

**Keybridge Capital Limited and  
Controlled Entities**  
(formerly Mariner Bridge Investments Limited)  
ABN 16 088 267 190

Interim Financial Report  
Half-Year ended 31 December 2007

**Keybridge Capital Limited and Controlled Entities**  
**(formerly Mariner Bridge Investments Limited)**  
**ABN 16 088 267 190**

**Contents**

Directors' report	1
Lead auditor's independence declaration	4
Income statement	5
Statement of changes in equity	6
Balance sheet	7
Statement of cash flows	8
Notes to the financial statements	9
Directors' declaration	15
Independent auditor report	16

# **Keybridge Capital Limited and Controlled Entities**

## **(formerly Mariner Bridge Investments Limited)**

ABN 16 088 267 190

### **Directors' Report**

Your Directors present their report together with the consolidated financial report on Keybridge Capital Limited and the entities it controlled (the "Group") for the half-year ended 31 December 2007 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***

Ian Ingram  
Philip Lewis  
Michael Perry

#### ***Executive***

Irene Lee (Chairman)  
Mark Phillips (Managing Director)

### **PRINCIPAL ACTIVITIES**

Keybridge Capital Limited is a financial services company that invests in structured finance transactions. The Company invests in, or lends to, transactions backed by real assets, financial assets or cash flows. The core asset classes are property, infrastructure, aircraft and shipping.

The Company changed its name from Mariner Bridge Investments Limited to Keybridge Capital Limited on 28 November 2007. There was no change in the activities of the Company as a result of the change in Company name.

### **DIVIDENDS**

The Directors declared and paid a final ordinary dividend for the year ended 30 June 2007 of \$4.0 million (2.3 cents per ordinary share, fully franked) on 14 September 2007. The dividend was paid out of retained profits available to the Company at 30 June 2007. In addition, since the end of the period, the Directors have recommended the payment of an interim dividend of \$7.16 million (4.0 cents per share, fully franked) to be paid on 19 March 2008.

The Company's dividend policy is to fully distribute approximately 100% of net profit after tax to shareholders.

### **REVIEW AND RESULTS OF OPERATIONS**

For the purposes of this review, results are compared to the prior comparable period of the consolidated entity. KBC changed its business focus to being an investor in structured finance transactions on 26 October 2006. As a result, the six months to 31 December 2006 includes only two months of activity as an investor in structured finance transactions. Prior period comparisons should be considered in this context.

The Group's net profit after income tax attributable to its ordinary equity holders for the half-year to 31 December 2007 was \$7.16 million, an increase of \$7.06 million on the prior corresponding period.

Total income for the half-year ended 31 December 2007 increased by \$41.8 million over the prior corresponding period to \$43.7 million. This was primarily driven by interest income on investments of \$22.0 million, gains from the sale of investments of \$11.1 million, recognition required under AIFRS of equity upsides in investments of \$5.2 million and net gains of \$1.2 million arising in the normal course of business due to differences between Australia and overseas interest rates in relation to fully hedged foreign currency investments.

# Keybridge Capital Limited and Controlled Entities (formerly Mariner Bridge Investments Limited)

ABN 16 088 267 190

## Directors' Report

The increase in income was partly offset by an impairment provision of \$31.2m relating to investments in US securitisations, reducing the book value of these investments to nil. This followed the continuing negative outlook for the US home loan market and for the US capital markets in general.

Operating expenses (excluding financing costs) increased \$1.9 million to \$4.0 million reflecting a full six months of business operations. Financing costs totalled \$3.2 million for the half-year ended 31 December 2007 compared to \$0.1 million for the prior corresponding period, reflecting the increased use of the Company's debt facilities.

The Group holds derivative financial instruments to hedge its foreign currency exposures. The majority of the Group's derivative financial instruments are designated as fair value hedges under AIFRS. Five derivative financial instruments that have maturities matching the term of the underlying investments have been designated as cash flow hedges. Changes in the fair value of the derivative hedging instruments designated as cash flow hedges are recognised directly in equity to the extent that the hedge is effective. As at 31 December 2007 \$2.8 million was included in the Consolidated Statement of Changes in Equity.

