Keybridge Capital Limited and Controlled Entities

ABN 16 088 267 190

31 December 2009

Interim Financial Report

Keybridge Capital Limited and Controlled Entities
ABN 16 088 267 190

Contents

Directors' report	1
Lead auditor's independence declaration	4
Statement of comprehensive income	5
Statement of financial position	6
Statement of changes in equity	7
Statement of cash flows	8
Notes to the financial statements	9
Directors' declaration	21
Independent auditor's review report	22

Keybridge Capital Limited and Controlled Entities

ABN 16 088 267 190

Directors' Report

Your Directors present their report together with the consolidated financial report of Keybridge Capital Limited and its controlled entities (the "Group") for the half-year ended 31 December 2009 and the independent review report thereon.

DIRECTORS

The Directors of the Company who held office during the half-year period and until the date of this report are set out below. The Directors were in office for the entire period unless otherwise stated.

Non-executive
Irene Lee (Chairman)
Michael Perry
Cass O'Connor (appointed 18 September 2009)

Executive
Mark Phillips (Managing Director)

PRINCIPAL ACTIVITIES

Keybridge Capital Limited has invested in, or lent to, transactions which are principally in the asset classes of property, aviation, shipping and renewable energy.

DIVIDENDS

For the six months to 31 December 2009, the Directors determined not to declare an interim dividend.

The Company does not expect to declare dividends in future periods until such time as its corporate debt is repaid.

The Company is subject to the Australian corporate income tax rate of 30%.

REVIEW AND RESULTS OF OPERATIONS

For the purposes of this review, results are compared to the prior comparable period of the consolidated entity.

The Group's net loss after income tax attributable to its ordinary equity holders for the half-year to 31 December 2009 was $39.2 million with operating income of $14.5 million offset by:

- new impairment provisions of $17.9 million;
- realised trading and foreign exchange loss of $5.4 million on disposal of investments, mainly in the Infrastructure segment;
- net unrealised foreign exchange loss of $6.1 million on translation of US Dollar and Euro borrowings and assets;
- operating expenses of $2.7 million;
- borrowing costs of $8.0 million; and
- tax expense of $13.6 million which mainly relates to the write-off of the Group's deferred tax asset.

The new impairment expenses reflected the following factors:

- Keybridge had either agreed to accept, or was considering accepting, accelerated repayment of selected investments at a discount to its book value; and

- There was a reduction in the assessed realisable value of some investments due to the operating environment remaining difficult, with bank lending still restricted and secondary market prices depressed.

Operating expenses (excluding financing costs) totalled $2.7 million in the half year to 31 December 2009, compared with $2.3 million in the prior corresponding period. The increase was mainly due to higher legal costs and accrual for payments under the new retention plan (refer Note 13 to the Financial Statements).

Borrowing costs totalled $8.0 million in the most recent period compared with $8.7 million for the prior corresponding period. This reflects the lower cost of the Group's debt facilities and marginally lower level of borrowings due to repayments. The average cost of borrowings, including the margin on the Group's corporate debt facility, during the six months to December 2009 was relatively stable at 7.97% per annum.

The Group holds derivative financial instruments in the form of interest rate swaps to partially hedge its AUD and USD borrowings. From inception and in the six months to 31 December 2009, the Group's derivative financial instruments have been designated as cashflow hedges under AIFRS. Changes in the fair value of the derivative hedging instruments designated as cashflow hedges are recognised directly in equity to the extent that the hedge is effective. As at 31 December 2009 $4.65 million was included in the Consolidated Statement of financial position.

INVESTMENTS

The repayments received by Keybridge in the six months to 31 December 2009 came from eight investments. A majority of the repayments were in the Infrastructure asset class, with the remainder being in Lending and Property.

As at 31 December 2009 the Group's net investments portfolio totalled $268 million. The asset classes which comprised Keybridge Capital's portfolio as at 31 December 2009 are summarised in the following table:

	31 December 2009 $m	% of Total
Property	29	11%
Aviation	140	52%
Shipping	36	14%
Infrastructure	22	8%
Other	41	15%
	268	100%

LIQUIDITY MANAGEMENT

At 31 December 2009, the Group held $6.9 million in cash and had fully drawn corporate debt of $180.6 million.

The Group's priority is to achieve realisations of investments to reduce its outstanding corporate borrowings. At the same time, in those transactions where market liquidity and pricing do not permit realisations in the short-term, the Group will continue to pursue strategies to preserve as much value for Keybridge and its shareholders as possible.

