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KEYBRIDGE
CAPITAL LIMITED

A.B.N. 16 088 267 190

HALF YEAR REPORT

31 December 2021

THIS DOCUMENT SHOULD BE READ IN CONJUNCTION WITH
THE COMPANY'S 2021 ANNUAL REPORT

Keybridge Capital Limited
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31 December 2021

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General information

The financial statements cover Keybridge Capital Limited as a consolidated entity consisting of Keybridge Capital Limited and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is Keybridge Capital Limited's functional and presentation currency.

Keybridge Capital Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Suite 614, Level 6
370 St Kilda Road
Melbourne, Victoria 3004

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 28 February 2022. The directors have the power to amend and reissue the financial statements.

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Keybridge Capital Limited
Appendix 4D
Half-year report

1. Company details

Name of entity:	Keybridge Capital Limited
ABN:	16 088 267 190
Reporting period:	For the half-year ended 31 December 2021
Previous period:	For the financial year ended 30 June 2021 For the half-year ended 31 December 2020

2. Results for announcement to the market

				$
Revenues from ordinary activities*	up	11.2%	to	168,631
**Revenues from ordinary activities only relates to interest income and excludes a) revenues from Stablecoin Arbitrage; b) Fees; c) Dividends; d) Other income; and e) Other gains and losses*				
Profit from ordinary activities after tax attributable to the owners of Keybridge Capital Limited	up	88.5%	to	4,504,048
Profit for the half-year attributable to the owners of Keybridge Capital Limited	up	88.5%	to	4,504,048

Dividends
There were no dividends paid, recommended or declared during the current financial period.

Comments
The profit for the consolidated entity after providing for income tax amounted to $4,504,048 (31 December 2020: $2,388,983).

As a result of the Company's share buy-back (on-market within “10%/12 months” pursuant to sections 257A to 257J of the *Corporations Act 2001*) announcement made on 10 December 2020, 1,312,125 ordinary shares were bought back for a total consideration of $94,312.53 as of 9 December 2021 (the announced buy-back closing date).

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	8.87	6.49

4. Control gained over entities

Not applicable.

5. Dividends

Current period
There were no dividends paid, recommended or declared during the current financial period.

Previous period
There were no dividends paid, recommended or declared during the previous financial period.

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6. Dividend reinvestment plans

Not applicable.

7. Details of associates and joint venture entities

Not applicable.

8. Audit qualification or review

Details of audit/review dispute or qualification (if any):

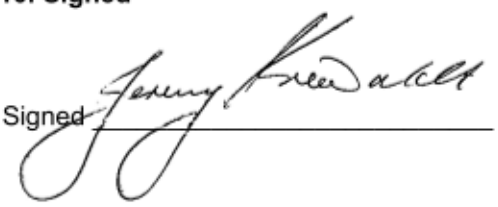
The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report.

9. Attachments

Details of attachments (if any):

The Interim Report of Keybridge Capital Limited for the half-year ended 31 December 2021 is attached.

10. Signed

Signed 

Date: 28 February 2022

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Keybridge Capital Limited
Directors' report
31 December 2021

The Directors present their report together with the condensed financial report of the consolidated entity consisting of Keybridge Capital Limited (**Company** or **KBC**) and its controlled entities (the **Consolidated Entity** or **Keybridge**) for the half-year ended 31 December 2021 (**Balance Date**). This financial report has been prepared in accordance with AASB 134 *Interim Financial Reporting*.

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

Directors & Officers
The names of the directors in office at any time during or since the end of the financial half-year are:

Nicholas Bolton	Chief Executive Officer and Managing Director
Jeremy Kriewaldt	Non-executive Chairman
Antony Catalano	Non-executive Director

John Patton is the Company Secretary.

Review of operations
The profit for the consolidated entity after providing for income tax amounted to $4,504,048 (31 December 2020: $2,388,983).

