	–	915	(549)
Less: Unrealised profit/(loss) on revaluation of foreign currency assets, net changes in fair value of cash flow hedges and realised foreign exchange gain on disposal of investments	–	–	21	131	1,194	(63)	(44)	–	–	32	–	–	1,172	100
Segment result	2,437	532	625	(590)	1,383	405	216	–	285	421	187	4	5,133	771
Segment assets	20,733	10,218	6,295	6,957	7,077	5,537	3,136	–	388	27	913	110	38,543	22,849
Segment liabilities	(1,573)	–	–	–	(538)	(301)	–	–	–	–	–	–	(2,110)	(301)
Net segment assets	19,161	10,218	6,295	6,957	6,539	5,236	3,136	–	388	27	913	110	36,433	22,548

** Italy includes the geographic segment of Cyprus for FY2014.*

Geographic segments are determined by the location, or by the security of the counterparties to the loan and investment, depending on the operating segment of the loan and investment. Infrastructure loans and investments are determined by the location of the security of the loan or investment. The location of the Infrastructure investment is Spain. Listed Equity investments are determined by the location of the listed security i.e. stock exchange. Private Equity, Property and Lending/Shipping loans and investments are allocated to the geographic segments based on the location of the counterparty to the loan or investment. For the investment in the Lending operating segment, the majority investment is domiciled in Australia. The Insurance segment is located in New Zealand and the Private Equity segment is located in the United States. All Property transactions are located in Australia.

Major customer

Operating income from one customer of the Group's Infrastructure segment represents approximately $479,000 (operating income from one customer of the Group's Infrastructure segment 2014:$786 000), operating income from one customer of the Group's Insurance segment represents approximately $216,000 (2014:$nil).

5. OPERATING SEGMENTS *(continued)*

Reconciliations of reportable segment revenues, profit or loss, assets and liabilities

	2015 $'000	2014 $'000
Operating income		
Total operating income for reportable segments	3,046	1,220
Interest received – tax refund	–	38
Non-segment income	93	–
Executive share plan loan – interest	149	–
Bank interest received	266	628
Consolidated operating income	3,554	1,886
Profit or loss		
Total profit or loss for reportable segments	5,133	771
Other profit or loss	531	648
Unallocated amounts: Other corporate expenses	(4,497)	(4,208)
Unallocated amounts: Net finance costs	(27)	(1)
Consolidated profit/(loss) before income tax	1,140	(2,791)
Assets		
Total assets for reportable segments	38,543	22,849
Other unallocated amounts	4,183	14,756
Consolidated total assets	42,726	37,605
Liabilities		
Total liabilities for reportable segments	2,110	301
Other unallocated amounts	8,258	714
Consolidated total liabilities	10,368	1,015

6. FEES

	2015 $'000	2014 $'000
Funds management fees	503	–
Establishment fees	296	348
Other fees	50	–
	849	348

The fund management fees represent revenue recognised from 1 April 2015 to 30 June 2015, after AFML was acquired by the Group. The other fees charged represent services provided by Keybridge's Executive Directors in relation to various investments held by the Group.

7. INTEREST INCOME

	2015 $'000	2014 $'000
Interest on bank deposits	266	628
Interest on employee share plan	149	–
Interest on loans and advances – third parties	1,638	1,325
	2,053	1,953

There is $460,000 (2014:$446,000) of accrued income related to the Property and Private Equity investments which is not impaired. There is no accrued income on impaired assets for the year ended June 2015 (2014:$554,000). All employee share plan interest is accrued.

8. EMPLOYMENT COSTS

	2015 $'000	2014 $'000
Wages and salaries	1,303	887
Superannuation	129	72
Other associated personnel expenses	57	29
Executive share plan	37	–
	1,526	988

9. LEGAL AND PROFESSIONAL COSTS

	2015 $'000	2014 $'000
Investment-related legal fees	382	258
Investment-related professional fees	476	303
Directors' fees	202	237
Legal expenses in relation to recovering unpaid loans	790	800
Audit and tax fees	390	246
Takeover defence costs	–	632
	2,240	2,476

The higher legal and tax fees relate to the issuance of the CRPN, which included obtaining a class ruling from the ATO. These costs were not able to be capitalised and were expensed in full during the year.

10. INCOME TAX EXPENSE

(a) Income tax recognised in profit or loss

	2015 $'000	2014 $'000
Current tax benefit/(expense)		
Current period	3,949	2,637
Adjustment for prior periods	1,595	–
Total current tax	5,544	2,637
Deferred tax benefit/(expense)		
Unrealised FX gains and losses	(1,101)	(71)
Unrealised gain/(loss) on other investments	96	149
Loans and receivables	86	(1,848)
Other	115	70
(Decrease)/increase in deferred income tax expense from timing differences	(804)	(1,700)
(Decrease)/increase in deferred income tax expense from tax losses not recognised	(5,544)	(2,637)
(Decrease)/increase in deferred income tax expense from timing differences not recognised	804	1,700
Tax (expense)/reversal as a result of tax refund	172	151
Total income tax expense	172	151

In 2014, the amount excluded the tax income from the discontinued operation of $893,000, which was included in profit/(loss) from discontinued operation, net of tax (see Note 28).

10. INCOME TAX EXPENSE *(continued)*

(b) Reconciliation between tax expense and pre-tax net profit

	2015 %	2015 $'000	2014 %	2014 $'000
Profit/(Loss) for the period	–	968	–	(2,942)
Total income tax (expense)	–	(172)	–	(151)
Profit/(Loss) before income tax	–	1,140	–	(2,791)
Tax using Keybridge's domestic tax rate	30	(342)	30	837
Non-assessable income-dividend	–	–	–	–
Adjustment for prior periods	310.7	3,542	–	–
Current year losses for which no deferred tax asset was recognised	(346.4)	(3,949)	(94.5)	(2,637)
Prior year losses for which no deferred tax asset was recognised	–	–	3.5	99
Change in unrecognised temporary differences	70.5	804	60.9	1,700
Non-assessable income	–	–	0.2	7
Non-deductible expenses	(4.8)	(55)	(0.2)	(7)
Tax expense	15.1	172	5.5	151
Total income tax expense	–	172	–	151

11. DEFERRED TAX ASSETS AND LIABILITIES

At 30 June 2015, a deferred tax benefit of $56.326 million (2014:$52.377 million) mostly related to prior year impairment expenses now being written-off and recognised as a tax deduction, and temporary differences of $8.203 million (2014:$9.028 million) were not recognised as deferred tax assets. The deferred tax assets will only be realised when sufficient future assessable income is earned.

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	2015 $'000	2014 $'000
Deductible temporary differences	8,203	9,028
Tax losses	56,326	52,377
	64,529	61,405

No amount of tax benefit attributable to any tax losses incurred by AFML has been included in the above figures.

The deductible temporary differences and tax losses do not expire under current taxation legislation. Deferred tax assets have not been recognised in respect of these items because it is currently not sufficiently probable that future taxable profits will be available against which the Group can utilise the benefits of these tax losses and deductible temporary differences.

Recognised tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Loans and receivables	7,121	7,035	–	–	7,121	7,035
Other investments	–	–	(301)	(377)	(301)	(377)
Derivatives and unrealised foreign exchange	1,097	2,198		–	1,097	2,198
Other	287	172		–	287	172
Total assets/(liabilities)	8,505	9,405	(301)	(377)	8,203	9,028
Less: Deferred tax asset not recognised	(8,203)	(9,028)	–	–	(8,203)	(9,028)
Less: Set off of tax	(301)	(377)	301	377	–	–
Net tax assets/(liabilities)	–	–	–	–	–	–

11. DEFERRED TAX ASSETS AND LIABILITIES *(continued)*

Deferred tax assets have been recognised to the extent that it is probable that taxable temporary differences will be available against which the deductible temporary difference can be utilised. The deferred tax assets and deferred tax liabilities have been offset to the extent that the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority.