At the date of this Directors' Report, the Group had made $31 million of debt repayments satisfying the repayment requirements to 30 June 2010. The Group is required to make a further $40 million of debt repayments over the next seventeen months. Using exchange rates as at 31 December 2009, this would leave $130 million of corporate debt to be refinanced at maturity of the corporate debt facility on 2 June 2011.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

No other significant change has occurred during the half-year period ended 31 December 2009.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL PERIOD

Subsequent to balance date the Group received two loan repayments. One repayment, in relation to a loan to a company in the aviation business, was completed on 6 January 2010 with the Group receiving $11 million cash and shares in PTB Group Limited, an ASX listed company. The Group currently has an 18.07% interest in PTB Group Limited. The other repayment was in relation to a copper production company where the underlying assets are being sold. US$5 million was received on 2 February 2010.

No other matters have arisen since the end of the financial period 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 and results of operations.

ROUNDING OF AMOUNTS

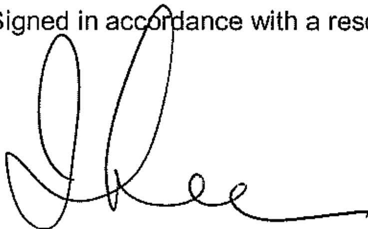
The consolidated entity is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the Financial Report and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

AUDITOR'S INDEPENDENCE DECLARATION

The Lead Auditor's Independence Declaration is set out on page 4 and forms part of the Directors' Report for the half-year ended 31 December 2009.

Dated at Sydney this 4th day of February 2010

Signed in accordance with a resolution of the Board of Directors.



Irene Lee
Chairman

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 review for the half-year ended 31 December 2009 there have been:

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

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

KPMG

KPMG

Andrew Dickinson
Partner

Sydney

4 February 2010

KPMG, an Australian partnership and a member firm of the KPMG network
of independent member firms affiliated with KPMG International, a Swiss cooperative.

Keybridge Capital Limited and Controlled Entities

ABN 16 088 267 190

Condensed consolidated statement of comprehensive income
For the half-year ended 31 December 2009

	Note	*Consolidated* 31 Dec 2009 $'000	31 Dec 2008 $'000
Fees		291	3,000
Interest income		14,121	31,129
Realised gain/(loss) on sale of trading assets		(334)	207
Unrealised gain on embedded derivatives designated at fair value through profit and loss		-	3,688
Unrealised gain on listed equity designated at fair value through profit and loss		114	-
Unrealised (loss) on revaluation of foreign currency assets		(22,191)	(36,562)
Net changes in fair value of cash flow hedges		(2,877)	-
Realised net foreign currency gain/(loss) on disposal of investments		(2,134)	39,848
Impairment expenses	8	(17,900)	(25,241)
Operating income		(30,910)	16,068
Administration expenses		(319)	(349)
Employment costs		(1,563)	(1,433)
Legal and professional fees		(692)	(397)
Other expenses		(107)	(133)
Results from operating activities		(33,591)	13,756
Unrealised gain on revaluation of foreign currency borrowings		16,019	-
Finance costs		(8,024)	(8,654)
Net finance costs		7,995	(8,654)
Share of profit in equity accounted investees		-	(3,306)
Profit/(loss) before income tax		(25,596)	1,796
Income tax (expense)/benefit		(13,569)	(516)
Profit/(loss) for the period		(39,166)	1,280
Other comprehensive income, net of income tax			
Cash flow hedges:			
Effective portion of changes in fair value		1,713	(13,706)
Net amount transferred to profit or loss		2,014	61
Other comprehensive income for the period, net of income tax		3,727	(13,646)
Total Comprehensive income for the period,net of income tax		(35,439)	(12,366)
		Cents	**Cents**
Basic earnings cents per share		**(22.76)**	**0.74**
Diluted earnings cents per share		**(22.76)**	**0.74**

The condensed consolidated statement of comprehensive income is to be read in conjunction with the notes to the Financial Statements.

Keybridge Capital Limited and Controlled Entities

ABN 16 088 267 190

Condensed consolidated statement of financial position
As at 31 December 2009

	Note	*Consolidated* 31 Dec 2009 $'000	30 Jun 2009 $'000
Cash and cash equivalents		6,949	9,615
Trading and other receivables		220	327
Loans and receivables - net	8	16,452	20,124
Available for sale investments		332	132
Other assets		160	80
Total current assets		24,113	30,278
Loans and receivables - net	8	243,493	294,887
Derivative assets		7,653	8,927
Deferred tax assets	12	-	14,967
Property plant and equipment		450	515
Total non-current assets		251,596	319,296
Total assets		275,709	349,574
Payables		3,069	3,788
Loans and borrowings		40,200	215,093
Total current liabilities		43,269	218,881
Derivative liabilities		6,654	9,101
Loans and borrowings		139,677	-
Total non-current liabilities		146,331	9,101
Total liabilities		189,600	227,982
Net assets		86,109	121,592
Equity			
Share capital		260,651	260,651
Reserves		(6,591)	(10,274)
Retained earnings		(167,951)	(128,785)
Total equity attributable to equity holders of the Company		86,109	121,592

The condensed consolidated statement of financial position is to be read in conjunction with the notes to the Financial Statements.