The operating result was impacted by:

- The Company generated investment gains of $4.65m, primarily from its listed share portfolio;
- The Company engaged in various arbitrage trading in the cryptocurrency market. During the financial half-year the Company turned over $245,245,894 and generated a net profit of $612,308 in its cryptocurrency trading. The structure of the trading did not expose the Company to any material market pricing risk over the period;
- The Company redeemed 169,022 Convertible Redeemable Preference Notes (CRPNs) during the financial half-year, resulting in the full redemption of CRPNs on issue, with the interest expense being significantly reduced compared to the previous reporting period's;
- The off-market takeover bid for all of the units in the RNY Property Trust (RNY), via the issuance of Keybridge shares at the ratio 0.16 share to 1 RNY unit, closed on 13 August 2021. The Company received total acceptances of 27.7% of the ordinary units in RNY when the bid closed, with 6,243,328 new Keybridge ordinary shares being allotted during the financial half-year. It is noted that the holdings in RNY have since been diluted to approximately 17% as of 31 December 2021;
- During the 6 months ended 31 December 2021, the Company bought back 1,285,998 shares at a total cost of $92,509.76; and
- The revaluation of foreign currency assets resulted in a gain of $45,301 (31 December 2020: loss $68,604) during the financial half-year.

In addition to the above, on 17 December 2021, Molopo Energy Limited advised (via its website) that it had settled a legal action against the former Molopo directors for A$12 million. This equates to 4.8 cents per Molopo share (based on 249,040,648 Molopo shares on issue). The Company currently holds 49,683,828 shares in Molopo (including 3,666,285 shares vested in the Commonwealth (on trust for the Company)), equating to $2,384,823. The Company notes that the value of its investment in Molopo was written down to nil during the year ended 30 June 2021. The Company has not adjusted the carrying value of its investment in Molopo as it is waiting for Molopo's audited financial statements for the year ended 31 December 2021 to be released, so that it can consider:

- Molopo's total cash position;
- The other litigation matters that Molopo is involved in; and
- Whether there is any update on the value of the funds transferred by Molopo on the Drawbridge transactions.

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Legal Proceedings on behalf of company
The Company has been a party to the following legal proceedings during and since the financial year:

- A claim against Bell Potter for a breach of warranty in relation to the sale of 41,264,667 shares in Molopo Energy Limited;

- As announced on the ASX on 10 September 2021, Keybridge unsuccessfully appealed the substantive decision against WAM Active Limited for improperly transferring Keybridge securities into its name. Keybridge was however successful in appealing the order that it pay all of the costs of the previous hearing. Keybridge is to pay the costs of the appeal; and

- A claim against the former directors of PR Finance Group Limited (in Liquidation) which is yet to be heard. Keybridge acquired the company relying upon representations and warranties of directors that were not accurate. Keybridge seeks to recover its loss.

Matters subsequent to financial half-year end
No matter or circumstance has arisen since 31 December 2021 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Significant changes in the state of affairs
Other than the matters noted in the Review of Operations (above), there have been no other significant changes in the Consolidated Entity's state of affairs during the half-year period.

There were no other significant changes in the state of affairs of the consolidated entity during the financial half-year.

Auditor's independence declaration
A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the *Corporations Act 2001*.

On behalf of the Directors

Jeremy Kriewaldt
Chairman

28 February 2022

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

I declare that, to the best of my knowledge and belief during the half-year ended 31 December 2021 there have been:

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

William Buck

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

N. S. Benbow
Director

Melbourne, 28th day of February 2022

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Keybridge Capital Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2021

	Note	Consolidated 31 Dec 2021 $	Consolidated 31 Dec 2020 $
Profit from Stablecoin arbitrage			
Sale of Stablecoin		245,245,894	-
Cost of Stablecoin sold		(244,633,586)	-
Gross profit		612,308	-
Other revenue			
Fees		70,942	-
Interest revenue		168,631	151,710
Dividend revenue		293,013	36,904
Other income		227	109,574
Other gains and losses	3	4,693,402	3,643,751
Expenses			
Impairment expenses		(13,721)	(197,450)
Personnel expenses		(371,304)	(297,925)
Corporate expenses		(831,058)	(903,015)
Administration expenses		(49,408)	(71,591)
Other expenses		(67,299)	(38,780)
Finance expenses		(1,685)	(44,195)
Profit before income tax expense		4,504,048	2,388,983
Income tax expense		-	-
Profit after income tax expense for the half-year attributable to the owners of Keybridge Capital Limited		4,504,048	2,388,983
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Translation of foreign operations		345	17,003
Other comprehensive income for the half-year, net of tax		345	17,003
Total comprehensive income for the half-year attributable to the owners of Keybridge Capital Limited		4,504,393	2,405,986
Basic and diluted earnings/(loss) per share (cents) attributable to the ordinary equity holders of the company		**2.13**	**1.22**