Movement in temporary differences during the year

	Balance at 1 July 2013 $'000	Recognised in profit or loss $'000	Balance at 30 June 2014 $'000	Recognised in profit or loss $'000	Balance at 30 June 2015 $'000
Loans and receivables	8,883	(1,848)	7,035	86	7,121
Other investments	(526)	149	(377)	76	(301)
Derivatives and unrealised foreign exchange	2,270	(71)	2,198	(1,101)	1,097
Other items	102	70	172	115	287
Total	10,728	(1,700)	9,028	(825)	8,203

12. CASH AND CASH EQUIVALENT

(a) Cash and cash equivalents

	2015 $'000	2014 $'000
Cash at bank	2,832	14,535
Short term deposits	1	–
	2,833	14,535

(b) Reconciliation of cash flow

	2015 $'000	2014 $'000
Cash flows from operating activities		
Profit/(loss) for the period	968	(2,919)
Adjustments for:		
Depreciation	6	36
Share based payment	38	–
Change in fees accrued	–	38
Changes in interest accrued	(503)	(924)
Unrealised loss on fair value through profit and loss investments	320	497
Dividend received	(554)	(2)
Realised loss on disposal of investments	183	(83)
Foreign exchange (gain)/loss on foreign currency assets	(1,024)	39
Impairment expenses	(915)	3,852
Loss on discontinued operations	–	(1,998)
Bargain purchase (gain)	–	(7,514)
Net finance costs	27	(676)
Operating cash flow before changes in working capital and provisions	(1,455)	(9,654)
Increase/(decrease) in payables	383	(2,842)
(Increase)/decrease in other assets	–	398
(Increase)/decrease in trade and other receivables	(574)	3,530
	(1,645)	(8,568)
Interest paid	–	–
Income taxes paid	1	(153)
Net cash from operating activities	(1,644)	8,721

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements $'000	Office equipment $'000	Furniture and fittings $'000	Computer software $'000	Computer hardware $'000	Total $'000
Cost or deemed cost						
Balance 1 July 2013	318	63	151	147	76	755
Additions	–	–	–	–	6	6
Disposals	–	–	–	–	–	–
Balance at 30 June 2014	318	63	151	147	82	761
Balance 1 July 2014	318	63	151	147	82	761
Additions	–	–	21	–	35	56
Disposals	–	–	–	–	–	–
Balance at 30 June 2015	318	63	173	147	117	818
Depreciation and impairment losses						
Balance at 1 July 2013	289	63	151	147	76	726
Depreciation for the year	29	–	–	–	2	31
Disposals	–	–	–	–	–	–
Balance at 30 June 2014	318	63	151	147	78	757
Balance 1 July 2014	318	63	151	147	78	757
Depreciation for the year	–	–	1	–	4	5
Disposals	–	–	–	–	–	–
Balance 30 June 2015	318	63	152	147	82	762
Carrying amounts						
At 30 June 2014	–	–	–	–	4	4
At 30 June 2015	–	–	21	–	35	56

14. INTANGIBLE ASSETS AND GOODWILL

Reconciliation of carrying amount

	2015 $'000	2014 $'000
Goodwill		
Balance at 1 July	25	–
Acquisitions through business combinations	3,797	480
Realised/write-off from disposal of entity	(25)	(455)
Balance at 30 June	3,797	25
Carrying amounts		
At 30 June 2014	–	25
At 30 June 2015	3,797	–

Impairment testing for Cash Generating Unit (CGU) containing goodwill

For the purpose of impairment testing, goodwill is allocated to the relevant Cash Generating Unit as follows.

	2015 $'000	2014 $'000
Aurora Funds Management Limited	3,797	–
Australian Finance Direct	–	25
Balance at 30 June 2015	3,797	25

Aurora Funds Management Limited

The recoverable amount of the goodwill was based on fair value less costs of disposal, being the estimated price that would be received to sell the CGU in an orderly transaction less the net assets disposed and the costs to sell. The key assumption of the Goodwill recovery is based on there being no significant changes between the dates of Keybridge's acquisition on the 27th March 2015 to 30 June 2015.

15. LOANS AND RECEIVABLES

	2015 $'000	2014 $'000
	Carrying amounts	
Individually impaired loans (gross)	30,176	33,720
Less: Allowance for impairment	(23,736)	(23,449)
Carrying amount	6,440	10,272
Loans not individually impaired	11,925	6,044
Carrying amount	11,925	6,044
Total carrying amount of Loans and Receivables	18,365	16,315
Current assets		
Lending	–	2,518
Infrastructure	400	250
Property	1,104	–
Insurance	250	–
Less: Allowance for impairment expenses	–	(1,366)
	1,754	1,402
Non-current assets		
Infrastructure	12,122	12,923
Private Equity	6,529	5,228
Property	4,459	6,846
Insurance	2,886	–
Lending (including Shipping)	14,351	11,999
Less: Allowance for impairment expenses	(23,736)	(22,083)
	16,611	14,913

	2015 $'000	2014 $'000
	Impairment provisions	
Income statement charge		
Loan impairment expenses		
Reversal of allowances no longer required	(1,627)	(3,056)
New allowances	712	3,604
Total recognised in income statement	(915)	549

16. FINANCIAL ASSETS AND LIABILITIES

Financial assets at fair value through profit or loss

	2015 $'000	2014 $'000
Shares in ASX-long position	13,953	5,999
Shares in NYSE-long position	553	255
Shares in SGX-long position	913	110
Shares in FTSE-long position	14	–
	15,433	6,364

Financial liabilities at fair value through profit or loss

	2015 $'000	2014 $'000
Shares in ASX-short position	(553)	–
Shares in NYSE-short position	(537)	(301)
Convertible Redeemable Promissory Notes	(4,957)	–
	(6,047)	(301)

The net loss from investment during the year was $113,000 (2014:$453,000 loss).

16. FINANCIAL ASSETS AND LIABILITIES *(continued)*

Keybridge Convertible Redeemable Promissory Notes (CRPN) are listed on the Australian Stock Exchange and have been designated as at fair value through profit or loss because they are managed on a fair value basis.

The CRPN were issued on 30 June 2015 on the following terms:

- an interest rate fixed at 7% per annum;
- interest payments are to be fully franked or grossed up with additional equivalent cash payments;
- the CRPN rank ahead of ordinary shares and thus have a preferential right to payment of distributions and capital;
- At maturity, holders will have the ability to request a conversion of their CRPN to ordinary shares at a 2.5% discount of the volume weighted average price at the time (Keybridge may at that time either convert the CRPN into ordinary shares or cash redeem the CRPN at face value); and
- Keybridge may also elect to convert the CRPN to ordinary shares at a 5.0% discount of the VWAP at the time or cash redeem the CRPN on the occurrence of certain other trigger events.

There is no change in value during the period or any difference between the carrying amount and the contractual amount owed as at 30 June 2015.

17. EQUITY-ACCOUNTED INVESTEES

Immaterial associates

The Group has interests in two immaterial associates. For one of these associates, the Group owns 50% of the equity interests; however the Group has determined that it has significant influence because operating decisions are jointly made.

The following table analyses, in aggregate, the carrying amount and share of profit and Other Comprehensive Income of these associates.

	2015 $'000	2014 $'000
Investments in associates		
Carrying amount of interests in associates	–	–
Share of:		
Profit/(loss)/ from continuing operations	68	(2,322)
Other comprehensive income	–	–
Total comprehensive income	68	(2,322)

The Group has not recognised profits totalling $68,000 (2014:$2,322,000 loss) in relation to its interests in associates, because the Group's investment in associates was reduced to nil in the financial year ended 30 June 2009.

18. PAYABLES

	2015 $'000	2014 $'000
Employment-related expenditure	163	–
Professional fees payable	951	522
Director fees payable	51	72
Contingent consideration – AFML	800	–
Trade Creditors	1,336	120
	3,301	714

19. BORROWINGS

	2015 $'000	2014 $'000
Subordinate debt – HSI No. 1 (includes interest payable)	1,020	–

AFML entered into a subordinate debt agreement with HSI No. 1 Pty Ltd atf HSI Noteholders Trust on 23 December 2010 with total borrowing amount of $1 million over five years. The repayment is sub-ordinated to all creditors as approved by the Australian Securities and Investments Commission. Interest is payable quarterly in arrears at a floating rate of RBA cash rate plus 6%. The total interest expensed between 1 April 2015 to 30 June 2015 was $21,150 of which $21,150 was payable at 30 June 2015.

20. CONTRIBUTED EQUITY

(a) Issued and paid-up capital

	2015 $'000	2014 $'000
159,354,286 (30 June 2014:158,693,510) ordinary shares fully paid	253,315	258,118

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of Keybridge in proportion to the number of, and amounts paid on, the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy is entitled to one vote and upon a poll each share is entitled to one vote.

Keybridge does not have par value in respect of its issued shares.

(b) Movement in ordinary share capital

	2015 '000	2014 '000
Opening balance 1 July	158,694	172,071
Issued for business combination	–	2,500
Dividend Reinvestment Plan	984	–
Placement	2,597	–
Acquisition and cancellation of Keybridge's shares via on-market buy-back	(2,921)	(15,877)
Closing balance 30 June	159,354	158,694

(c) Nature and purpose of reserves

Profits reserve

The profits reserve comprises the transfer of net profit for the year and characterises profits available for distribution as dividends in future years. Dividends amounting to $434,009 (2014:$nil) were distributed from the profits reserve during the year.

Share-based payment reserve

The share-based payment reserve comprises the portion of the fair value of the ESP options recognised as an expense. Share-based payment expense amounting to $37,063 (2014:$nil) were recognised during the year.

Shares issued and paid but not quoted

As at 30 June 2015, there are 19,116,231 issued shares, which relate to the Keybridge Capital Executive Share Plan. The shares will be released to the relevant participants pursuant to specific vesting and service conditions including the repayment of the loan, any interest and any release fees.

Previously, there were 5,975,000 shares issued (but not quoted) relating to the Group's redundant Director and Employee Share Scheme. These have since been removed from the ASX and subsequently cancelled.

20. CONTRIBUTED EQUITY *(continued)*

	2015 '000	2014 '000
Opening balance 1 July	5,975	5,975
Issued Executive Share Plan19 December 2014	15,000	–
Cancel previous share plan shares 24 December 2014	(5,975)	–
Dividend Reinvestment Plan shares issued 31 March 2015	196	–
Issued Executive Share Plan 28 April 2015	3,920	–
Closing balance 30 June	19,116	5,975

21. DIVIDENDS

After 30 June 2015, the Directors have resolved to declare a final dividend of 0.25 cents per share (100% franked). The dividend is to be paid out of the Profits Reserve. The record date for determining entitlement for the final dividend is 17 September 2015 and will be payable on 1 October 2015. The final dividend is in addition to the interim dividend declared and paid on 31 March 2015.