## Investments

As at 31 December 2007 the Group's investments portfolio totalled \$375 million. The asset classes which comprised Keybridge Capital's portfolio as at 31 December 2007 are summarised in the following table:

	31 December 2007 \$m	% of Total
<b>Property</b>	92	24
<b>Infrastructure</b>	39	10
<b>Leasing</b>		
- Shipping	52	14
- Aviation	107	30
- Office Equipment	8	2
<b>Fixed Income</b>		
- Natural Resources	39	10
- Other	38	10
	<u>375</u>	<u>100</u>

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

No other significant change has occurred during the half-year period ended 31 December 2007.

## MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL PERIOD

No matters have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Company, the results of the operations, or the state of affairs of the Company 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.

**Keybridge Capital Limited and Controlled Entities  
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ABN 16 088 267 190

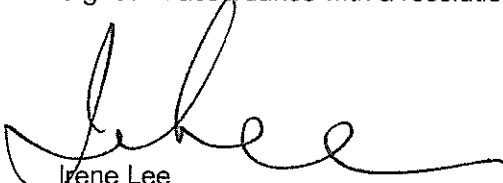
**Directors' Report**

**Lead 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 2007.

Dated at Sydney this 13th day of February 2008

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



Irene Lee  
Chairman



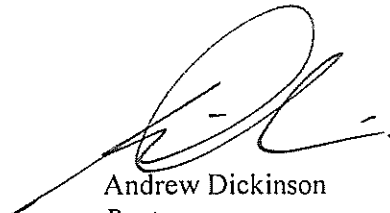
*Lead Auditor's Independence Declaration under Section 307C of the Corporation Act 2001*

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 interim period ended 31 December 2007 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

  
Andrew Dickinson  
*Partner*

Sydney  
13 February 2008

**Keybridge Capital Limited and Controlled Entities**  
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ABN 16 088 267 190

**Consolidated Interim Income Statement**  
**For the half-year ended 31 December 2007**

		<i>Consolidated</i>	
	Note	31 Dec 2007 \$'000	31 Dec 2006 \$'000
<b>Revenue and Income</b>			
Fees		1,221	292
Interest income		21,983	2,001
Dividend income		2	-
Impairment expenses		(31,290)	-
Gain on sale of trading assets		11,095	256
Unrealised gain/(loss) on embedded derivatives designated at fair value through profit and loss		5,227	(661)
Net foreign currency gains or losses		1,155	53
Share of profit in equity accounted investees		2,992	-
Other income		86	-
		<hr/>	<hr/>
		12,471	1,941
<b>Expenses</b>			
Administration expenses		(592)	(268)
Borrowing costs		(3,246)	(95)
Employment costs		(2,865)	(952)
Legal and Professional fees		(327)	(128)
Other expenses		(205)	(42)
		<hr/>	<hr/>
		(7,235)	(1,485)
<b>Profit before income tax</b>		<hr/>	<hr/>
		5,236	456
Income Tax (expense)/benefit	10	1,923	(329)
<b>Net Profit for the period</b>		<hr/>	<hr/>
		7,159	127
		<b>Cents</b>	<b>Cents</b>
<b>Basic Earnings cents per share</b>	11	<b>4.21</b>	<b>0.37</b>
<b>Diluted earnings cents per share</b>		<b>4.06</b>	<b>0.37</b>

The income statement is to be read in conjunction with the condensed notes to the financial statements set out on pages 9 to 14.

# Keybridge Capital Limited and Controlled Entities (formerly Mariner Bridge Investments Limited)

ABN 16 088 267 190

## Consolidated Interim Statement of changes in equity For the half year ended 31 December 2007

31 December 2006	Note	Share capital	Available for sale investments reserve	Share based payment reserve	Hedging reserve	Capital profits reserve	Retained earnings/ (losses)	Total
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<i>The Company and its consolidated entities</i>								
Balance at 1 July 2006		9,110	16	-	-	462	(686)	8,902
Total profit for the year		-	-	-	-	-	127	127
Movement from reserves		-	(16)	-	-	(462)	478	(0)
Shares issued		120,982	-	-	-	-	-	120,982
Offer related costs		-	-	-	-	-	-	-
Share based payments		87	-	-	-	-	-	87
Cash flow hedges, net of tax		-	-	-	4	-	-	4
Balance at 31 December 2006		130,179	-	-	4	-	(81)	130,102