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

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Keybridge Capital Limited
Statement of financial position
As at 31 December 2021

	Note	Consolidated 31 Dec 2021 $	Consolidated 30 Jun 2021 $
Assets			
Current assets			
Cash and cash equivalents		3,177,784	127,062
Financial assets at fair value through profit or loss	4	10,404,564	7,448,920
Inventories	5	593,042	1,577,762
Trade and other receivables	6	65,687	100,436
Other assets		52,342	58,594
Total current assets		14,293,419	9,312,774
Non-current assets			
Financial assets at fair value through profit or loss	4	1,135,754	1,135,754
Trade and other receivables	6	4,681,512	4,474,792
Total non-current assets		5,817,266	5,610,546
Total assets		20,110,685	14,923,320
Liabilities			
Current liabilities			
Trade and other payables		1,600,090	1,248,714
Employee benefits		164,322	142,231
Financial liabilities at fair value through profit or loss		-	169,022
Total current liabilities		1,764,412	1,559,967
Total liabilities		1,764,412	1,559,967
Net assets		18,346,273	13,363,353
Equity			
Issued capital		257,009,533	256,531,006
Reserves		8,917,965	4,413,572
Accumulated losses		(247,581,225)	(247,581,225)
Total equity		18,346,273	13,363,353

The above statement of financial position should be read in conjunction with the accompanying notes

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Keybridge Capital Limited
Statement of changes in equity
For the half-year ended 31 December 2021

Consolidated	Issued capital $	Share-based payments $	Profit reserve $	Foreign currency translation $	Accumulated losses $	Total equity $
Balance at 1 July 2020	255,305,919	321,600	1,024,993	107,214	(247,581,225)	9,178,501
Profit after income tax expense for the half-year	-	-	-	-	2,388,983	2,388,983
Other comprehensive income for the half-year, net of tax	-	-	-	17,003	-	17,003
Total comprehensive income for the half-year	-	-	-	17,003	2,388,983	2,405,986
Transactions with owners in their capacity as owners:						
Shares issued	1,068,844	-	-	-	-	1,068,844
Balance at 31 December 2020	256,374,763	321,600	1,024,993	124,217	(245,192,242)	12,653,331

Consolidated	Issued capital $	Share-based payments $	Profit reserve $	Foreign currency translation $	Accumulated losses $	Total equity $
Balance at 1 July 2021	256,531,006	321,600	3,955,239	136,733	(247,581,225)	13,363,353
Profit after income tax expense for the half-year	-	-	-	-	4,504,048	4,504,048
Other comprehensive income for the half-year, net of tax	-	-	-	345	-	345
Total comprehensive income for the half-year	-	-	-	345	4,504,048	4,504,393
Transfer to profit reserve	-	-	4,504,048	-	(4,504,048)	-
Transactions with owners in their capacity as owners:						
Shares issued	572,840	-	-	-	-	572,840
Share buy-backs	(94,313)	-	-	-	-	(94,313)
Balance at 31 December 2021	257,009,533	321,600	8,459,287	137,078	(247,581,225)	18,346,273

The above statement of changes in equity should be read in conjunction with the accompanying notes

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Keybridge Capital Limited
Statement of cash flows
For the half-year ended 31 December 2021

	Consolidated	
	31 Dec 2021 $	31 Dec 2020 $
Cash flows from operating activities		
Receipts from Stablecoin arbitrage	245,245,894	-
Payments for Stablecoin	(243,648,866)	-
Fees received	70,942	-
Other income received	38,266	210,067
Receipt of government grants	-	104,800
Payments to suppliers and employees	(953,071)	(1,073,921)
Interest received	35	151,710
Net cash from/(used in) operating activities	753,200	(607,344)
Cash flows from investing activities		
Payments for property, plant and equipment	-	(3,236)
Proceeds from sale of financial assets at fair value through profit or loss	7,062,216	2,847,205
Payments for financial assets at fair value through profit or loss	(4,928,913)	(2,302,644)
Proceeds from repayments of loans and receivables advanced	-	5,000,000
Dividends received	293,013	36,904
Receipt of deferred consideration from sale of asset	-	327,279
Return of capital received	-	951,473
Net cash from investing activities	2,426,316	6,856,981
Cash flows from financing activities		
Convertible redeemable promissory notes interest payments	(1,685)	(44,195)
Convertible redeemable promissory notes redemption	(28,775)	(4,858,384)
Payments for share buy-backs	(92,510)	-
Net cash used in financing activities	(122,970)	(4,902,579)
Net increase in cash and cash equivalents	3,056,546	1,347,058
Cash and cash equivalents at the beginning of the financial half-year	127,062	456,648
Effects of exchange rate changes on cash and cash equivalents	(5,824)	(90,138)
Cash and cash equivalents at the end of the financial half-year	3,177,784	1,713,568