	2015 $'000	2014 $'000
Amount of franking credits available to shareholders of Keybridge for subsequent financial years	8,139	8,153

22. EARNINGS PER SHARE

Basic profit/(loss) per share

The calculation of basic profit/(loss) per share at 30 June 2015 was based on the profit attributable to ordinary shareholders of $0.968 million (2014: loss $2.919 million) and a weighted average number of ordinary shares outstanding of 159,369,909 (2014:168,182,858) calculated as follows:

	2015 $'000	2014 $'000
Profit / (Loss) attributable to ordinary shareholders		
Net profit/(loss) attributable to ordinary shareholders	968	(2,919)

	No. '000	No. '000
Weighted average number of ordinary shares*		
Weighted average number of ordinary shares for the year to 30 June	159,370	168,183

** Does not include 19.116 million shares not quoted.*

Diluted profit/(loss) per share

The calculation of diluted profit/(loss) per share at 30 June 2015 was based on loss attributable to ordinary shareholders of $0.968 million (2014:$2.919 million loss) and a weighted average number of ordinary shares outstanding after adjusting for the effects of all dilutive potential ordinary shares of 159,369,909 million (2014:168,182,858 million) calculated as follows:

	2015 $'000	2014 $'000
Profit/(Loss) attributable to ordinary shareholders		
Net profit /(loss)attributable to ordinary shareholders	968	(2,919)

	No. '000	No. '000
Weighted average number of ordinary shares*		
Weighted average number of ordinary shares for the year to 30 June	159,370	168,183

** Does not include 19.116 million shares not quoted.*

As at 30 June 2015, 4,957,000 convertible redeemable promissory notes were excluded from the diluted weighted-average number of ordinary shares calculations.

23. FINANCIAL INSTRUMENTS

Carrying amounts and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy for financial instruments measured at fair value. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Carrying amount					Fair value			
In thousands of dollars	Held-for-trading	Designated at fair value	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
30 June 2015									
Financial assets measured at fair value									
Equity securities	15,394	–	–	–	15,394	15,394	–	–	15,394
Equity options	39	–	–	–	39	39	–	–	39
Financial assets not measured at fair value									
Loans and receivables	–	–	18,514	–	18,514	–	18,319	–	18,319
Trade and other receivables*	–		1,829	–	1,829	–	–	–	–
Cash and cash equivalents*	–	–	2,833	–	2,833	–	–	–	–
	15,433	–	23,176	–	38,609	15,433	18,319	–	33,752

	Carrying amount					Fair value			
In thousands of dollars	Held-for-trading	Designated at fair value	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
30 June 2014									
Financial assets measured at fair value									
Equity securities	6,364	–	–	–	6,364	6,364	–	–	6,364
Equity options	51	–	–	–	51	51	–	–	51
Financial assets not measured at fair value									
Loans and Receivables	–	–	16,315	–	16,315	–	16,382	–	16,382
Trade and other receivables*	–	–	211	–	211	–	–	–	–
Cash and cash equivalents*	–	–	14,535	–	14,535	–	–	–	–
	6,415	–	31,061	–	37,476	6,415	16,382	–	6,415

** The Group has not disclosed the fair values for financial instruments such as short-term trade receivables and payables because their carrying amounts are a reasonable approximation of fair values.*

23. FINANCIAL INSTRUMENTS *(continued)*

	Carrying amount					Fair value			
In thousands of dollars	Held-for-trading	Designated at fair value	Loans and Borrowings	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
30 June 2015									
Financial liabilities measured at fair value									
Equity securities	1,090	–	–	–	1,090	1,090	–	–	1,090
Contingent consideration	–	–	–	800	800	–	–	800	800
Convertible redeemable promissory notes	–	4,957	–	–	4,957	4,957	–	–	4,957
Financial liabilities not measured at fair value									
Trade and other payables**	–	–	1,366	–	1,366	–	–	–	–
Borrowings*	–		1,020	–	1,020	–	–	–	–
	1,090	4,957	2,386	800	9,233	6,047	–	800	6,847
30 June 2014									
Financial liabilities measured at fair value									
Equity securities	301	–	–	–	301	301	–	–	301
Financial liabilities not measured at fair value									
Trade and other payables**	–	–	10	–	10	–	–	–	–
	301	–	10	–	311	301	–	–	301

** The Group has not disclosed the fair values for financial instruments such as short-term trade receivables and payables because their carrying amounts are a reasonable approximation of fair values.*

*** Other payables that are not financial liabilities (accrued expenses – 30 June 2015:$1.134 million, 30 June 2014:$704,000 are not included).*

Fair values versus carrying amounts

For Loans and Receivables, the fair value is determined using an estimate of interest rates that may apply if these assets were refinanced as at 30 June 2015 and using the estimated cash flows as at balance date.

Fair value hierarchy

The following table analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

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

In order to determine the fair value of such derivatives, management used a valuation technique in which all significant inputs were based on observable market data or broker quotes for underlying assets.

23. FINANCIAL INSTRUMENTS *(continued)*

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 Group were to provide new loans and advances or acquire new borrowing facilities as at 30 June 2015 instead of the original effective interest rate.

Interest rates used for determining fair value for level 2

For the purposes of this sensitivity, the interest rates used to discount estimated cash flows are based on the yields required given prevailing market conditions, including historically constrained liquidity and low levels of available senior debt refinancing. The rates were in the following ranges, with the specific discount rate selected based on the characteristics of the underlying investment, including asset class, term and risk profile.

	2015	2014
Interest rates (per annum)	6%–16%	6%–30%

Future cash flows for determining fair value for level 3

The valuation model considers the present value of expected payment. As the contingent consideration is expected to be settled within one year, the cash flow is not discounted. The expected payment is determined by considering possible scenarios of forecast FUM, the amount to be paid under each scenario and the probability of each scenario. Significant unobservable inputs include the forecast FUM.

24. FINANCIAL RISK MANAGEMENT

The Group seeks to minimise the effects of financial risks arising in the normal course of the Group's business. The markets in which the Group has invested, on the whole, performed in line with expectations for the financial year.

Financial risk management is undertaken by management under policies approved by the Board. During the twelve months to 30 June 2015 management continued to monitor the Group's policies and sought Board approval for any necessary changes to actively manage the financial health of the Group. The policies are available on Keybridge's website at www.keybridge.com.au. The Group's policies are discussed in further detail in the Corporate Governance section on pages 5 to 17 of this Annual Report.

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

The Board has established 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 AFRC meets quarterly and reports to the Board on its activities.

Keybridge's principal financial assets comprise trade and other receivables and investments in listed equities, cash and cash equivalents. Keybridge's principal financial liabilities comprise Convertible Redeemable Promissory Notes, borrowings and trade and other payables. The main purpose of these liabilities is to finance Keybridge's operations.

Keybridge's activities expose it to a variety of direct and indirect financial risks comprising market risk, interest rate risk, credit risk, liquidity risk and fair values.

The Board has established an Investment Committee (IC) whose members comprise Andrew Moffat, Nicholas Bolton and Antony Sormann. All investment decisions are based on levels of delegation as follows:

- Approval of investments of capital of up to $1 million is delegated to Keybridge management.
- Approval of investments of capital greater than $1 million with a cap of $5 million is delegated to the IC.
- Approval of investments or divestments of capital greater than $5 million requires Board approval.

24. FINANCIAL RISK MANAGEMENT *(continued)*

Impairment losses

Impairment losses for the twelve months to June 2015 have occurred in the Lending asset class.

As previously mentioned, in July 2014 Keybridge provided two loans for an entity to purchase the AMX business from the Liquidator of PR Finance Group. The first loan has been repaid but the second loan is in default and recovery of the remaining principal amount of $0.654 million is doubtful.

A previous impairment loss of $1.482 million was reversed due to the repayment of the above PRFG loan.

An additional provision for $0.066 million was recognised during the year and relates to a loan to an entity that has ceased to make interest repayments and therefore placing doubt on the recovery of the loan. This was offset by a reversal of a previous impairment of $0.145 million on the Totana investment.

The Group has recognised net impairment reversals of $0.915 million for the twelve months to 30 June 2015 (2014:$0.549 million loss).

For the loans that are not impaired, credit risk is managed by analysing the counterparties' monthly financial reports and regular dialogue is held to discuss any issues that may impact the ability of the counterparty to repay its loan.

The ageing of the Loans and Receivables at the reporting date was:

	Gross 2015 $'000	Impairment 2015 $'000	Gross 2014 $'000	Impairment 2014 $'000
Not past due	23,361	(6,152)	19,217	(6,216)
Past due 91–120	–	–	–	–
Past due 121–365	–	–	11,700	(11,700)
More than one year	18,740	(17,584)	8,837	(5,532)
	42,101	(23,736)	39,754	(23,449)

The movement in the allowance for impairment during the year was as follows:

	Loans and receivables 2015 $'000	Loans and receivables 2014 $'000
Balance at 1 July	23,448	29,608
Impairment loss recognised	712	3,604
Impairment write-back in income statement	(1,627)	(3,056)
Foreign exchange movement on impairments	2,604	(101)
Investment in PRFG (written off)	–	(1,850)
Loans (written off)/realised/	(1,401)	(4,757)
Balance at 30 June	23,736	23,448

The allocation of impairments by segment is provided in Note 5 – Operating Segments.