31 December 2007		Share capital	Available for sale investments reserve	Share based payment reserve	Hedging reserve	Capital profits reserve	Retained earnings/ (losses)	Total
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<i>The Company and its consolidated entities</i>								
Balance at 1 July 2007		258,697	-	226	132	-	3,871	262,926
Total profit for the year		-	-	-	-	-	7,159	7,159
Shares issued		712	-	-	-	-	-	712
Offer related costs		(78)	-	-	-	-	-	(78)
Share based payments		-	-	205	-	-	-	205
Dividends paid		-	-	-	-	-	(4,043)	(4,043)
Cash flow hedges, net of tax		-	-	-	(2,951)	-	-	(2,951)
Balance at 31 December 2007		259,331	-	431	(2,819)	-	6,987	263,930

The statement of changes in equity is to be read in conjunction with the condensed notes to the financial statements set out on pages 9 to 14.



**Keybridge Capital Limited and Controlled Entities**  
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ABN 16 088 267 190

**Consolidated Interim Balance Sheet**  
**As at 31 December 2007**

	<i>Consolidated</i>	
Note	31 Dec 2007 \$'000	30 Jun 2007 \$'000
<b>Current Assets</b>		
Cash and cash equivalents	4,608	8,436
Trading and Other Receivables	4,228	1,581
Loans and receivables - net	22,250	20,712
Other Assets	722	485
<b>Total Current Assets</b>	<b>31,808</b>	<b>31,214</b>
<b>Non Current Assets</b>		
Loans and receivables - net	273,587	174,153
Available for sale investments	-	13,219
Held to maturity investments	865	865
Derivative assets	9,837	8,333
Deferred tax assets	17,486	6,286
Property plant and equipment	685	18
Investments in associates	63,870	46,584
<b>Total Non Current Assets</b>	<b>366,330</b>	<b>249,458</b>
<b>Total Assets</b>	<b>398,138</b>	<b>280,672</b>
<b>Current Liabilities</b>		
Payables	3,692	1,796
Current tax liabilities	8,016	5,375
Provisions	-	75
<b>Total Current Liabilities</b>	<b>11,708</b>	<b>7,246</b>
<b>Non Current Liabilities</b>		
Loans and borrowings	122,500	10,500
<b>Total Non Current Liabilities</b>	<b>122,500</b>	<b>10,500</b>
<b>Total Liabilities</b>	<b>134,208</b>	<b>17,746</b>
<b>Net Assets</b>	<b>263,930</b>	<b>262,926</b>
<b>Equity</b>		
Share capital	259,331	258,697
Reserves	(2,388)	358
Retained earnings	6,987	3,871
<b>Total equity attributable to the shareholders of the company</b>	<b>263,930</b>	<b>262,926</b>

The balance sheet is to be read in conjunction with the condensed notes to the financial statements set out on pages 9 to 14.

**Keybridge Capital Limited and Controlled Entities**  
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ABN 16 088 267 190

**Consolidated Interim Statement of cash flows**  
**For the half year ended 31 December 2007**

	<b>Consolidated</b>	
<b>Notes</b>	<b>31 Dec 2007 \$'000</b>	<b>31 Dec 2006 \$'000</b>
<b>Cash flows from operating activities</b>		
Fees received	429	-
Interest received	19,708	1,436
Payments to suppliers and employees	(3,609)	(466)
Establishment fee on loan facility	(74)	-
Interest payment on loan facility	(1,253)	-
Net income tax refund received (tax paid)	(5,368)	4
<b>Net cash from operating activities</b>	<u>9,833</u>	<u>974</u>
<b>Cash flows from investing activities</b>		
Dividends received	2	-
Purchases of property, plant & equipment	(745)	-
Payment investments in US securitisations	-	-
Payment for available for sale investments	-	(43,420)
Loans and receivables advanced net of FX hedging gains and sale or repayment of investments	(121,814)	(60,260)
Proceeds from sale of trading assets	11,101	-
Proceeds from sale of available for sale investments	1,934	300
Payment for investments in associates	(12,808)	-
<b>Net cash from investing activities</b>	<u>(122,330)</u>	<u>(103,380)</u>
<b>Cash flows from financing activities</b>		
Proceeds from the issue of ordinary share capital	711	125,000
Proceeds from borrowings	115,000	11,117
Payments for issue costs	-	(4,018)
Repayment of loans	(3,000)	(11,117)
Dividends paid	(4,042)	-
<b>Net cash from financing activities</b>	<u>108,669</u>	<u>120,982</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	(3,828)	18,576
<b>Cash and cash equivalents at 1 July</b>	<u>8,436</u>	<u>7,168</u>
<b>Cash and cash equivalents at 31 December</b>	<u><u>4,608</u></u>	<u><u>25,744</u></u>

The statement of cashflows is to be read in conjunction with the condensed notes to the financial statements set out on pages 9 to 14.