The above statement of cash flows should be read in conjunction with the accompanying notes

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Note 1. Basis of preparation

Keybridge Capital Limited (ASX:KBC) (**KBC** or **Company**) is a company incorporated and domiciled in Australia and listed on the Australian Securities Exchange (**ASX**). The Consolidated Financial Statements as at and for the financial half year ended 31 December 2021 comprise the Company and its subsidiaries (**Keybridge** or **Consolidated Entity** or **Group**). Keybridge is a 'for-profit' investment and financial services group with a diversified portfolio of listed and unlisted investments/loan assets. The condensed consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets.

The financial statements are presented in Australian dollars, which is the Consolidated Entity's functional and presentation currency.

The accounting policies and methods of computation adopted in the preparation of the half year financial statements are consistent with those adopted and disclosed in the Company's financial statements for the financial year ended 30 June 2021. The Keybridge 2021 Annual Report is available upon request and may be downloaded from the Company's website: www.keybridge.com.au or the ASX website (www.asx.com.au).

In consideration of the impact of COVID-19 pandemic, a going concern assessment has been considered as at the date of signing the financial report as required by AASB 110 *Events After the Reporting Period*. It has been determined that as at this date the Company continues to be a going concern and, therefore, it continues to be appropriate to prepare the financial report of Keybridge Capital Limited on the going concern basis in accordance with AASB 101 *Presentation of Financial Statements*. We are not aware of a material uncertainty arising from COVID-19 that casts significant doubt on the ability of the Company to continue as a going concern and may impact the future carrying value of assets as set out in the Subsequent Events notes in these accounts.

The interim financial report has been prepared on the basis of a going concern. The Company has a closing cash position of $3,177,784.

The condensed interim financial statements were authorised for issue by the directors of the Company as at the date of this report.

Statement of Compliance
The half year financial statements are a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting.* Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

These half year financial statements do not include notes of the type normally included in the annual financial statements and should be read in conjunction with the most recent annual financial statements and the Company's ASX announcements released from 1 July 2021 to the date of this report.

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

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

Uses of estimates and judgements
In preparing these half-year financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Consolidated Entity's accounting policies and key sources of estimation uncertainty were the same as those applied to the Consolidated Financial Statements as at and for the year ended 30 June 2021.

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Note 2. Segment information

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

(a) Equity Investments comprise investments in listed and unlisted equities with exposure to various sectors from time to time;

(b) Debt investments comprise loans advanced, debts secured via assignment and investments in debt instruments with exposure to a number of different sectors; and

(c) Stablecoin arbitrage trading with the purpose of generating a profit from fluctuations in price and broker-traders' margin.

31 Dec 2021 Segment profit and loss	Equity investments $	Debt investments $	Stablecoin arbitrage $	Corporate $	Total $
Revenue and income	4,975,139	164,665	245,245,894	209,768	250,595,466
Expenses	(944,511)	(286,889)	(244,633,586)	(87,669)	(245,952,655)
Profit/(Loss) before Income Tax	4,030,628	(122,224)	612,308	122,099	4,642,811
Finance expenses	-	-	-	(1,685)	(1,685)
Income tax expense	-	-	-	-	-
Profit/(Loss) for the year	4,030,628	(122,224)	612,308	120,414	4,641,126
Segment assets	13,440,868	4,708,103	593,042	1,378,462	20,120,475
Segment liabilities	(550,000)	-	-	(1,214,412)	(1,764,412)
	12,890,868	4,708,103	593,042	164,050	18,356,063