Keybridge Capital Limited and Controlled Entities

ABN 16 088 267 190

Condensed consolidated statement of changes in equity
For the six months ended 31 December 2009

	Note	Share capital	Share based payment reserve	Cashflow hedge reserve	Capital profits reserve	Retained earnings/ (losses)	
			$'000	$'000	$'000	$'000	$'000
The Company and its consolidated entities							
Balance at 1 July 2009		260,651	969	(11,244)	-	(128,785)	121,592
Total comprehensive income for the period							
Profit or Loss		-	-	-	-	(39,166)	(39,166)
Other comprehensive income							
Effective portion of changes in fair value of cash flow hedges, net of tax		-	-	1,713	-	-	1,713
Net change in fair value of cash flow hedges transferred to profit and loss, net of tax		-	-	2,014	-	-	2,014
Total comprehensive income		-	-	3,727	-	-	3,727
Total comprehensive income for the period		-	-	3,727	-	(39,166)	(35,439)
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Dividends to equity holders		-	-	-	-	-	-
Shares issued		-	-	-	-	-	-
Share based payments		-	(43)	-	-	-	(43)
Offer related costs		-	-	-	-	-	-
Balance at 31 December 2009		260,651	926	(7,517)	-	(167,951)	86,109

	Note	Share capital	Share based payment reserve	Cashflow hedge reserve	Capital profits reserve	Retained earnings/ (losses)	
		$'000	$'000	$'000	$'000	$'000	$'000
The Company and its consolidated entities							
Balance at 1 July 2008		260,651	877	245	-	13,538	275,311
Total comprehensive income for the period							
Profit or Loss		-	-	-	-	1,280	1,280
Other comprehensive income							
Effective portion of changes in fair value of cash flow hedges, net of tax		-	-	(13,706)	-	-	(13,706)
Net change in fair value of cash flow hedges transferred to profit and loss, net of tax		-	-	61	-	-	61
Total comprehensive income		-	-	(13,646)	-	-	(13,646)
Total comprehensive income for the period		-	-	(13,646)	-	1,280	(12,365)
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Dividends to equity holders		-	-	-	-	(13,185)	(13,185)
Shares issued		-	-	-	-	-	-
Share based payments		-	88	-	-	-	88
Offer related costs		-	-	-	-	-	-
Balance at 31 December 2008		260,651	965	(13,400)	-	1,633	249,849

The condensed consolidated statement of changes in equity is to be read in conjunction with the notes to the Financial Statements.

Keybridge Capital Limited and Controlled Entities

ABN 16 088 267 190

Condensed consolidated statement of cash flows
For the six months ended 31 December 2009

	Notes	Consolidated 31 Dec 2009 $'000	31 Dec 2008 $'000
Cash flows from operating activities			
Fees received		121	1,193
Interest received		5,405	21,740
Cash settlement for FX derivative contracts		-	(44,242)
Payments to suppliers and employees		(2,915)	(5,395)
Interest payment on loan facility		(8,057)	(6,687)
Net income tax (paid)		(159)	(2,114)
Net cash from/(used in) operating activities		(5,605)	(35,505)
Cash flows from investing activities			
Purchases of property, plant & equipment		-	20
Loans and receivables advanced net of sale or repayment of investments		(2,393)	(7,911)
Proceeds from sale of trading assets		24,833	282
Proceeds from sale of available-for-sale investments (cash distributions received)		-	291
Net cash from/(used in) investing activities		22,440	(7,317)
Cash flows from financing activities			
Net Proceeds from borrowings		-	63,000
Repayment of loans		(19,197)	(20,856)
Dividends paid		-	(13,184)
Net cash from financing activities		(19,197)	28,960
Net increase/(decrease) in cash and cash equivalents		(2,362)	(13,863)
Cash and cash equivalents at 1 July		9,615	25,264
Effect of exchange rate fluctuations on cash held		(304)	-
Cash and cash equivalents at 31 December 2009		6,949	11,402

The condensed consolidated statement of cash flows is to be read in conjunction with the notes to the Financial Statements

1. Reporting entity

Keybridge Capital Limited (referred to as “Keybridge Capital” or the “Group”) is a company domiciled in Australia. The consolidated interim financial report of the Group as at and for the six months ended 31 December 2009 comprises the Company and its subsidiaries (together referred to as the "Group") and the Group's interests in associates and jointly controlled entities.

The consolidated interim financial statements of the Group as at and for the six months ended 31 December 2009 is available upon request from the Group's registered office at Level 26, 259 George Street, Sydney NSW 2000 or at www.keybridge.com.au.

2. Basis of preparation

(a) Statement of compliance

The condensed consolidated interim financial statements have been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The consolidated interim financial report does not include all of the information required for a full annual financial report and should be read in conjunction with the consolidated annual financial report of the Group as at and for the year ended 30 June 2009.