For the loans that are not impaired, credit risk is managed by analysing the counterparties' monthly financial reports and regular dialogue is held to discuss any issues that may impact the ability of the counterparty to repay its loan.

Exposure to credit risk

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

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

24. FINANCIAL RISK MANAGEMENT *(continued)*

Trade receivables

The maximum exposure to credit risk is the carrying amount of assets, net of any provisions for doubtful debts of those assets, as disclosed in the consolidated statement of financial position and notes to the financial statements.

The Group does not have any material credit risk exposure to any single debtor as the majority of debtors are the funds it manages. Aurora Funds Management Limited (AFML), a subsidiary of Keybridge, is the manager of each of these funds and exercises its control to manage this risk by ensuring fees are paid by each fund on a timely basis.

Cash deposits

Credit risk for cash deposits is managed by holding all cash with major Australian banks (Westpac, ANZ and Commonwealth Bank).

The carrying amount of the Group's financial assets represents its maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

		Carrying amount	
	Note	2015 $'000	2014 $'000
Cash and cash equivalents	12(a)	2,833	14,535
Loans and Receivables	15	18,365	16,315
Trade and other receivables		1,829	219
		23,027	31,069

The Group's maximum exposure to credit risk at the reporting date by segment was:

		Carrying amount	
	Note	2015 $'000	2014 $'000
Cash (Australian banks)	12(a)	2,833	14,535
Infrastructure		6,668	6,957
Listed Equity		15,433	6,364
Private Equity		6,529	5,228
Property		2,259	2,473
Lending*		–	1,828
Funds Management		718	–
Insurance		3,136	–
		37,576	37,385

** 2014 Lending balance included the Shipping sector.*

The Group's most significant counterparty exposure relates to investments in listed entities which represent $15.433 million of Keybridge's investments at 30 June 2015 (2014:Listed Equities $6.364 million).

In Listed Equity, the Group has equity investments in thirty three separate companies. These investments are traded on four stock exchanges.

The Infrastructure counterparty exposure relates to the tariff payment arrangements issued by the Spanish government. These rates have changed significantly over the last 7 years and going forward there may be further changes made to these payments.

In Private Equity, Keybridge has a limited recourse loan, which is secured by units in a private equity fund which invests in US-domiciled manufacturing industries. There is no senior debt in the private equity fund, however investments made by the fund may have senior debt at the investment level, and as such, the investment in the private equity fund is indirectly impacted by changes in credit markets that affect investments undertaken by the fund.

24. FINANCIAL RISK MANAGEMENT *(continued)*

Keybridge has two property-backed investments. In September 2014, Keybridge took direct control of the last two loans that were held in a fund managed by Ashe Morgan, who invested in first ranking mortgage loans over commercial properties. The loans are secured by a property in the Melbourne suburb of Prahran and a property in the Sydney suburb of Manly. During the year the Melbourne property was sold and is expected to be repaid in October 2015.

For loans that are not impaired, credit risk is managed by analysing regular financial reports from the counterparties as well as ensuring there is constant oversight of issues that may impact the ability of the counterparty to repay its loan.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. At 30 June 2015 the Group has no secured bank loans.

The Group manages liquidity risk via:

- monitoring forecast and actual cash flows, including asset sales and cash investment income;
- maintaining a minimum cash balance; and
- regular reporting of cash flow forecasts for the next 12 to 18 months to the Board and AFRC.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability to meet obligations when due and to close out market positions.

Management monitors rolling forecasts of the Group's liquidity reserve of cash and cash equivalents on the basis of expected cash flows. This is generally carried out at local level in the operating companies of Keybridge in accordance with practice and limits set by Keybridge. In addition, Keybridge's liquidity management policy involves projecting cash flows and considering the level of liquid assets necessary to meet any prospective commitments, monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

At 30 June 2015, the Group's financial liabilities maturity profile for the past two financial year ends are as follows:

	Carrying amount $'000	Contractual cash flows $'000	6 mths or less $'000	6–12 mths $'000	1–2 years $'000	2–5 years $'000
30 June 2015						
Financial liabilities						
Trade and other payables	(3,301)	(3,301)	(3,301)	–	–	–
Borrowings	(1,020)	(1,020)	(1,020)	–	–	–
Financial liabilities at fair value through profit or loss	(1,090)	(1,090)	(1,090)	–	–	–
	(5,411)	(5,411)	(5,411)	–	–	–
Convertible redeemable promissory notes	(4,957)	(6,693)	(173)	(173)	(694)	(5,653)
	(10,368)	(12,104)	(5,584)	(173)	(694)	(5,653)

	Carrying amount $'000	Contractual cash flows $'000	6 mths or less $'000	6–12 mths $'000	1–2 years $'000	2–5 years $'000
30 June 2014						
Financial liabilities						
Trade and other payables	(714)	(714)	(714)	–	–	–
Financial liabilities at fair value through profit or loss	(301)	(301)	(301)	–	–	–
	(1,015)	(1,015)	(1,015)	–	–	–

24. FINANCIAL RISK MANAGEMENT *(continued)*

Market risk

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

The Group is exposed to equity risk on shares in ASX-listed, NYSE-listed and SGX-listed companies to the extent of $14.343 million (2014:$6.062 million). The Group currently does not hold any interest rate swaps.

Equity-accounted investments are also exposed to movements in currency and asset values for the underlying Totana solar farm.

The key direct risks associated with the Group's funds management segment are those which impact on the registered schemes for which Aurora Funds Management Limited (AFML) acts as the Responsible Entity.

Unfavourable economic movements, both globally and within the markets in which the funds operate, can have a significant impact on the investment returns of the registered schemes and the funds under management (FUM).

FUM directly correlates to the level of management fees received by Keybridge as management fees are based on a percentage of FUM.

Performance fees are paid to AFML if the registered schemes meet certain performance criteria. A period of negative performance will significantly impact on the level of performance fees paid to AFML and hence affect total profitability of the Group.

Foreign currency risk

Foreign currency risk arises from assets and liabilities that are denominated in a currency that is not the Group's functional currency of Australian Dollars. The Group's exposure to foreign exchange risk has been reduced by purchasing US Dollar futures. There remains one significant investment denominated in US Dollars, one denominated in Euros, one denominated in New Zealand Dollars and a smaller investment denominated in Singapore Dollars.

The Group does not fully hedge on its foreign denominated investments and therefore is exposed to translation back to Australian Dollars. Any loss or gain arising on translation is recorded in the profit or loss statement.

Exposure to currency risk

The Group's exposure to foreign currency risk at balance date was as follows:

	30 June 2015				30 June 2014			
	USD	Euro	SGD	NZD	USD	Euro	SGD	NZD
AUD equivalents	$'000	€'000	$'000	$'000	$'000	€'000	$'000	$'000
Cash and cash equivalent	81	91	–	4	11	12	–	–
Net financial instrument at fair value through profit or loss	896	–	900	–	(47)	–	110	–
Loans and Receivables	6,529	6,757	–	3,132	5,282	6,928	–	–
Total asset exposure	7,506	6,848	900	3,136	5,246	6,940	110	–
FX futures and borrowings	(3,748)	(1,281)	(832)	(2,256)	–	–	–	–
Net financial instrument at fair value through profit or loss	(538)	–	–	–	–	–	–	–
Net exposure	3,220	5,567	68	880	5,246	6,940	110	–

24. FINANCIAL RISK MANAGEMENT *(continued)*

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2015	2014	2015	2014
AUD: USD	0.8355	0.9183	0.7680	0.9404
AUD: Euro	0.6960	0.6770	0.6879	0.6891
AUD: NZD	1.0745	–	1.1283	–
AUD: SGD	1.0932	1.156	1.0348	1.176

Sensitivity analysis

The Group is exposed to the translation impact back to Australian Dollars in relation to the US, Euro, New Zealand and Singapore-denominated investments. As a result, a change in an exchange rate will have an equal and offsetting impact on the change in the book value of the underlying investment and the profit or loss of the Group.

As shown in the table below, if the Australian Dollar were to decrease or increase in value by 10%, against the US Dollar, Euro, New Zealand Dollar and Singapore Dollar, the Group would recognise a non-cash profit of $1.047 million, a loss of $0.857 million a respectively.

$'000 AUD	Profit or loss	
	10% increase	10% decrease
30 June 2015		
USD	(273)	333
Euro	(498)	608
NZD	(80)	98
SGD	(6)	8
	(857)	1,047
30 June 2014		
USD	(474)	579
Euro	(631)	771
NZD	–	–
SGD	(10)	12
	(1,115)	1,362

Interest rate risk

The Group is exposed to interest rate risk where committed debt facilities, including non-recourse debt financing and cash, are at a variable rate of interest. All of the Group's Loans and Receivables are at fixed rates and asset-specific debt is term matched with fixed interest rates to hedge those specific cash flows.

The Group'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.