31 Dec 2020 Segment profit and loss	Equity $	Debt $	Corporate $	Total $
Revenue and income	3,707,538	(41,889)	78,840	3,744,489
Expenses	(626,496)	(206,195)	(478,620)	(1,311,311)
Results from operating activities	3,081,042	(248,084)	(399,780)	2,433,178
Finance expenses	-	-	(44,195)	(44,195)
Income tax expense	-	-	-	-
Profit/(Loss) for the year	3,081,042	(248,084)	(443,975)	2,388,983
Segment assets	7,938,197	4,361,908	1,629,847	13,929,952
Segment liabilities	(250,000)	-	(1,026,621)	(1,276,621)
	7,688,197	4,361,908	603,226	12,653,331

Debt investments made a loss during the reporting period (and the previous period) due to legal fee expenses historically associated with this segment.

Note 3. Other gains and losses

	Consolidated	
	31 Dec 2021 $	31 Dec 2020 $
Realised gain /(loss) on financial assets at fair value through profit or loss	4,654,395	2,526,808
Unrealised gain /(loss) on financial assets at fair value through profit or loss	(6,294)	1,185,547
Gain on revaluation of foreign currency assets	45,301	(68,604)
	4,693,402	3,643,751

Note 4. Financial assets at fair value through profit or loss

	Consolidated	
	31 Dec 2021 $	30 Jun 2021 $
Current assets		
Shares in listed investments	5,195,590	4,982,446
Unlisted investments at fair value	1,831,704	868,530
Futures derivatives at fair value	918,453	386,522
Cash instruments held in derivative trading portfolio	2,458,817	1,211,422
	10,404,564	7,448,920
Non-current assets		
Shares in listed investments	1,135,754	1,135,754

Futures derivatives comprise exchange traded index futures contracts.

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

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Note 4. Financial assets at fair value through profit or loss (continued)

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

Level 1 – valued at a quoted market price

Level 2 – a valuation technique based upon market observable inputs

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

31 December 2021	Level 1 $	Level 2 $	Level 3 $	Total $
Financial assets at fair value through profit or loss				
Shares in listed investments	5,069,908	1,261,436	-	6,331,344
Unlisted investments at fair value	-	1,621,012	210,692	1,831,704
Futures derivatives at fair value	918,453	-	-	918,453
Cash instruments held in derivative trading portfolio	2,458,817	-	-	2,458,817
Total financial assets at fair value through profit or loss	8,447,178	2,882,448	210,692	11,540,318

30 June 2021	Level 1 $	Level 2 $	Level 3 $	Total $
Financial assets at fair value through profit or loss				
Shares in listed investments	4,856,764	1,261,436	-	6,118,200
Unlisted investments at fair value	-	650,449	218,081	868,530
Futures derivatives at fair value	386,522	-	-	386,522
Cash instruments held in derivative trading portfolio	1,211,422	-	-	1,211,422
Total financial assets at fair value through profit or loss	6,454,708	1,911,885	218,081	8,584,674

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

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

	Unlisted Investments $
As at 1 July 2021	218,081
Total fair value gains and losses in profit or loss	(7,389)
As at 31 December 2021	210,692

As at the half-year ended 31 December 2021, there has been no reasonable movement in the unobservable inputs used in the fair value measurement of Level 3 financial assets that would materially influence the results presented in these financial statements (30 June 2021: no material impact).

Critical accounting judgement and estimate
Judgements have been made in the determination of the carrying value and fair value of financial assets held at fair value through profit or loss. In making these judgements, the Consolidated Entity may give additional consideration to adopting the most recent bid price (prior to the balance date) of listed investments suspended from trading on a securities exchange as at balance date and the underlying value of unlisted investments.

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Note 4. Financial assets at fair value through profit or loss (continued)

Investment in Molopo Energy Limited (Molopo)
On 17 December 2021, Molopo advised (via its website) that it had settled a legal action against the former Molopo directors for A$12 million. The Company notes that the value of its investment in Molopo was written down to nil during the year ended 30 June 2021. The Company has not adjusted the carrying value of its investment in Molopo as it is waiting for Molopo's audited financial statements for the year ended 31 December 2021 to be released, so that it can consider:

- Molopo's total cash position;
- The other litigation matters that Molopo is involved in; and
- Whether there is any update on the value of the funds transferred by Molopo on the Drawbridge transactions.