The condensed consolidated interim financial statements comply with IAS 34 *Interim Financial Reporting.*

This consolidated interim financial report was approved by the Board of Directors on 4 February 2010.

The Company 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.

(b) Going Concern

The Company’s priority is to achieve an orderly realisation of investments in order to repay corporate borrowings and ultimately return value to shareholders. The Directors have noted in market disclosures that the Group’s strategies for the next 6 to 12 months remain to:

- bring forward investment realisations wherever possible and, for those transactions, mainly aviation and shipping, where this is not practicable, to preserve as much value as possible, pending a future sale; and
- keep operating costs as low as practicable.

The Group documented amendments to its corporate borrowings in December 2009. The Directors have previously acknowledged that the repayment milestones in the Group’s corporate debt facility will be challenging given the uncertain and difficult market conditions, especially should there be a further and significant downturn in the market segments in which the Group operates. However, the Group has currently met the repayment milestones due to 30 June 2010 and is confident of achieving the repayments due by 31 December 2010. In addition, having had regard to the Group’s cashflow forecasts, the Directors have reached the conclusion that, based on all the relevant facts, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable and is a going concern. This is confirmed in the Directors’ Declaration on Page 21 of these Financials Statements.

3. Significant accounting policies

Except as described below, the accounting policies applied by the Group in this condensed consolidated interim report are the same as those applied by the Group in its consolidated financial report as at and for the year ended 30 June 2009.

(i) Presentation of financial statements
The Group applies revised AASB 101 *Presentation of Financial Statements (2007),* which became effective for reporting periods beginning on or after 1 January 2009. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. This presentation has been applied in these condensed interim financial statements as of and for the six months period ended on 31 December 2009.

Comparative information has been re-presented so that it also in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

(ii) Revenue and finance expenses
As a result of applying the new standard the line item of “Net foreign currency gains or losses” has now been separated between operating activity and finance related foreign currency costs.

These finance expenses relate to the monthly revaluation of the Group’s foreign currency loans.

(iii) Determination and presentation of operating segments
As of 1 July 2009 the Group determines and presents operating segments based on the information provided to the Managing Director who is the Group’s chief operating decision maker. The change in accounting policy is due to the adoption of AASB 8 *Operating Segments.* Previously operating segments were determined and presented in accordance with AASB 114 *Segment Reporting*.

Comparative segment information has been re-presented in conformity with the transitional requirements of AASB 8. Since the change in accounting policy only impacts presentation and disclosure aspects, there is no impact on earnings per share.

4. Estimates

The preparation of interim financial statements 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.

Except as described below, in preparing this condensed consolidated interim financial report, the significant judgments made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report as at and for the year ended 30 June 2009.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the Financial Statements are described in:

Note 5 - Financial risk management - Impairment losses
Note 8 – Write-down of investments in loans and receivables
Note 12 - Taxation

5. Financial risk management

Financial risk management is carried out by Management under policies approved by the Board. The policies are available on the Company's website at www.keybridge.com.au and discussed in further detail under Corporate Governance on pages 21 to 23 of the June 2009 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 transactional risk management. The AFRC meets quarterly and reports to the Board on its activities.

Impairment losses
The global financial downturn experienced throughout the 2009 financial year and the six months to December 2009 resulted in the asset markets in which the Group operates being characterised by ongoing restrictions in the availability of senior bank debt and low levels of market liquidity, inhibiting the ability to sell assets in the short term and greater financial pressure on lessee and borrower counterparties. In this environment, the Group has continued to focus on an orderly realisation of investments over the medium term as markets stabilise and, in the case of industries such as aircraft and ships, markets improve from cyclical lows.

New impairment losses of $17.9 million have been recorded in the six months to 31 December 2009 mainly due to:

- the Group agreeing to accept, or considering accepting, accelerated repayment of selected investments at a discount to its book value. This applies to one loan in the aviation sector. In the infrastructure sector, one asset has been sold above book value and one is agreed for sale at below book value, so that the net position was neutral; and

- a reduction in the assessed realisable value of some investments. This applies to one Property and one Shipping investment.

In Property, the new impairment recorded at 31 December 2009 was $6.7 million. In addition, with time and clarity on the realisation process for Property investments, the Group has re-allocated its remaining impairment provision to specific impairments. Whilst conditions in the property markets have shown signs of improvement, sales and prices are yet to improve significantly.

In Aviation, new impairments totalled $3.9 million relating to an investment which was sold subsequent to balance date. The continuing impairments are unchanged from 30 June 2009 and relate to two of five investments. In one investment, the underlying wide body A340-300 aircraft, which had been impaired due to it being grounded in early 2009, has been re-leased for the original term to 2013. The other specific impairment reflects diminution in aircraft values on the basis of independent assessments.