Interest rate profile

At reporting dates the Group's assets and liabilities subject to variable interest rates are as follows:

	Carrying amount	
	2015 $'000	2014 $'000
Variable rate instruments		
Cash-on-hand	2,833	14,535
Loans and Receivable	2,401	–
Borrowings	(1,020)	–
Total variable rate instruments	4,214	14,535

The Group is entitled to receive a fixed rate of interest in relation to all of the Group's financial assets. Interest income at fixed rates is received as cash or, where there is a reasonable probability of receipt, as accrued income and recognised in the profit and loss statements.

24. FINANCIAL RISK MANAGEMENT *(continued)*

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss and the Group does not hold derivative liabilities (interest rate swaps).

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. The analysis is performed on the same basis for 2014. As at 30 June 2015 the Group is exposed to cash-on-hand deposit interest rates and variable interest rates on its borrowings. Cash flow sensitivity analysis for variable rate instruments are as follows:

	Profit or loss		Equity	
	100bp increase $'000	100bp decrease $'000	100bp increase $'000	100bp decrease $'000
30 June 2015				
Variable rate instruments	42	(42)	–	–
Cash flow sensitivity (net)	42	(42)	–	–
30 June 2014				
Variable rate instruments	145	(145)	–	–
Cash flow sensitivity (net)	145	(145)	–	–

Capital management

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Group's total capital at 30 June 2015 was $32.358 million comprising contributed equity (net of retained losses).

During the year the Group returned $4.957 million of capital to shareholders via the issue of CRPN. The CRPN provide the Group an alternative method to raise capital, if required, in the future.

Keybridge continued with its on-market buy-back program in which it would seek to purchase up to 49.401 million shares over the course of the program. In accordance with ASX Listing Rules, the price paid for shares under the buy-back is no more than 5% above the volume weighted average price of Keybridge shares over the five prior trading days.

The buy-back mechanism provides improved market liquidity for shareholders wishing to exit in the future. It also assists in improving the correlation of Keybridge's share price to its underlying performance. The total number of shares purchased by Keybridge under the buy-back depends on market conditions and volumes. As at 30 June 2015:2.921 million (2014:15.877 million) shares have been purchased at an average price of 19.65 cents per share (pre-distribution of the CRPN).

25. SHARE-BASED PAYMENT ARRANGEMENTS

Employee share scheme

A. Description of share-based payment arrangements

At 30 June 2015, the Group had the following share-based payment arrangements.

Share option programs (equity-settled)

On 28 November 2014, shareholders approved a new Executive Share Plan (ESP).

25. SHARE-BASED PAYMENT ARRANGEMENTS *(continued)*

The ESP involves Keybridge providing interest-bearing limited-recourse loans to eligible employees to purchase ordinary shares in the capital of Keybridge which, to date, have been issued in two tranches. There are two separate loan arrangements for the two tranches and as part of both loan arrangements Keybridge has taken security over those ordinary shares to secure repayment of the relevant loans. The interest rate of the loans is a fixed rate of 6.45% per annum for the term of the loans, capitalised monthly to the loans, with the term of the loans being 3 years and 3 months. The interest accrued is recourse to the eligible employee. Additionally, for the loans for the second tranche of shares only, there is an additional release payment payable at the end of the term of the loans to Keybridge by the relevant participating employees of 11.5 cents per share. None of the loans may be repaid early, unless otherwise agreed between the relevant employee and Keybridge. The loans for the two tranches are not cross-collateralised.

The issue price for both first tranches of shares was 18.65 cents per share and both tranches of shares are subject to a holding lock under escrow arrangements, such that they are not capable of being sold for a period of three years from their date of issue.

In any event, the shares may only be released to the relevant employees if certain vesting and service conditions are met, including Keybridge's share price reaching levels equivalent to a defined strike price and the relevant employees paying a top up amount being equal to the difference between the issue price and the vesting price. As the limited-recourse loan is used only with newly issued shares, rather than with shares bought on market, shareholders are not exposed to any cash loss risk arising from the limited-recourse loan.

For accounting purposes, under IFRS rules the shares issued under the ESP are accounted for as Call Options. Upon acquisition of AFML, their employees were offered to participate in the ESP at an issue price of 19.99 cents and similar loan terms.

The key terms and conditions related to the grants under these programs are as follows; all shares are to be released from escrow upon repayment of the loans outstanding:

Grant date/employees entitlement	Number of instruments in thousands	Vesting conditions	Contractual life of loan
Shares granted to key management personnel			
On 19 December 2014	15,000	3 years' service from grant date and loan repayment (including accrued interest to be paid)	3 years
On 28 April 2015	3,500	3.3 years' service from grant date and loan repayment (including accrued interest to be paid)	3.3 years
Shares granted to senior employees			
On 28 April 2015	420	3.3 years' service from grant date and loan repayment (including accrued interest to be paid)	3.3 years
Total shares	18,920		

B. Measurement of fair values

Equity-settled share-based payment arrangements

The fair value of the employee share options below has been measured using the Black-Scholes formula. Service and non-market performance conditions attached to the arrangements were not taken into account in measuring fair value.

The requirement that the employee has to pay interest and repay the loan in order to receive shares under the share purchase plan has been incorporated into the fair value at grant date by applying a discount to the valuation obtained.

25. SHARE-BASED PAYMENT ARRANGEMENTS *(continued)*

The inputs used in the measurement of the fair values at grant date of the equity-settled share-based payment plans were as follows:

	Executive share plan options			
	Key management personnel		Senior employees	
	2015	2014	2015	2014
Fair value at grant date (cents)	0.0060	–	0.0069	–
Share price at grant date (cents)	0.1865	–	0.1950	–
Exercise price (cents)	0.264	–	0.244	–
Expected volatility (weighted-average)	32%	–	32%	–
Expected life (weighted-average)	3.3 years	–	3.3 years	–
Expected dividends	3.5%	–	3.5%	–
Risk-free interest rate (based on government bonds)	2.26%	–	2.26%	–

Expected volatility has been based on an evaluation of Keybridge's share price, particularly over the historical period commensurate with the expected term. The expected term of the instruments has been based on historical experience and general option holder behaviour.

Reconciliation of outstanding share options

The number and weighted-average exercise prices of share options under the share option programs below were as follows:

	Number of options '000	Weighted-average exercise price	Number of options '000	Weighted-average exercise price
In thousands	2015	2015	2014	2014
Outstanding at 1 July	–	–	–	–
Forfeited during the year	–	–	–	–
Exercised during the year	–	–	–	–
Granted during the year	18,920	0.263	–	–
Dividends reinvested	196	0.191	–	–
Outstanding at 30 June	19,116	0.263	–	–
Exercisable at 30 June	–	–	–	–

The share options outstanding at 30 June 2015 had an exercise price in the range of 23 cents to 34.5 cents (2014: nil) and a weighted-average contractual life of 3.3 years (2014:nil).

The weighted-average share price at the date of exercise for share options exercised in 2015 no options exercised (2014:no options exercised).

C. Expense recognised in profit or loss

For details on the related employee benefit expenses, see Note 8.

26. RELATED PARTY DISCLOSURE

Key management personnel compensation

Information regarding individual Directors and senior executives' remuneration and shares held in Keybridge as required by Corporations Regulations 2M.3.03 is provided in the Remuneration Report on pages 25 to 34 of this Annual Report.

Other than as disclosed in this Note, no Director has entered into a material contract with Keybridge or the Group since the end of the previous financial year and there were no material contracts involving Directors' interests existing at year end.

26. RELATED PARTY DISCLOSURE *(continued)*

Senior executives (including for the Managing Director and Executive Director)

	Short-term employee benefits			Post-employment benefits	
	Cash salary $	Incentive and retention payments $	Share-based payments $	Company contributions to superannuation $	Total $
Totals – 2015	958,812	–	36,346	60,542	1,055,700
Totals – 2014	734,755	140,000	–	35,550	910,305

Chairman and Non-executive Directors

	Short-term employee benefits			Post-employment benefits	
	Cash fees $	Incentive and retention payments $	Share-based payments $	Company contributions to superannuation $	Total $
Totals – 2015	200,000	–	–	5,700	205,700
Totals – 2014	245,277	–	–	18,989	264,266

Directors and key management personnel

The names of persons who were key management personnel of the Group at any time during the financial year are as follows:

Non-executive Directors

Andrew Moffat (Chairman)
Bill Brown
Craig Coleman

Executive Directors

Nicholas Bolton (Managing Director)
Antony Sormann

Other key management

Adrian Martin (Chief Financial Officer and Company Secretary)

(a) Details of remuneration

Details of the remuneration of key management personnel are set out in the Remuneration Report on page 25 to 34 and above.

(b) Equity instrument disclosures relating to key management personnel movements in shareholdings including equity instruments granted as compensation via the Employee Equity Plan

The numbers of shares in Keybridge held during the financial year by key management personnel of the Group, including their personally-related entities is set out in the Remuneration Report on pages 25 to 34.

This includes shares provided as remuneration under the Executive Share Plan. See Note 25 and the Remuneration Report on pages 25 to 34 for details.