# **Keybridge Capital Limited and Controlled Entities**

## **(formerly Mariner Bridge Investments Limited)**

ABN 16 088 267 190

### **Notes to the consolidated interim financial report**

#### **For the half year ended 31 December 2007**

#### **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 Company as at and for the six months ended 31 December 2007 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 annual financial report of the Group as at and for the year ended 30 June 2007 is available upon request from the Company's registered office at Level 26, 259 George Street, Sydney NSW 2000 or at [www.keybridge.com.au](http://www.keybridge.com.au).

#### **2. Basis of preparation**

##### **(a) Statement of compliance**

The consolidated interim financial report is a general purpose financial report which has 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 30 June 2007.

This consolidated interim financial report was approved by the Board of Directors on 12 February 2008.

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.

#### **3. Significant accounting policies**

The accounting policies applied by the Group in this 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 2007.

#### **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.

In preparing this 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 2007.

**Keybridge Capital Limited and Controlled Entities  
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ABN 16 088 267 190

**Notes to the consolidated interim financial report  
For the half year ended 31 December 2007**

**5. Financial risk management**

During the six months ended 31 December 2007 the Company increased its borrowings from \$10m to \$122.5m and entered into an Australian dollar interest rate swap for a face value of \$50m at a fixed rate of 6.85% pa. The interest rate swap runs until 30 August 2010. Subsequent to 31 December 2007 the Company entered into another Australian dollar interest rate swap for an additional face value of \$50m at a fixed rate of 7.22% pa. This interest rate swap runs until 13 June 2013.

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 2007.



# Keybridge Capital Limited and Controlled Entities (formerly Mariner Bridge Investments Limited)

ABN 16 088 267 190

## Notes to the consolidated interim financial report For the half year ended 31 December 2007

### 7. Write-down of investment in Fixed Income – US Securitisations

During the six months ended 31 December 2007 the Group recognised an additional write-down of investments in US securitisation of \$31,289,757 related to the ongoing impairment of underlying assets held within the portfolios (six months ended 31 December 2006: nil). At 31 December 2007, the carrying value of investments in Fixed Income – US Securitisations is Nil.

### 8. Property plant and equipment

#### Acquisitions and disposals

During the six months ended 31 December 2007 the Group acquired assets, being the fit-out of its premises in Sydney, with a cost of \$667,113 (six months ended 31 December 2006: \$86,000).

### 9. Loans and borrowings

Loans and borrowings consist of a loan facility between the Company and the Commonwealth Bank of Australia, St.George Bank Limited, Bank of Western Australia Limited and National Australia Bank Limited, with a three year term maturing on 19 December 2009.

Total facility available is \$210,000,000 with \$122,500,000 drawn down as at 31 December 2007. (six months ended 31 December 2006: nil). The weighted average rate interest rate was 8.01% in the 6 months to 31 December 2007.

### 10. Taxation

The Group's consolidated effective tax rate in respect of continuing operations for the six months ended 31 December 2007 was negative (37) percent (for the year ended 30 June 2007: 24 percent). This change in effective tax rate was caused as a result of income from specific offshore investments being exempt from Australian income tax and equity accounted profit being booked on a post tax basis.

### 11. Earnings per share

#### Basic earnings per share

The calculation of basic earnings per share at 31 December 2007 was based on the profit attributable to ordinary shareholders of \$7.16 million (2006: \$127,000) and a weighted average number of ordinary shares outstanding of 170.2 million (2006: 34.3 million), calculated as follows:

	Consolidated	
	2007 \$'000	2006 \$'000
Profit attributable to ordinary shareholders		
Net profit/(loss) attributable to ordinary shareholders	7,159	127
	<hr/>	<hr/>
	No. '000	No. '000
Weighted average number of ordinary shares <i>in thousands of shares</i>		
Weighted average number of ordinary shares at 31 December	170,204	34,324