5. Financial risk management (continued)

In Shipping, impairments recorded at 30 June 2009 have been written-off. The continuing impairment totals $7.4 million and relates to one investment where the Group has equity in a ship-owning company that has breached the value maintenance covenants contained in the senior debt financing for the underlying vessels. The ship-owning company is continuing to progress an equity raising as part of a restructure of its senior debt. The new equity is likely to significantly dilute the value of existing equity.

In Infrastructure, three of five investments were repaid or sold in the six months to 31 December 2009. The remaining impairment is unchanged from 30 June 2009 and relates to a reduction in value of a solar investment due to production delays.

In Lending, impairments recorded at 30 June 2009 have been written-off with no new impairments required.

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, derivative financial instruments or deposits with banks and other financial institutions.

The Group's Transactional Risk Management Policy (TRMP) provides a process for analysing each credit exposure prior to investment and managing the Group's credit risk. Having regard to the Group's current business plan of realising assets, paying down debt and not entering into new investments, the majority of the TRMP is not currently relevant. Accordingly, in December 2009 the Board resolved to suspend the TRMP on the basis it be reinstated in the event that the Group subsequently determines to recommence transaction origination.

In order to facilitate timely decision-making the Board agreed to amend management's transaction approval discretion, consistent with the amount and purpose agreed with the banking syndicate for incremental money required to protect the value of existing investments. As a result, primary approval authority lies with the Board. Approval of new money for existing investments is delegated to any two of the Chairman, Managing Director or the Chief Financial Officer provided the amount does not exceed $0.5 million each six months and funds are required to protect the value of an existing Group investment. Such approvals are reported to the next Board meeting following the date of approval.

The carrying amount of the Group's financial assets represents its maximum credit exposure. The significant reduction in exposure to credit risk in the six months to 31 December 2009 is primarily due to repayments from eight investments and the recognition of new impairment provisions. The Group's maximum exposure to credit risk at the reporting date was:

	Note	31 Dec 2009 $'000	30 Jun 2009 $'000
Cash (Australian Banks)		6,949	9,615
Property		28,947	36,651
Aviation		140,054	148,712
Shipping		35,519	47,171
Infrastructure		22,389	45,135
Lending		40,978	46,514
Other - trade and other receivables		220	215
		275,056	334,013

5. Financial risk management (continued)

In Property, there are seven investments. The majority of Property investments involve mezzanine loans supported by second mortgages mainly over residential apartment projects being either completed stock or development sites. There is one industrial development project. Two investments are in the United States and the remainder are located on the eastern seaboard of Australia.

Work is progressing in each of the transactions to either continue the process of an orderly realisation of the relevant project or restructure the underlying loans to improve the longer term value.

In Aviation, the Group has five investments, with one loan being repaid subsequent to balance date. The Group's aviation transactions predominantly involve preferred equity and mezzanine loan investments in passenger jet aircraft. One investment accounts for approximately half of the total aviation exposure and relates to a portfolio of 50 aircraft leased to in excess of 20 operators. The aviation industry has been impacted by reduced airline profitability and falls in the secondary market prices of aircraft. The majority of airlines leasing the aircraft in the Group's investments have performed soundly. Liquidity and prices in aircraft markets, however, are yet to improve sufficiently for the Group to have a realistic opportunity of realising most of its aviation investments.

In Shipping, the Group has four separate shipping investments, supported by 21 vessels in the wet and dry bulk cargo sectors. Keybridge's shipping transactions are ordinary and preferred equity investments in cargo-carrying vessels. Short-term charter rates and secondary market prices of vessels have fallen materially over the past 12 to 18 months. The shipping transactions in the Group's portfolio have senior debt facilities with loan-to-valuation covenants that have already been, or may in the future be, breached. Thus, the continuing support of the non-recourse senior lenders is important for the Group to maintain its carrying values. All the charterparties in the Group's portfolio continue to meet their payment obligations on time and there has been some improvement in charter rates and ship prices in recent times. This notwithstanding, markets will need to continue to improve materially before the Group will be able to realise its investments.

In Infrastructure, the Company has two remaining investments, one of which is well progressed toward sale. Three investments were sold or repaid in the six months to 31 December 2009 being a solar farm, an investment in a water business in the United States and a loan to an Australian pipeline company. The remaining two investments are equity positions, one wind and one solar facility in Europe. In the wind facility, the Group's exposure ranks behind senior long term fully amortising debt. In the solar facility, the Group ranks first as there is no senior debt.

In Lending, the Company has six investments across a range of industries and comprise senior and subordinated loan exposures. Three of these investments are making monthly payments of interest and/or principal and one transaction is reducing as assets owned by the borrower are sold. The remaining investments are anticipated to be realised over the medium to long term.