26. RELATED PARTY DISCLOSURE *(continued)*

During the year, loans were issued to Keybridge executives to purchase 18,920,000 shares under the terms of the ESP as follows:

		Transactions value year ended 30 June		Balance outstanding* as at 30 June	
		2015 $	2014 $	2015 $	2014 $
Director	*Transaction*				
Nicholas Bolton	Executive Share Plan Loan	82,423	–	1,760,923	–
Antony Sormann	Executive Share Plan Loan	54,949	–	1,173,949	–
Key Management Personnel					
John Corr	Executive Share Plan Loan	6,214	–	404,215	–
Simon Lindsay	Executive Share Plan Loan	4,661	–	303,161	–
Total		148,247	–	3,642,248	–

* *Due to the different recourse nature of the principal amount and the accrued interest of the loans, only the accrued interest on the executive loans are recorded as a non-current asset in the Statement of Financial Position. The principal amount is not recorded until vesting.*

(c) Key management personnel and director transactions

A director, or their related parties, holds positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

One of these entities transacted with Keybridge in the reporting period. The terms and conditions of the transactions with management persons and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

The aggregate value of transactions and outstanding balances relating to key management personnel and entities over which they have control or significant influence were as follows:

		Transactions value year ended 30 June		Balance outstanding as at 30 June	
		2015 $	2014 $	2015 $	2014 $
Director	*Transaction*				
Antony Sormann*	Consultant fees	77,000	107,000	–	–
Total		77,000	107,000	–	–

** Keybridge engaged the consultancy services of Nero Capital Pty Ltd, where Antony Sormann is a director, in relation to assistance and input over sale of assets and new investment opportunities. Amounts were billed based on market rates for such services and were due and payable under standard payment terms. This arrangement terminated in September 2014 when Antony Sormann became an employee of Keybridge Capital.*

(d) Other related party transactions

During the year, the transactions with the Keybridge and Aurora Funds Management Limited (AFML) and other related entities, which are subsidiaries of the same parent are listed as follows:

	Transactions value year ended 30 June		Balance outstanding as at 30 June	
	2015 $	2014 $	2015 $	2014 $
Subsidiaries				
Carrying amount of loans received	(3,037,161)	–	(3,037,161)	–
Associates				
Carrying amount of loans provided	–	–	6,440,110	6,957,954
	(3,037,161)	–	3,402,949	6,957,954

During the year, the transactions between Keybridge and AFML were transfers via inter-company loans, on which no interest is charged.

26. RELATED PARTY DISCLOSURE *(continued)*

The loans to associates were advanced in prior periods, and were issued to Bridge Infrastructure Capital Pty Limited (BIC). The remaining loan to BIC is provided at a lower rate of interest, compared with prevailing market rates for similar type of loans. This loan originally had a 10-year maturity, expiring in 2017 and is a non-secured subordinated loan. The loan is denominated in Euros and is impaired A repayment of $1.162 million was received during the year.

(e) Transaction with managed funds

All transactions with AFML and other subsidiary entities of Keybridge, as the Responsible Entity of the managed schemes, has been at market value on normal commercial terms and conditions. In accordance with each managed fund's constitution, the responsible entity/trustee received fees between 1 April 2015 and 30 June 2015 of $502,980 for the provision of responsible entity/trustee and asset management services to the funds.

(f) Investment in managed funds

As at 30 June 2015, Keybridge did not hold any units in managed funds related to the consolidated Group.

Key management personnel holdings in managed funds

As at the date of this report key management personnel direct/indirect holdings in AFML-managed funds for which AFML is Responsible Entity were as follows:

Unitholder	No. of units held opening	No. of units held closing	Fair value of investment	No. of units acquired	No. of units disposed	Distributions paid/ payable by the Fund
2015						
J Corr & associates	268,463	283,867	$283,867	15,404	–	$12,199
S Lindsay & associates	140,097	105,214	$105,214	86,786	(121,669)	$3,320

27. ACQUISITION OF SUBSIDIARY AND NON-CONTROLLING INTERESTS

Acquisition of subsidiary Aurora Funds Management Limited (AFML)

On 27 March 2015, the Group acquired 100% of the shares and voting interests of Aurora Funds Management Limited (AFML). As a result, the Group's equity interest in AFML increased from 0% to 100% and Keybridge obtained control of AFML as at 27 March 2015. The primary reason for the acquisition of AFML was to enable Keybridge to develop its funds management capabilities.

In the period 1 April 2015 to 30 June 2015, AFML contributed revenue of $0.563 million and loss of $0.157 million to the Group's results. Keybridge estimates that if the reporting included financial results from 1 July 2014, then consolidated revenue would have been $2.738 million and consolidated loss for the period would have been $0.703 million. In determining these amounts, management has assumed that the provisional fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 July 2014.

Consideration transferred

The following table summarises the acquisition date fair value of each major class of consideration transferred for AFML:

	Note	2015 $'000	2014 $'000
Cash (net of acquisition costs)		5,365	–
Contingent consideration	23	800	–
		6,165	–

27. ACQUISITION OF SUBSIDIARY AND NON-CONTROLLING INTERESTS *(continued)*

Identifiable assets acquired and liabilities assumed

The following summarises the recognised amounts of assets acquired and liabilities assumed at the acquisition date for AFML:

	2015 $'000	2014 $'000
Cash and cash equivalents	3,502	–
Trade and other receivables	787	–
Other current assets	88	–
Property, plant and equipment	42	–
Goodwill and other intangible assets	–	–
Trade and other payables	(1,030)	–
Borrowings	(1,021)	–
Total identifiable net assets	2,368	–

Goodwill

Goodwill arising from the acquisition of AFML has been recognised as follows:

	2015 $'000	2014 $'000
Total consideration transferred	6,165	–
Fair value of identifiable assets	(4,419)	–
Fair value of identifiable liabilities	2,051	–
Goodwill	3,797	–

Goodwill is due to the difference between the net fair value of assets and liabilities acquired and the purchase price paid to the vendor shareholder. The goodwill is attributable mainly to the skills and technical talent of Aurora's workforce, management rights and the synergies expected to be achieved from integrating Aurora into the Group's existing business. The goodwill allocation is currently determined provisionally pending completion of the purchase price allocation process. None of the goodwill recognised is expected to be deductible for tax purposes.

Acquisition-related costs

The Group incurred acquisition-related costs of $0.153 million relating to external legal fees costs. These amounts have been included in legal and professional expenses for the year ended 30 June 2015.

Fair values measured on a provisional basis

The following amounts have been measured on a provisional basis.

The fair value of the contingent consideration has been measured using a valuation model which considers the present value of expected payment. As the contingent consideration is expected to be settled within one year, the cash flow is not discounted. The expected payment is determined by considering possible scenarios of forecast FUM, the amount to be paid under each scenario and the probability of each scenario. Significant unobservable inputs include the forecast FUM.

The fair value of the goodwill has been measured using a valuation model which considers the present value of expected payment, discounted using a risk adjusted discount rate. The expected payment is determined by considering the possible scenarios of forecast EBITDA, the amount of FUM fees to be paid under each scenario and the probability of each scenario.

If new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition identifies adjustments to the above amounts or any additional provisions that existed at the date of acquisition, then the accounting for the acquisition will be revised.

27. ACQUISITION OF SUBSIDIARY AND NON-CONTROLLING INTERESTS *(continued)*

Prior year's acquisition transactions

Acquisition of subsidiary Australian Finance Direct Pty Limited (AFD)

On 14 April 2014, the Group acquired 100% of the shares and voting interests of AFD. As a result, the Group's equity interest in AFD increased from 0% to 100% and it obtained control of AFD.

The primary reason for the acquisition was to enable Keybridge to ensure recoverability of its mezzanine loan in PRFG. The only remaining value in PRFG was the operating business of Australian Money Exchange (AMX). Keybridge proposed the acquisition would allow AMX to operate in a regulated environment, following the completion of the Administration.

In the period 14 April 2014 to 30 June 2014, AFD contributed revenue of $0.004 million and loss of $0.004 million to the Group's results. Keybridge estimates that if the reporting included financial results from 1 July 2013, then consolidated revenue would have been $0.015 million and consolidated loss for the period would have been $0.004 million. In determining these amounts, management has assumed that the provisional fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 July 2013.

Consideration transferred

The following table summarises the acquisition-date fair value of each major class of consideration transferred:

	2015 $'000	2014 $'000
Cash	–	86
Equity instruments	–	–
	–	86

Identifiable assets acquired and liabilities assumed

The following summarises the recognised amounts of AFD's assets acquired, and liabilities assumed, at the acquisition date:

	2015 $'000	2014 $'000
Cash	–	65
Trade and other receivables	–	64
Borrowings	–	(68)
Total identifiable net assets	–	61

The following fair values have been determined on a provisional basis:

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition Loans and Receivables are measured using the effective interest method, less any impairment losses. The collectability of debts is assessed at reporting date and where required specific provision is made for any doubtful debts.

Goodwill

Goodwill arising from the acquisition has been recognised as follows:

	2015 $'000	2014 $'000
Total consideration transferred	–	86
Fair value of identifiable asset	–	(129)
Fair value of identifiable liabilities	–	68
Goodwill	–	25

Goodwill is due to the difference between the net fair value of assets and liabilities acquired and the purchase price paid to the vendor shareholder.

