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ASX Announcement ASX: KBC

Tuesday, 29 October 2024

Annual Financial Report Material Variances to Preliminary Final Report

On 31 August 2024, Keybridge Capital Limited (the Company) sent its Appendix 4E, Preliminary Final Report to the ASX, which included unaudited financial statements for the year ended 30 June 2024, which was then released to the market on 3 September 2024.

The Company is making this announcement to the market due to confirmation of certain material differences between the unaudited financial statements (as presented in the Appendix 4E) and our audited annual financial report. Set out below is a summary of the key variances:

- Investment in Yowie: On 29 December 2023, Keybridge announced an off-market takeover bid for all the ordinary shares in Yowie Group Limited (ASX: YOW), for a cash consideration of 3.4 cents per Yowie Share. At the time of announcing this bid, Keybridge had a relevant interest of 35.66% in Yowie. The takeover bid closed at 7.00pm on 26 April 2024, with the Company's relevant interest increasing to 78.359%. Keybridge accounted for this investment by taking up its proportionate share of Yowie's net asset position as at 30 June 2024, being a value of $6.894 million. As part of the year end audit process, the investment in Yowie has now been recorded at the market value, being 2.7 cents per share (on thinly traded volumes), which equates to $4.137 million. This compares with the Company's recent takeover bid price of 3.4 cents per Yowie share, which the Independent Expert considered was not fair but reasonable and also represents a $2.758 million discount to the Company's proportionate share of Yowie's net asset position of $6.894 million (which was the value recorded in the Company's Appendix 4E).
- Investment in Foundation Life New Zealand (FLNZ): Keybridge recognises, in its management accounts, its proportional share of FLNZ's net assets (being circa $4.7 million) and its proportional share of the Insurance Contract Liabilities that includes a liability to shareholders of $16.05 million (being circa $1.6 million), with the combined value being recorded in the Company's Appendix 4E. As part of the year end audit process, Keybridge has recorded its proportionate share of FLNZ's net assets (being circa $4.7 million).
- Additional accruals and provisions: As part of the year end audit process, the Company has made several accruals (for expenses, including the unwinding of the net present value discount on the Restraint of Conduct provision, accruals for salaries and legal expenses) and provisions (mainly relating to legal claims). Consequently, expenses were increased by circa $1 million over what was disclosed in the Appendix 4E.
- Accounting reclassifications: The adjustments above had the effect of reducing 'Other gains and losses' in the Profit & Loss. Further, the Restraint of Conduct liability of $4.467 million (NPV) was reclassified from being a separate expense category to being applied against reducing 'Other gains and losses' in the Profit & Loss.

In May 2024, the Company revalued its loans (secured by registered mortgages over strata title lots comprising Conference Facilities at a Hotel located in Manly, Sydney) which are owed by private companies (in liquidation) to $3.5 million, based on an offer of debt finance from an external financier (at an LVR of 50%). The Company did not proceed with this offer of finance, however, could do so if required.

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KEYBRIDGE CAPITAL LIMITED

Variance in Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2024

	Financial report	Appendix 4E	Variance
Profit from stablecoin arbitrage			
Sale of stablecoin	6,863,419	6,863,419	0
Cost of stablecoin sold	(6,838,337)	(6,838,337)	0
Gross (loss) / profit	25,082	25,082	0
Other revenue and income			
Fees	57,097	51,676	5,421
Interest revenue	633,433	639,713	(6,280)
Dividend revenue	52,682	52,682	0
Other income	716,232	1,288,086	(571,854)
Other gains and losses	9,790,077	19,397,007	(9,606,930)
Expenses			
Personnel expenses	(766,886)	(697,936)	(68,950)
Corporate expenses	(279,340)	(156,712)	(122,628)
Legal expenses	(1,088,024)	(940,328)	(147,696)
Administration expenses	(426,186)	(5,471,860)	5,045,674
Other expenses	(808,648)	(12,017)	(796,631)
Finance expenses	(726,818)	(824,605)	97,787
Impairment on loans	(20,746)	(20,746)	0
Profit/(loss) before income tax expense	7,157,955	13,330,042	(6,172,087)
Income tax expense	0	0	0
Profit/(loss) after income tax expense for the year attributable to the members of Keybridge Capital Limited	7,157,955	13,330,042	(6,172,087)
Other comprehensive income			
Foreign currency translation	96,823	0	96,823
Other comprehensive income for the year, net of tax	96,823	0	96,823
Total comprehensive income for the year attributable to the members of Keybridge Capital Limited	**7,254,778**	**13,330,042**	**(6,075,264)**
Earnings/(loss) per share (cents) attributable to the ordinary equity holders of the company			
Basic earnings per share	3.45	6.43	(2.98)
Diluted earnings per share	3.36		