Liquidity risk
Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. In the six months to 31 December 2009, the Group contractually completed the amendment to the existing terms and conditions of the Group's committed debt facilities to remove financial covenants and allow the Group to manage the orderly realisation of investments and repayment of corporate debt. This has resulted in $140 million of the Group's debt obligations being reclassified during the period from current to non-current. The Group has exceeded repayment obligations of $30.5 million due by 30 June 2010. A further $40 million is due over the period from September 2010 to March 2011, with the balance expected to be refinanced on maturity on 2 June 2011.

5. Financial risk management (continued)

The committed debt facilities are fully drawn and the total limit will reduce as repayments occur.

The Group manages liquidity risk via:

- compliance with repayment obligations under the committed debt facilities;
- monitoring forecast and actual cashflows, including asset sales, cash investment income and the timing of foreign currency receipts and outflows; and
- seeking to maintain a minimum cash balance.

Cashflow forecasts are reported regularly to the AFRC.

Interest rate risk

In relation to Keybridge Capital's corporate debt facilities, interest rate swaps denominated in US and Australian dollars have been entered into as cash flow hedges. At 31 December 2009, the Group had interest rate swaps with a notional contract amount of US$68.3 million and A$25 million (unchanged from the amounts at 30 June 2009) representing 56% of drawn debt. The interest rate swaps are at base rates of 7.79% p.a. for AUD and 5.68% p.a. for USD and mature in March 2011 and May 2011 respectively.

The Company and Group policy is to ensure that, where practicable, all material interest rates in relation to non-recourse financing within an investment are fixed for the term of the non-recourse financing. The known fixed interest rate is included in the analysis of that investment.

Foreign currency risk

Foreign exchange 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 is material due to the number of investments and corporate debt denominated in both US dollars and Euros.

The Group's corporate debt includes US dollar and Euro borrowings which act to partially hedge the Group's exposure to US dollar and Euro assets and to match foreign currency income with foreign currency interest costs and repayment of corporate debt. The Group has a natural hedge for 71% of its US Dollar denominated investments and 33% for its Euro denominated investments. To the extent that the Group's exposure is not perfectly matched, the Company incurs translation losses when the Australian Dollar appreciates against the US Dollar and Euro and benefits from translation gains when the Australian Dollar depreciates. Over the December half year, the Australian Dollar appreciated against these other currencies and the loss arising on translation is recorded in the profit or loss statement.

Except as disclosed elsewhere in this Report, other aspects of the Group's financial risk management objectives and policies are consistent with that disclosed in the consolidated financial report as at and for the year ended 30 June 2009.

6. Segment reporting

Business segments

The Group comprises the following main business segments:

- *Property*: Includes loans supported by development and construction projects and other property related investments. The property projects underlying the Company's investments are predominantly residential, commercial and industrial projects located on the Australian eastern seaboard.
- *Aviation*: Predominantly loans supported by aircraft leased for medium to longer terms to creditworthy airlines.
- *Shipping*: In the main, investments in ships and shipping portfolios chartered for medium to longer terms to creditworthy shipping companies.
- *Infrastructure*: Investments in renewable energy projects in wind and solar.
- *Lending*: Predominantly senior secured loans, but also subordinated loans, to entities in a range of industries.
- *Other*: This relates to income earned on term deposits.

6. Segment reporting (continued)

For the six months ended 31 December

Business segments	Property		Aviation		Shipping		Infrastructure		Lending		Fixed income US Securitisation		Other operations		Consolidated	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000	2009 $'000	2008 $'000	2009 $'000	2008 $'000	2009 $'000	2008 $'000	2009 $'000	2008 $'000	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Revenues	(1,153)	7,149	(4,515)	20,230	(4,175)	4,092	(2,496)	3,988	(438)	5,362	-	-	(233)	489	(13,010)	41,309
Associates profit/(loss)	-	-	-	-	-	432	-	(3,738)	-	-	-	-	-	-	-	(3,306)
Less impairments	(6,677)	(4,050)	(3,930)	-	(7,432)	-	97	-	-	(21,483)	42	292	-	-	(17,900)	(25,241)
Segment result	(7,830)	3,099	(8,445)	20,230	(11,607)	4,524	(2,399)	250	(438)	(16,121)	42	292	(233)	489	(30,910)	12,762
Unallocated expenses															(5,314)	10,966
Reportable segment profit before income tax															(25,596)	1,796
Gross Segment assets	32,173	99,514	148,271	139,132	42,951	98,804	23,257	62,400	41,347	60,319	-	-	7,823	78,299	295,823	538,468
Less impairment provisions	(3,227)	(7,179)	(8,217)	-	(7,432)	-	(869)	-	(369)	-	-	-	-	-	(20,114)	(7,179)
Net Segment assets	28,946	92,335	140,054	139,132	35,519	98,804	22,388	62,400	40,978	60,319	-	-	7,823	78,299	275,709	531,289

The impairments above are lower than those recorded at 30 June 2009. In the half year period to 31 December 2009, the Group wrote-off $130 million of impairment losses as the losses were not considered recoverable. This did not change the amount of the Net Segment Assets.