27. ACQUISITION OF SUBSIDIARY AND NON-CONTROLLING INTERESTS *(continued)*

Acquisition-related costs

The Group incurred acquisition-related costs of $0.010 million relating to external legal fees. These amounts have been included in legal and professional expenses in the Consolidated Statement of Profit or Loss.

Acquisition of subsidiary PRFG

On 28 June 2013, the Group acquired 100% of the shares and voting interests of PRFG. As a result, the Group's equity interest in PRFG increased from 0% to 100% and obtained operational control of PRFG as at 18 August 2013.

Acquisition of subsidiary Oceanic Shipping Company 8 Limited (Oceanic Shipping)

On 1 July 2013, Keybridge acquired an additional 48.5% of equity in Oceanic bringing its ownership to 97% which resulted in Keybridge gaining control.

The following table summarises the acquisition date fair value of each major class of consideration transferred for both PRFG and Oceanic Shipping:

	2015 $'000	2014 $'000
Cash (net of acquisition costs)	–	1,351
2.5 million Keybridge ordinary shares	–	500
Settlement of pre-existing relationship	–	11,679
	–	13,530

Equity instruments issued

The fair value of the ordinary shares issued was based on an agreed share price of Keybridge at 28 June 2013 of $0.20 per share.

Identifiable assets acquired and liabilities assumed

The following summarises the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

	2015 $'000	2014 $'000
Cash and cash equivalents	–	831
Trade and other receivables	–	58,240
Inventories	–	3,160
Other current assets	–	5,551
Investments in partnerships	–	725
Property, plant and equipment	–	773
Vessels (held for sale)	–	21,321
Deferred tax assets	–	28,630
Goodwill and other intangible assets	–	3,303
Trade and other payables	–	(7,896)
Borrowings	–	(62,928)
Deferred tax liabilities	–	(30,190)
Provisions	–	(944)
Total identifiable net assets	–	20,576

Bargain purchase gain

Bargain purchase arising from the acquisition has been recognised as follows:

	2015 $'000	2014 $'000
Total consideration transferred	–	13,529
Fair value of identifiable assets	–	21,043
Bargain purchase price gain	–	7,514

27. ACQUISITION OF SUBSIDIARY AND NON-CONTROLLING INTERESTS *(continued)*

The bargain purchase is attributable mainly to the acquisition of the two divisions in PRFG being the motor vehicle division and AMX.

Goodwill

Goodwill arising from the acquisition has been recognised as follows:

	2015 $'000	2014 $'000
Total consideration transferred	–	1
Non-controlling interests, based on their proportionate interest in the recognised amounts of the asset and liabilities of Oceanic Shipping	–	(14)
Fair value of existing interest in Oceanic Shipping	–	–
Fair value of identifiable liabilities	–	468
Goodwill	–	455

Goodwill is due to the difference between the net fair value of assets and liabilities acquired and the purchase price paid to the vendor shareholder.

Acquisition-related costs for both PRFG and Oceanic Shipping

The Group incurred acquisition-related costs of $0.152 million relating to external legal fees costs. These amounts have been included in legal and professional expenses in the Consolidated Statement of Profit or Loss.

28. DISCONTINUED OPERATION

On 1 July 2014, Keybridge sold all shares it held in Australian Finance Direct (100% Keybridge subsidiary). Australian Finance Direct was acquired in March 2014 and was not previously classified as held-for-sale or as a discontinued operation.

There was no revenue or expenses during the current period and no cash flows.

	2015 $'000	2014 $'000
Effect of disposal on the financial position of the Group	–	–
Cash and cash equivalents	(53)	–
Trade and other receivables	(47)	–
Goodwill	(25)	–
Total identifiable net assets	(125)	–
Consideration received, satisfied in cash	125	–
Cash and cash equivalents disposed of	–	–
Net cash inflow/(outflow)	–	–

Prior year's discontinued operation

On 28 February 2014, Keybridge sold its shares held in Oceanic Shipping Company 8 (OSC8) to a third-party. With the sale of the shares, Keybridge no longer controlled OSC8 and was not required to consolidate the results of OSC8 from the date of the sale. This resulted in eliminating OSC8's assets and liabilities from the Group's results as at 30 June 2014.

Results of discontinued operation (Oceanic Shipping)

	2015 $'000	2014 $'000
Revenue	–	6,612
Expenses	–	(14,543)
Results from operating activities	–	(7,931)
Income tax expense	–	–
Results from operating activities, net of tax	–	(7,931)
Gain on sale of discontinued operation	–	7,954
Gain for the period	–	23
Basic earnings (loss) per share (dollars)	–	(0.00)
Diluted earnings (loss) per share (dollars)	–	(0.00)

28. DISCONTINUED OPERATION *(continued)*

The gain from discontinued operation of nil (2014: $23,769) is attributable entirely to the owners of Keybridge.

Cash flows from/(used in) discontinued operation (Oceanic Shipping)

	2015 $'000	2014 $'000
Net cash used in operating activities	–	(2,537)
Net cash from investing activities	–	17,641
Net cash from financing activities	–	(15,104)
Effect on cash flows	–	–

Effect of disposal on the financial position of the Group

	2015 $'000	2014 $'000
Trade and other receivables	–	(1,701)
Goodwill	–	(455)
Trade and other payables	–	1,229
Borrowings	–	8,882
Total identifiable net assets	–	7,954
Consideration received, satisfied in cash	–	–
Cash and cash equivalents disposed of	–	–
Gain on disposal of subsidiary	–	7,954

On 21 October 2013, an Administrator was appointed to PRFG and its subsidiaries. With the appointment of the Administrator, Keybridge no longer controlled PRFG and was not required to consolidate the results of PRFG from the date of administration. This resulted in eliminating PRFGs assets and liabilities from the Group's results as at 30 June 2014.

Results of discontinued operation (PRFG)

	2015 $'000	2014 $'000
Revenue	–	3,966
Expenses	–	(4,631)
Results from operating activities	–	(665)
Income tax expense	–	(893)
Results from operating activities, net of tax	–	(1,559)
Loss on sale of discontinued operation	–	(5,955)
Loss for the period	–	(7,514)
Basic earnings (loss) per share (dollars)	–	(0.04)
Diluted earnings (loss) per share (dollars)	–	(0.04)

The loss from discontinued operation of nil (2014: $7.514 million) is attributable entirely to the owners of Keybridge.

Cash flows from/(used in) discontinued operation (PRFG)

	2015 $'000	2014 $'000
Net cash used in operating activities	–	(2,293)
Net cash from investing activities	–	52,278
Net cash from financing activities	–	(49,985)
Effect on cash flows	–	–

28. DISCONTINUED OPERATION

Effect of disposal on the financial position of the Group

	2015 $'000	2014 $'000
Cash and cash equivalents	–	(986)
Inventories	–	(4)
Other current assets	–	(103)
Trade and other receivables	–	(2,339)
Investments in partnerships	–	(732)
Property, plant and equipment	–	(247)
Deferred tax assets	–	(8,486)
Goodwill and other intangible assets	–	(2,108)
Loan receivables	–	1,152
Investment in other companies	–	1,850
Trade and other payables	–	5,950
Deferred tax liabilities	–	(9)
Provisions	–	107
Total identifiable net assets	–	(5,955)
Consideration received, satisfied in cash	–	–
Cash and cash equivalents disposed of	–	(986)
Net cash inflow/(outflow)	–	(986)

29. DISPOSAL GROUP HELD FOR SALE

On 30 May 2014, management committed to a plan to sell the shares in Australian Finance Direct (AFD) which is an entity the Group acquired on 11 April 2014. Accordingly, this subsidiary is presented as a Disposal Group Held for Sale. The AFD shares were sold on 1July 2014.

	2015 $'000	2014 $'000
Cash	–	53
Trade and other receivables	–	47
Inter-company borrowings	–	(43)
Eliminate (inter-company borrowings)	–	43
Total identifiable assets	–	100

30. GROUP ENTITIES

The ultimate controlling party of the Group is Keybridge Capital Limited incorporated in Australia.

		Ownership interest	
		2015	2014
Significant subsidiaries	Country of incorporation	%	%
Aurora Funds Management Limited*	Australia	100	–
Bridge Financial Pty Limited	Australia	100	100
Bridge Property Investments Pty Limited	Australia	100	100
KBC Telco Infrastructure Pty Limited**	Australia	100	–
Keybridge Funds Management Pty Limited	Australia	100	100
MB Finance Pty Limited	Australia	100	100
Pacific Bridge Cyprus Limited	Cyprus	100	100
Australian Finance Direct Pty Limited***	Australia	–	100

** Acquired 27 March 2015. ** Incorporated 11 September 2014 *** Disposed 1 July 2014.*

31. SUBSEQUENT EVENT

Subsequent to the balance date the directors declared a final fully franked dividend of $0.450 million (equivalent to 0.25 cents per share) to be paid on 1 October 2015.

There are no other matters which significantly affected or may significantly affect the operations of the Group, the results of the operations, or the state of affairs of the Group in future financial periods, other than that included in this report under the review of operations and results.

32. COMMITMENTS

a. Loan commitments

There are no undrawn commitments at year end.

b. Lease commitments

	2015 $'000	2014 $'000
Less than one year	194	24
Between one and five years	3	3
	197	27

Keybridge leases office space in Sydney and Melbourne under operating leases. The lease of Keybridge's registered office address at Level 4, 1 Alfred Street, Sydney is a non-cancellable 4-year term with rent payable monthly. Contingent rental provisions within the lease agreement require minimum lease payments to be increased by 4% per annum.