# Keybridge Capital Limited and Controlled Entities (formerly Mariner Bridge Investments Limited)

ABN 16 088 267 190

## Notes to the consolidated interim financial report For the half year ended 31 December 2007

### 11. Earnings per share (continued)

#### Diluted earnings per share

The calculation of diluted earnings per share at 31 December 2007 was based on profit attributable to ordinary shareholders of \$7.16 million (2006: \$127,000) and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 170.2 million (2006: 34.3 million), calculated as follows:

	Consolidated	
	2007	2006
	\$'000	\$'000
<b>Profit attributable to ordinary shareholders (diluted)</b>		
Net profit (loss) attributable to ordinary shareholders (diluted)	7,159	127
	<b>No.</b>	<b>No.</b>
	<b>'000</b>	<b>'000</b>
Weighted average number of ordinary shares (basic)	170,204	34,324
Effect of employee shares on issue	5,975	-
Weighted average number of ordinary shares (diluted) at 31 December	176,179	34,324

The average market value of the Company's shares for purposes of calculating the dilutive effect of employee shares was based on quoted market prices for the period that the employee shares were outstanding.

### 12. Related party disclosure

#### Related parties

Keybridge Capital Limited transacts with Mariner Financial Limited (MFL) from time to time on an arms length basis. As at 31 December 2007, two loans were outstanding one for \$5,000,000 to an infrastructure fund and \$865,000 to a fixed rate investment, both managed by MFL.

The Group received fees of \$16,669 (2006: \$5,556) and interest of \$342,839 (2006: \$66,571) from investments related to MFL.

During the six months ended 31 December 2007 the Group paid fees of \$153,409 (2006: \$178,255) to MFL. These fees related to rent, accounting and IT services provided by MFL.

#### Directors and key management personnel

There were no transactions with directors and key management personnel for the six months ended 31 December 2007.

# **Keybridge Capital Limited and Controlled Entities (formerly Mariner Bridge Investments Limited)**

ABN 16 088 267 190

## **Notes to the consolidated interim financial report For the half year ended 31 December 2007**

### **12. Related party disclosure (continued)**

#### **Employee Share Scheme**

As at 31 December 2007, 1,916,644 of employee shares had vested. The granted fair value of all employee shares is \$731,301. The amortisation expense recognised in the financial report for the period ended 31 December 2007 was \$204,518 and the amount recognised in the issued capital account was \$204,518.

Under the Company's Employee Share Scheme, shares will vest in equal proportions over a period of up to three years.

The Share Scheme involves participants effectively borrowing from the Company to subscribe for the Employee Shares. The loans are limited recourse and interest free and initially 75% of the cash value of dividends will be applied towards part repayment of the loan. Other than dividends, there is no payment of cash by the Company to participants. The employee shares will be subject to a holding lock until 12 months has elapsed after vesting conditions are satisfied and the loan is repaid in full.

### **13. Subsequent Events**

No matter or circumstance has arisen since the reporting date which would have a material effect on the Group's Interim Financial Report as at 31 December 2007.



**Keybridge Capital Limited and Controlled Entities  
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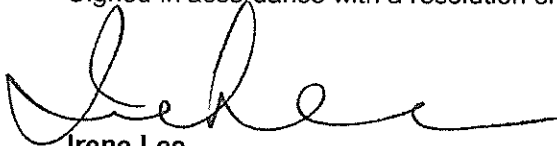
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**Directors Declaration**

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

1. the financial statements and notes set out on pages 9 to 14, 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 2007 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
  - (c)
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, 13 February 2008



## **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 consolidated interim balance sheet as at 31 December 2007, income statement, statement of changes in equity and cash flow statement for the interim period ended on that date, a description of accounting policies and other explanatory notes 1 to 13 and the directors' declaration set out on pages 5 to 15 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 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 Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls 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 an Interim Financial Report 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 2007 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.



*Conclusion*

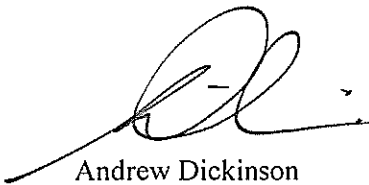
Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Keybridge Capital Limited is not in accordance with the Corporations Act 2001, including:

(a) giving a true and fair view of the Group's financial position as at 31 December 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.



KPMG



Andrew Dickinson  
*Partner*

Sydney

13 February 2008