As at the (31 December 2021) balance date, Keybridge has adopted a carrying value of $0.00 per Molopo share (30 June 2021: $0.00 per Molopo share).

Keybridge will re-assess the carrying value of its investment in Molopo based on further information about Molopo's financial position.

Investments in HHY Fund (ASX:HHY)
Management notes that HHY Fund is currently listed on the Australian Securities Exchange (ASX: HHY). However, the securities of HHY have been suspended from quotation since 27 February 2020. The Company has no plans to liquidate the investments in HHY Fund in the next 12 months and these have been classified as non-current assets accordingly.

Note 5. Inventories

	Consolidated	
	31 Dec 2021	30 Jun 2021
	$	$
Current assets		
Cryptocurrency - Stablecoin	593,042	1,577,762

In the second half of financial year ended 30 June 2021, the Company began actively trading "Stablecoin" (a tokenised digital currency) collateralised by USD on the cryptocurrency markets. The intention of trading the currency of "Stablecoin" is to generate a profit through exchange rate fluctuation and margin spread from the sale of these assets rather than long-term capital appreciation.

Critical accounting judgement and estimate
Judgements have been made in the determination of the recognition and measurement of "Stablecoin". The widely accepted view is that tokenised digital currencies should be recorded as intangible assets under AASB 138. However, sub-paragraph 3(a) of AASB 138 excludes from its scope intangible assets held by an entity for sale in the ordinary course of business, the Directors have adopted the view that "Stablecoin" is held for such purpose, therefore it is appropriate to recognise the currency in accordance with AASB 102 *Inventories* as a current asset in the Consolidated Statement of Financial Position given the frequency of the trading and the liquid nature of the asset. Furthermore, as the manner in which KBC transacts "Stablecoin" fits the entity within the definition of a broker-trader, "Stablecoin" is measured at fair value less cost to sell as contemplated in sub-paragraph 3(b) of AASB 102. Fair value is measured in accordance with the fair value hierarchy under AASB 13, of which level 1 measurement is considered applicable. In converting "Stablecoin" into the Consolidated Entity's presentational currency (AUD) under AASB 121, spot exchange rate at the date of purchase is used at initial recognition whereas exchange rate at balance date is used for the purposes of fair value measurement.

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Note 6. Trade and other receivables

	Consolidated 31 Dec 2021 $	Consolidated 30 Jun 2021 $
Current assets		
Trade receivables	29,996	54,634
Less: Allowance for expected credit losses	(3,404)	(3,293)
	26,592	51,341
Other receivables	39,095	49,095
	65,687	100,436
Non-current assets		
Loan receivables - Property	4,288,735	4,288,735
Less: Allowance for expected credit losses	(3,453,279)	(3,453,279)
Loan receivables - Insurance	3,846,056	3,639,336
Less: Allowance for expected credit losses	-	-
	4,681,512	4,474,792
Loan receivables - Private equity	6,547,158	6,547,158
Less: Allowance for expected credit losses	(6,547,158)	(6,547,158)
Loan receivables - Other	1,561,716	1,557,785
Less: Allowance for expected credit losses	(1,561,716)	(1,557,785)
	-	-
	4,681,512	4,474,792

Loans and receivables are financial assets at amortised cost.

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

On 24 August 2017, Keybridge received notice from an RPC Executive (Republic) advising that it was 'highly unlikely that the Note would be satisfied on or before its scheduled maturity' (on 29 December 2017) and proposing a 3-year extension of the Note term or a 'buy-out' (retirement) of the Note for US$0.394 million. In light of these matters, the Board reduced the carrying value of the Note (receivable) to US$0.394 million (A$0.511 million) as at 30 June 2017. This was advised in Keybridge's ASX announcement dated 25 August 2017: Update – Private Equity Loan Receivable.

The Board reduced the carrying value of the Note (receivable) to Nil as at 30 June 2021 (based on the Directors' judgement) and has determined to adopt the same carrying value as at 31 December 2021.

(b) Loan Receivables – Property: Keybridge has registered mortgages over strata title lots as security for loans to private companies (which are in liquidation). As at balance sheet date, the loan was carried at $0.835 million (31 December 2020: $0.835 million). Based on the Directors' judgement, having regard to historical valuations conducted on the property as well as the fact that Keybridge being the first ranked creditor to the loan assets, no further allowance for expected credit losses has been recognised since the last reporting period.