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Variance in Statement of Financial Position as at 30 June 2024

Assets	Financial report	Appendix 4E	Variance
Current assets			
Cash and cash equivalents	792,046	792,046	0
Security deposits	1,034,185	0	1,034,185
Financial assets at fair value through profit or loss	9,001,713	11,863,873	(2,862,160)
Inventories	0	0	0
Trade and other receivables	86,225	2,813,548	(2,727,323)
Other assets	85,012	173,784	(88,772)
	10,999,181	15,643,251	(4,644,070)
Non-current assets classified as held for sale	0	60,827	(60,827)
Total current assets	10,999,181	15,704,078	(4,704,897)
Non-current assets			
Financial assets at fair value through profit or loss	373,537	630,975	(257,438)
Trade and other receivables	9,808,781	12,385,846	(2,577,065)
Property, plant and equipment	60,826	43,998	16,828
Total non-current assets	10,243,144	13,060,819	(2,817,675)
Total assets	21,242,325	28,764,897	(7,522,572)
Liabilities			
Current liabilities			
Trade and other payables	2,932,244	5,969,787	3,037,543
Borrowings	2,130,864	403,329	(1,727,535)
Employee benefits	259,036	459,036	200,000
Total current liabilities	5,322,144	6,832,152	1,510,008
Non-Current liabilities			
Provision for restraint of conduct expense	4,467,132	4,385,658	(81,474)
Borrowings	22,511	0	(22,511)
	4,489,643	4,385,658	(103,985)
Total liabilities	9,811,787	11,217,810	1,406,023
Net assets	**11,430,538**	**17,547,087**	**(6,116,549)**
Equity			
Issued capital	257,044,033	257,044,033	0
Reserves	17,664,289	22,288,066	(4,623,777)
Accumulated losses	(263,277,784)	(261,785,012)	(1,492,772)
Total equity	**11,430,538**	**17,547,087**	**(6,116,549)**

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Variance in Statement of Cash Flows for year ended 30 June 2024

	Financial report	Appendix 4E	Variance
Cash flows from operating activities			
Receipts from Stablecoin arbitrage	6,863,419	6,863,419	0
Payments for Stablecoin	(6,838,337)	(6,838,337)	0
Fees received	57,097	51,676	5,421
Recovery of legal fees	716,232	681,000	35,232
Payments to suppliers and employees	(4,610,113)	(7,480,140)	2,870,027
Net cash used in operating activities	(3,811,702)	(6,722,382)	2,910,680
Cash flows from investing activities			
Proceeds from sale of financial assets at fair value through profit or loss	45,870,151	20,000,914	25,869,237
Cash receipts from other investing activities	(36,563,455)	(16,070,931)	(20,492,524)
Dividends received	109,759	52,682	57,077
Other cash items from investing activities	167,075	659,954	(492,879)
Net cash from investing activities	9,583,530	4,642,619	4,940,911
Cash flows from financing activities			
Loan facility payments	(6,015,741)	355,681	(6,371,422)
Proceeds from borrowings	149,999	700,000	(550,001)
Proceeds from borrowings from related parties	4,386,109	2,950,000	1,436,109
Repayment of borrowings related to related parties	(3,177,009)	(1,032,281)	(2,144,728)
Interest and other finance costs paid	(526,817)	(207,163)	(319,654)
Net cash from financing activities	(5,183,459)	2,766,237	(7,949,696)
Net increase in cash and cash equivalents	589,651	686,474	(96,823)
Cash and cash equivalents at the beginning of the financial year	105,572	105,572	0
Effects of exchange rate changes on cash and cash equivalents	96,823	0	96,823
Cash and cash equivalents at the end of the financial year	**792,046**	**792,046**	**0**

This announcement was authorised for release by the Company Secretary.

ABOUT KEYBRIDGE CAPITAL LIMITED (ASX: KBC)

KBC is an investment and financial services group with a diversified portfolio of listed and unlisted investments/loan assets including in private equity (US), life insurance (New Zealand), property and funds management sectors and substantial holdings in Yowie Group Ltd (ASX:YOW), Benjamin Hornigold Limited (ASX: BHD), HHY Fund and Molopo Energy Limited.