The Melbourne office lease agreement has expired and the office is currently being leased on a month-to-month basis, with rent payable monthly in advance.

c. Financial guarantees

The Group does not have any financial guarantees as at 30 June 2015.

33. CONTINGENCIES

There are no contingent assets or liabilities as at 30 June 2015.

34. AUDITOR'S REMUNERATION

	2015 $'000	2014 $'000
Auditors of Keybridge		
KPMG Australia		
Audit and review of the financial reports	97	154
Other regulatory audit services	5	5
Tax services*	146	79
Due diligence services	26	–
	274	238
Deloitte Touche Tohmatsu Australia		
Audit of financial reports and AFSL	100	–
Tax services	15	–
	115	–

** Included costs in obtaining an ATO class ruling on the issue CRPN for the benefit of shareholders.*

35. PARENT ENTITY DISCLOSURES

As at, and throughout the financial year ending 30 June 2015, the parent entity of the Group was Keybridge Capital Limited.

	2015 $'000	2014 $'000
Result of parent entity		
Profit/(loss) for the period	968	(6,185)
Other comprehensive income	–	–
Total comprehensive profit/(loss) for period	968	(6,185)
Financial position at year end		
Current assets	15,635	22,850
Total assets	32,477	31,692
Current liabilities	1,984	1,015
Total liabilities	6,941	1,015
Total equity of the parent entity		
Share capital	253,315	258,118
Reserves	571	–
Retained losses	(228,349)	(227,140)
Total equity	25,537	30,978

The parent entity has no contingencies or any capital commitments for property, plant and equipment. The parent entity has no guarantees over the debt of its subsidiaries.

Directors' Declaration

1. In the opinion of the Directors of Keybridge Capital Limited (Keybridge);
   - (a) the Consolidated Financial Statements and Notes that are set out on pages 38 to 85 and the Remuneration Report in the Directors' Report, set out on pages 25 to 34, are in accordance with the *Corporations Act 2001*, including:
     - (i) giving a true and fair view of the Group's financial position as at 30 June 2015 and of its performance for the financial year ended on that date; and
     - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
   - (b) there are reasonable grounds to believe that Keybridge will be able to pay its debts as and when they become due and payable.
2. The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the Managing Director and the Company Secretary for the financial year ended 30 June 2015.
3. The Directors draw attention to Note 2(a) to the Consolidated Financial Statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a Resolution of Directors:

Andrew Moffat
Chairman

Sydney, 31 August 2015

KPMG

Independent auditor's report to the members of Keybridge Capital Limited

Report on the financial report

We have audited the accompanying financial report of Keybridge Capital Limited (the company), which comprises the consolidated statement of financial position as at 30 June 2015, and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 35 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility 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 is free from material misstatement whether due to fraud or error. In note 2(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

KPMG

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion:

(a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2015 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a)

Report on the remuneration report

We have audited the Remuneration Report included in pages 25 to 34 of the directors' report for the year ended 30 June 2015. 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 auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Keybridge Capital Limited for the year ended 30 June 2015, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Malcolm Kafer
Partner

Sydney

31 August 2015

Additional ASX Information

SHAREHOLDER INFORMATION AS AT 14 AUGUST 2015.

SUBSTANTIAL SHAREHOLDERS

The number of shares and convertible redeemable promissory notes held by substantial shareholders and their associates is set out below:

Category	Number of ordinary shares	% of voting rights	Convertible redeemable promissory notes	% of voting rights
Australian Style Group Pty Ltd	36,048,364	20.20%	1,019,473	–
Viburnum Funds Management Pty Ltd	26,057,205	14.60%	740,477	–
Wilson Asset Management Group	20,871,067	11.69%	570,084	–

DISTRIBUTION OF EQUITY SECURITY HOLDERS

Category	Number of ordinary shares	Number of convertible redeemable promissory notes
1 to 1,000	188	908
1,001 to 5,000	359	126
5,001 to 10,000	188	38
10,001 to 100,000	342	41
100,001 and over	109	5
Total	1,186	1,118

The number of shareholders holding less than a marketable parcel of ordinary shares is 386.

UNQUOTED EQUITY SECURITIES

There are 19,116,231 ordinary shares issued under the Executive Share Plan which are unquoted.

These are held by 5 shareholders and are described in the Remuneration Report on pages 25 to 34.

VOLUNTARY ESCROW

There are no shares subject to escrow arrangements, other than those issued under the Executive Share Plan. For these shares, the escrow period ends on 30 June 2018.

VOTING RIGHTS

Ordinary shares

On a show of hands, at a general meeting of Keybridge, every member present at a meeting in person or by proxy has one vote and upon a poll, each member has one vote for each ordinary share held. Refer to Note 20 in the financial statements.

Convertible redeemable promissory notes

There are no voting rights attached to the convertible redeemable promissory notes. Refer to Note 16 in the financial statements.

ON-MARKET BUY-BACK

Currently there is an on-market buy-back program in place which was announced on 1 December 2015 to buy-back up to 49,400,553 shares. To date Keybridge has bought back 2,920,852 ordinary shares.

SECURITIES EXCHANGE

Keybridge Capital Limited ordinary shares and convertible redeemable promissory notes are quoted on the Australian Securities Exchange. (ASX Code: KBC and KBCPA).

Additional ASX Information

TWENTY LARGEST SHAREHOLDERS

Name	Number of ordinary shares held	Percentage of capital held
Australian Style Group Pty Ltd	36,048,364	22.62
Viburnum Funds Pty Ltd	26,057,205	16.35
RBC Investor Services Australia Nominees P/L	20,871,067	13.10
J P Morgan Nominees Australia Limited	8,151,306	5.12
Cowoso Capital Pty Ltd	3,991,543	2.50
Mr Nicholas Bolton	3,495,133	2.19
Fatty Holdings Pty Ltd	3,440,000	2.16
Mr Patrick Martin Burroughs	2,000,000	1.26
Mr Stephen Norman Douglas Rowley	1,724,726	1.08
Supentian Pty Limited	1,500,000	0.94
HSBC Custody Nominees (Australia) Limited-GSCO ECA	1,461,035	0.92
Mr John Corr	1,459,091	0.92
Mr Donald Gordon Mackenzie + Mrs Gwenneth Edna Mackenzie	1,402,539	0.88
Denald Nominees Pty Ltd	1,200,000	0.75
G Chan Pension Pty Limited	1,130,176	0.71
Ellenkay Pty Ltd	1,100,000	0.69
Mastiff Nominees Pty Ltd	1,000,000	0.63
Chembank Pty Limited	1,000,000	0.63
Mr Keith Danby Lucas	1,000,000	0.63
Mastiff Nominees Pty Ltd	1,000,000	0.63
Total Capital of Top 20	119,032,185	74.71

Name	Number of convertible redeemable promissory notes	Percentage of capital held
Australian Style Group Pty Ltd	1,019,473	23.03
Viburnum Funds Pty Ltd	740,477	16.73
RBC Investor Services Australia Nominees P/L	570,084	12.88
J P Morgan Nominees Australia Limited	226,425	5.12
Cowoso Capital Pty Ltd	110,876	2.51
Mr Nicholas Bolton	97,087	2.19
Fatty Holdings Pty Ltd	95,555	2.16
Bond Street Custodians Limited	55,840	1.26
Jonrian Pty Ltd	49,861	1.13
Mr Stephen Norman Douglas Rowley	45,742	1.03
Supentian Pty Limited	41,666	0.94
Mr Donald Gordon Mackenzie + Mrs Gwenneth Edna Mackenzie	36,181	0.82
G Chan Pension Pty Limited	35,810	0.81
Denald Nominees Pty Ltd	33,333	0.75
Mr Nigel Burgess + Mrs Yukari Burgess	32,781	0.74
HSBC Custody Nominees (Australia) Limited-GSCO ECA	32,250	0.73
Ellenkay Pty Ltd	30,555	0.69
Mr Keith Danby Lucas	27,777	0.63
APPWAM Pty Ltd	27,777	0.63
Mastiff Nominees Pty Ltd	27,777	0.63
Total Capital of Top 20	3,337,327	75.41

Additional ASX Information

SHAREHOLDER ENQUIRIES

Shareholders with enquiries about their shareholdings should contact Keybridge's share registry, Registry Direct, by telephone on 1300 556 635.

CHANGED YOUR ADDRESS?

If you change your address, please promptly notify our share registry in writing. Please quote your Shareholder Reference Number and your old address as added security.

INVESTOR INFORMATION

Keybridge maintains a website at www.keybridge.com.au where Company information is available and a service for any queries is provided. For any further queries, please contact Keybridge on +61 2 8622 6692.

ONLINE RECEIPT OF THE ANNUAL REPORT AND SHAREHOLDER INFORMATION

Keybridge makes its Annual Report available online. The Company encourages shareholders to receive all other shareholder information including notices of all Annual General Meetings online. Shareholders who prefer to receive a hard copy of the Annual Report, or all other shareholder information by mail should advise the share registry in writing.

Corporate Directory

PRINCIPAL REGISTERED OFFICE

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