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Note 6. Trade and other receivables (continued)

(c) Loan Receivables – Insurance: Keybridge invested NZ$3.8 million (A$3.4 million) (via NZ$0.109 million equity and NZ$3.691 million notes) into Foundation Life, to finance Foundation's acquisition of Tower Limited's life insurance business in New Zealand in 2014. Interest of 9% pa is payable under the note, which is redeemable by noteholders in 50 years (May 2064) or by Foundation (from time to time). As at balance date, the loan balance is NZ$4.088 million (A$3.846 million), including interest of NZ$0.18m (A$0.17m) capitalised for the half-year period ended 31 December 2021. (31 December 2020: NZ$3.744 million and A$3.510 million).

Management notes that the Foundation Group's reported net asset position (net of the loan notes) is significantly higher than the value ascribed to the Company's 10.13% interest in Foundation Trust (which owns 100% of FLNZ Holdings/FLNZ). Further, Foundation Life has advised policyholders that, subject to obtaining the necessary approvals, it may seek to restructure its insurance policies whereby policyholders will have the option to (a) transfer coverage to a new insurer with no further premium payments; (b) receive a cash payment in lieu of further cover. The impending restructure prevents Foundation Life from making a return in capital and as a result, interest on the loan assets has been capitalised and acknowledged by the Foundation Group. In light of the distant expiration date (May 2064) of the redeemable notes, the directors deem it unnecessary to make allowance for credit losses in the foreseeable future.

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

Note 7. Issuances of equity

During the half-year period ended 31 December 2021, 2,028,565 shares were issued to parties whose CRPNs were converted to ordinary shares in the Company. In addition, 6,243,328 ordinary shares were issued by the Company in relation to acceptances received under the takeover bid for RNY Property Trust. (During the half-year period ended 31 December 2020: 8,288,835 shares were issued to parties for the conversion of their CRPNs and 7,162,236 ordinary shares were issued in relation to RNY Property Trust takeover bid.)

Note 8. Dividends on ordinary shares

There were no dividends paid, recommended or declared during the current or previous financial half-year.

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Note 9. Related party transactions

(a) Transactions with Directors

(i) As previously advised, in prior periods, the Company advanced $25,000 to the CEO's external legal advisors in connection with evidence provided by him in relation to the Molopo Energy Limited Judicial Review. In addition, in prior periods the Company advanced $440,000 as loan funds in respect of Nicholas Bolton's legal costs incurred in circumstances where Mr Bolton's Director's Deed with the Company provides a procedure for the advancement of monies in this regard. Mr Bolton previously served as a Director between 30 December 2011 and 9 October 2012, between 2 January 2013 and 17 December 2015 (as Executive Director from 22 February 2013 and as Managing Director from March 2014) and from 13 October 2019. As at 31 December 2019, $440,000 (2018: $440,000) has been advanced via payments made to Mr Bolton's lawyers.

The Board agreed to advance these funds in accordance with the relevant provision of Mr Bolton's Director's Deed and subject also to various terms and conditions agreed with Mr Bolton, including a monetary cap (initially $400,000 and increased to $440,000 in March 2018), that advances would be provided only as payment of bills rendered by Mr Bolton's lawyers in relation to the relevant proceedings, that the Company needed to be satisfied that the amount of each legal bill was reasonable, that the Company would have access to Mr Bolton's lawyers to ensure that it was promptly informed of any material developments in relation to the proceedings and otherwise to enable the Company to assess the likely outcome of those proceedings, that Mr Bolton would be obliged to repay any amounts advanced in various circumstances specified in his Director's Deed including in any situation in which Mr Bolton is not entitled to be indemnified or advanced those costs, and a provision for review of the position once the outcome of the relevant proceeding is known, including the repayment of all or a portion of the advance (as appropriate). The relevant proceeding had not yet been decided as at 31 December 2021.

The $440,000 advance is accounted as a loan receivable asset, however, as previously advised, a provision (ie. Impairment expense) has been recognised in respect of the full amount of $440,000 (based on the Directors' judgement). This provision/impairment does not prejudice the Company's rights (including recovery) under the terms of the advance to Mr Bolton. If the Company receives a repayment (or recovery payment) in respect of this advance, the provision (impairment expense) will be reversed to the extent of such receipt.