7. Seasonality of operations

The Group's segments are not impacted by seasonal fluctuations, other than in aviation, where foreign airlines are typically less profitable in the northern hemisphere winter. In turn, this may impact their cashflow and ability to meet lease payments. In the majority, seasonal factors have not materially impacted the Group's financial results for the six months ended 31 December 2009.

8. Write-down of investment in loans and receivables

During the six months ended 31 December 2009 the Group wrote-off $130.0 million of the impairment provisions where the recovery of the underlying assets was considered highly unlikely.

In Property, the Group allocated the remaining collective provision to specific provisions. Refer Note 5 Financial Risk Management - Impairment Losses.

The Group also recognised $18 million of new impairment losses across the asset classes of Property, Aviation and Shipping. Of this, $4 million relates to an Aviation investment which was subsequently sold at the written down value after balance date.

As a result, the 31 December 2009 allowance for impairment fully comprises specific provisions of $20.1 million (30 June 2009: total of $133.4 million comprising, specific - $73.3 million and collective - $60.1 million).

9. Equity accounted investments in associates

The Group's share of net loss in its equity accounted investments in associates for the six months ended 31 December 2009 was $3.1 million loss (Dec 2008:$3.4 million loss). The loss relates to one of the Group's equity accounted investments, being Bridge Infrastructure Capital Pty Limited (BIC). This accounting loss was not recognised in the results for the half year to December 2009.

However the Group has recognised impairments against two investments in Infrastructure and one investment in Shipping. For the period to 31 December 2009, the Group's carrying amount in the five investments, total $51.9 million (net of equity accounted losses) and is recognised in Loans and Receivables.

10. Derivative liabilities

	31 Dec 2009 $'000	30 Jun 2009 $'000
Interest rate swaps	6,654	9,101
	6,654	9,101

The Group uses interest rate swaps to hedge variable rate loans to fixed rates of interest. As at 31 December 2009, the fixed rate of interest under the interest rate swaps are above market interest rates. As a result the instrument is recognised as a derivative liability.

11. Loans and borrowings

Loans and borrowings consist of a loan facility between the Group and the Commonwealth Bank of Australia, Bank of Western Australia Limited, St.George Bank Limited and National Australia Bank Limited.

The key terms and conditions of the secured bank loans include:

- maturity of 2 June 2011;
- a review event requiring a minimum level of cash income;
- interim repayments totalling $30.5 million during the period to June 2010, which have been met, and a further $40 million over the period to March 2011;
- proceeds from investment income and asset realisations to be applied to meet operating expenses, interest expense and reduce corporate borrowings;
- borrowing margin of 3.75% per annum; and
- a fee of 1.75% per annum which accrues monthly and is payable on final maturity of the secured bank loans.

Refer to Note 5 for further information about exposure to financial risks and liquidity.

Consolidated and Company

$'000	Currency	Nominal interest rate	Year of Maturity	31 Dec 2009 Face value	31 Dec 2009 Carrying amount	30 June 2009 Face value	30 June 2009 Carrying amount
Secured bank loan	AUD	6.88%	2011	34,817	34,817	38,567	38,567
Secured bank loan	USD	4.69%	2011	137,205	137,205	155,672	155,672
Secured bank loan	EUR	5.42%	2011	7,855	7,855	20,854	20,854
Total interest-bearing liabilities				179,877	179,877	215,093	215,093

The nominal interest rates reflect the prevailing floating base interest rate at 31 December 2009 plus the margin on the Group and Company's secured bank loans of 3.75% per annum. The Group and Company has also entered into interest rate hedging arrangements. Refer Note 5 - Interest Rate Risk for further information.

12. Taxation

The Group has not recognised deferred tax assets in relation to impairment expenses at 31 December 2009. This approach is consistent with the accounting treatment at 30 June 2009. With market conditions remaining uncertain, the Group elected to write-down the Deferred Tax Asset (DTA) from $55.7 million at 31 December 2009 to Nil. Unrecognised DTA's are permitted to be re-recognised in future periods to the extent they are considered probable of being utilised.

13. Related party disclosure

Related parties

There were no related party transactions during the six months ended 31 December 2009.

Directors and key management personnel

Other than normal remuneration for directors, there were no other transactions with directors and key management personnel during the six months ended 31 December 2009.

Director and Employee Share Scheme (the 'Share Scheme' or 'Employee Shares')

The Group's Share Scheme was established in October 2006 and the terms and conditions of the Share Scheme are disclosed in the 30 June 2009 Annual Report.

As at 31 December 2009, 5,900,000 Employee Shares had vested, of which 1,400,000 have been forfeited and are held by the Trustee. The latter includes 625,000 Employee Shares forfeited in the six months to 31 December 2009. A further 75,000 Employee Shares will vest in the period to 1 July 2010. No further grants have occurred during the half year period.

The granted fair value of all Employee Shares is $595,267. The amortisation expense recognised in the financial report for the period ended 31 December 2009 was $10,993 and the amount recognised in the issued capital account was $10,933.

Under the existing Share Scheme, established in October 2006, the Employee Shares were issued at $1.25 per share (other than 525,000 shares issued at $2.27 per share). The price of $1.25 per share is materially in excess of the Company's quoted share price and its net tangible asset backing. As a result it is anticipated that the Employee Shares held by existing Directors and staff will not be fully paid once vesting conditions are satisfied.

In December 2009, the Group's Board approved a new remuneration plan covering the two financial years to 30 June 2011. The plan comprises cash retention payments totalling $0.6 million in each year and the issue of up to 5.54 million Keybridge Capital Limited ordinary shares ('Shares') in Year 1 and 4.6 million Shares in Year 2. Combined these Shares would represent 5.6% of the Group's issued and quoted capital. Release of the cash payments and issue of Shares is subject to meeting specific key performance indicators and vesting conditions.

The key performance indicators for the cash retention payments and share awards relate to:

- Reductions in outstanding corporate borrowings;
- Profitability;
- Stakeholder and Board management; and
- Development of post-June 2011 business plan.

Additionally, in the case of the Managing Director, the issue of Shares is subject to shareholder approval. The Group intends to seek shareholder approval at the Group's Annual General Meeting in September 2010.

The financial statements to 31 December 2009 include a provision of $0.6 million relating to the cost of the retention payments and the award of the Keybridge Capital Limited fully paid ordinary shares.

14. Subsequent event

Subsequent to balance date the Group received two loan repayments. One repayment, in relation to a loan to a company in the aviation business, was completed on 6 January 2010 with the Group receiving $11 million cash and shares in PTB Group Limited, an ASX listed company. The Group currently has an 18.07% interest in PTB Group Limited. The other repayment was in relation to a copper production company where the underlying assets are being sold. US$5 million was received on 2 February 2010.

No other matters have arisen since the end of the financial period 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 and results of operations.

Keybridge Capital Limited and Controlled Entities

ABN 16 088 267 190

Directors' Declaration

In the opinion of the directors of Keybridge Capital Limited ("the Company"):

1. the financial statements and notes set out on pages 5 to 20, are in accordance with the *Corporations Act 2001*. including:

   (a) giving a true and fair view of the Group's financial position as at 31 December 2009 and of its performance for the six month period ended on that date; and

   (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and

2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors:

Irene Lee
Chairman

Sydney, 4 February 2010

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

We have reviewed the accompanying interim financial report of Keybridge Capital Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2009, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the interim period ended on that date, a statement of accounting policies and other explanatory notes 1 to 14 and the directors' declaration set out on pages 5 to 21 of the Group comprising the company and the entities it controlled at the half-year's end or from time to time during the interim period.

Directors' responsibility for the interim financial report

The directors of the company are responsible for the preparation and fair presentation of the interim financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the interim financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity,* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2009 and its performance for the interim period ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Keybridge Capital Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim 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.

Independence

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

KPMG, an Australian partnership and a member firm of the KPMG network
of independent member firms affiliated with KPMG International, a Swiss cooperative.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim 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 Group's financial position as at 31 December 2009 and of its performance for the interim period ended on that date; and

(b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Uncertainty regarding continuation as a going concern

Without qualification to the above conclusion, we draw attention to Note 2(b) to the interim financial statements which sets out the basis upon which the Directors believe the Group will be able to continue as a going concern.

The Group's corporate debt facility matures on 2 June 2011. As set out in Note 5, the Directors expect that the Group will reduce the debt levels through investment realisations and then refinance the balance at maturity.

Also, as set out in Note 5, the Group is required to meet repayment milestones totalling $30.5 million over the period to 30 June 2010, which have been met at the date of this report (refer Note 2(b)), a further $30 million by 31 December 2010 and $10 million by 31 March 2011.. The Group's ability to meet repayment milestones, fund daily operations and refinance the balance of the corporate debt remaining in June 2011 is largely contingent on being able to realise assets at expected values and within expected timeframes and the ongoing receipt of investment income. The outcomes of these transactions cannot presently be determined with certainty, although, as outlined in note 2(b), the Directors expect these transactions to occur in time to meet the above repayment obligations and cash flow needs and accordingly the financial report has been prepared on a going concern basis. The existence of these uncertainties may cast doubt on the Group's ability to settle its debts as and when they fall due and to realise its assets at their carrying values.

KPMG

Andrew Dickinson
Partner

Sydney

4 February 2010