(ii) On 28 November 2014, shareholders approved the Company's Executive Share Plan (ESP). On 19 December 2014, the Company issued 9 million ESP shares to Nicholas Bolton (who was the Managing Director at the time) with the initial cost ($1,678,500) funded by an ESP loan granted to Mr Bolton (ESP Loan).

The shares were split into two tranches, 6m Tranche 1 shares with a vesting issue price of 18.65 cents per share; and 3m Tranche 2 shares at a vesting issue price of 30.15 cents per share. Subsequently, the Tranche 1 shares vested; however, the Tranche 2 shares did not vest and the shares were returned to the Company from Mr Bolton and sold on market, realising gross proceeds of $210,000.

The original repayment date for the Tranche 1 loan expired in 2018 and since this date the loan has been receivable at the call of the Directors of the Company.

The loan documentation allows, at the absolute discretion of the Directors of the Company accrue interest at a rate equal to 6.45% per annum calculated daily. Consistent with prior periods, the net interest owed to the Company has been impaired to nil and the Board has elected not to charge interest from the maturity date of the loan, and nor they intend to do so for the foreseeable future.

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Note 10. Contingencies

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

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

(ii) **William Johnson Legal Claim:** As previously advised, the Company received a claim by Mr William Johnson for indemnity for the action he unsuccessfully brought against the Company in the Federal Court of WA. The claim amounts to $416,164.15 (inclusive of GST), to cover the legal costs incurred by Mr Johnson, and the Company has not yet determined if he is eligible to claim this amount under the Company's director's indemnity.

(iii) **Queste Communication Invoices:** As previously advised, the Company received a claim from Queste Communications Limited (ASX:QUE) (Queste) for the provision of accounting services, despite its contract with the Company having been terminated. The claim amounts to $96,249.96 (inclusive of GST) and relates to the period following the termination of the contract. The Company has not recorded a liability as the directors are of the view that there is no basis for this claim.

(iv) **Aurora Corporate Claims:** As previously advised, the Company received a claim from Aurora Corporate Pty Ltd in relation to the sale of Aurora Funds Management Limited in 2016. Aurora Corporate alleges in its claim that Keybridge breached its representations and warranties as a result of funds that had been misappropriated by its former Chief Financial Officer, Ms Betty Poon, prior to the sale of the business. The alleged claim for damages amounts to $1,522,446.81. It is proposed that the Company will progress discussions with Aurora Corporate with a view to resolving this matter, and the directors believe it is probable that this will not result in a material cash outflow for the Company.

Note 11. Subsequent events

No matter or circumstance has arisen since 31 December 2021 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 12. Parent entity details

The registered office of the Company is:
Keybridge Capital Limited
Suite 614, Level 6
370 St Kilda Road
Melbourne VIC 3004

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Keybridge Capital Limited
Directors' declaration
31 December 2021

In accordance with a resolution of the Directors of Keybridge Capital Limited made pursuant to sub-section 303(5) of the *Corporations Act 2001*, we state that:

In the opinion of the Directors:

(1) The financial statements and notes of the Consolidated Entity are in accordance with the *Corporations Act 2001*, including:

- give a true and fair view of the consolidated entity's financial position as at 31 December 2021 and of its performance for the financial half-year ended on that date; and
- complying with Accounting Standards AASB 134 *Interim Financial Reporting*, *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

(2) There are reasonable grounds to believe that the Consolidated Entity will be able to pay its debts as and when they become due and payable.

On behalf of the Board,

Jeremy Kriewaldt
Chairman

28 February 2022

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William Buck

Independent auditor's review report

Report on the Review of the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Keybridge Capital Limited (the Company) and the entities it controlled at the half-year's end or from time to time during the half year (the consolidated entity), which comprises the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Keybridge Capital Limited is not in accordance with the *Corporations Act 2001* including:

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2021 and of its performance for the half year ended on that date; and
b) complying with Australian Accounting Standard 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

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

Responsibility of Management for the Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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Auditor's Responsibilities for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 31 December 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

William Buck

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

N. S. Benbow
Director

Melbourne, 28th day of February, 2022