

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

Interim Financial Report
Half-Year ended 31 December 2008

Keybridge Capital Limited and Controlled Entities
ABN 16 088 267 190

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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 2008 and the independent review report thereon.

DIRECTORS

The Directors of the Group 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 (resigned 30 November 2008)

Philip Lewis

Michael Perry

Executive

Irene Lee (Chairman)

Mark Phillips (Managing Director)

PRINCIPAL ACTIVITIES

Keybridge Capital Limited is a financial services Group that invests in, or lends to, transactions backed by real assets, financial assets or cashflows. There has been no material change in the activities of the Group.

DIVIDENDS

The Directors declared and paid a final ordinary dividend for the year ended 30 June 2008 of \$13.2 million (7.6 cents per ordinary share, fully franked) on 25 September 2008. The dividend was paid out of retained profits available to the Group at 30 June 2008.

The Directors have resolved not to declare an interim dividend for the six months ended 31 December 2008.

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 profit after income tax attributable to its ordinary equity holders for the half-year to 31 December 2008 was \$1.28 million, a reduction of \$5.88 million on the prior corresponding period.

Total income for the half-year ended 31 December 2008 increased by \$0.73 million over the prior corresponding period to \$12.76 million. Components of income included fees and interest on investments of \$34.13 million, embedded upsides on investments of \$3.69 million and net gains arising in the normal course of business in relation to the hedging of foreign currency investments of \$3.29 million.

Income was reduced by new impairment provisions of \$25.24 million taken against the Group's investments, in addition to an equity accounted loss from a joint venture investment.

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Operating expenses (excluding financing costs) totalled \$2.31 million in the half year to 31 December 2008, compared with \$4.00 million in the prior corresponding period. The fall in expense reflects lower assumed bonuses for staff due to the difficult trading conditions. Financing costs totalled \$8.65 million in the most recent period compared with \$3.25 million for the prior corresponding period. This reflects the increased use and cost of the Group's debt facilities.

The Group holds derivative financial instruments to hedge its foreign currency investments. In the six months to 31 December 2008, the majority of the Group's derivative financial instruments were 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 2008 \$5.59 million was included in the Consolidated Statement of Changes in Equity.

INVESTMENTS

As at 31 December 2008 the Group's investments portfolio totalled \$453 million, the closing investment balances are net of foreign exchange contracts which directly relate to the investment. The asset classes which comprised Keybridge Capital's portfolio as at 31 December 2008 are summarised in the following table:

	31 Dec '08 \$m	% of Total
Property	93	20%
Aviation	139	31%
Shipping	99	22%
Infrastructure	62	14%
Other	60	13%
	453	100%

LIQUIDITY MANAGEMENT

The Group has fully drawn its \$215 million corporate debt facility, which matures on 2 June 2011.

In the six months to 31 December 2008 and since balance date, the Group's available liquidity has been reduced by:

- the fall in the value of the Australian Dollar versus the US Dollar and Euro, resulting in cash outflows to settle foreign exchange hedging contracts that were being rolled over; and
- delays, due to the current economic and financial environment, in investment repayments and interest income.

The Group is progressing discussions with its lenders in relation to amending its Australian Dollar-denominated corporate debt facility to one denominated in US Dollars and Euro. This would reduce the use of forward foreign exchange contracts for hedging the Group's foreign currency investments and would reduce the variability in the Group's cashflow over the medium term. Such a change in the corporate debt would likely result in the Group's cost of borrowing increasing.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

No other significant change has occurred during the half-year period ended 31 December 2008.

CAPITAL MANAGEMENT INITIATIVES

Given the prevailing economic environment, the Board of KBC has resolved to manage the Group's capital as follows:

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Directors' Report

- Surplus repayments from investments will be applied to reducing the balance of the corporate debt facility; and
- Once debt has been reduced, the Group anticipates returning capital to shareholders as cash becomes available.

As a result of these factors, returns of capital to shareholders are most likely to begin late 2011-12 and be spread over the subsequent 3 to 4 years.

This strategy may be altered by changes in market conditions and the Group will update shareholders should this occur.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL PERIOD

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

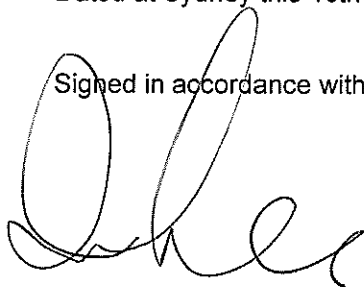
The consolidated entity is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the Financial Report and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

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 2008.

Dated at Sydney this 10th day of February 2009

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

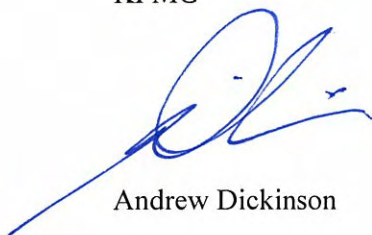
To: the directors of Keybridge Capital Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2008 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

(6 February 2009

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Consolidated Interim Income Statement For the half-year ended 31 December 2008

	Consolidated	
	31 Dec	31 Dec
Note	2008	2007
	\$'000	\$'000
Revenue and Income		
Fees	3,000	1,221
Interest income	31,129	21,983
Dividend income	-	2
Net gain on sale of trading assets	207	11,095
Net foreign currency gains	3,285	1,155
Share of profit/(loss) in equity accounted investees	(3,306)	2,992
Net Unrealised gain on embedded derivatives designated at fair value through profit and loss	3,688	5,227
Other income	-	86
Impairment expenses	7 (25,241)	(31,290)
	12,762	12,471
Expenses		
Administration expenses	(349)	(592)
Borrowing costs	(8,654)	(3,246)
Employment costs	(1,433)	(2,865)
Legal and Professional fees	(397)	(327)
Other expenses	(133)	(205)
	(10,966)	(7,235)
Profit before income tax	1,796	5,236
Income tax (expense)/benefit	(516)	1,923
Net Profit for the period	1,280	7,159
	Cents	Cents
Basic Earnings cents per share	0.74	4.21
Diluted Earnings cents per share	0.74	4.06

The income statement is to be read in conjunction with the notes to the financial statements.

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Consolidated Interim Statement of changes in equity For the half year ended 31 December 2008

Note	Share capital	Share based payment reserve	Cashflow hedge reserve	Capital profits reserve	Retained earnings/ (losses)	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
The Company and its consolidated entities						
Balance at 1 July 2007	258,697	226	132	-	3,871	262,926
Effective portion of changes in fair value of cash flow hedges, net of tax	-	-	(2,951)	-	-	(2,951)
Net change in fair value of cash flow hedges transferred to profit and loss, net of tax	-	-	-	-	-	-
Share based payments	-	205	-	-	-	205
Total income and expense recognised directly in equity	-	205	(2,951)	-	-	(2,746)
Profit for the period	-	-	-	-	7,159	7,159
Total recognised income and expense	-	205	(2,951)	-	7,159	4,412
Shares issued	712	-	-	-	-	712
Offer related costs	(78)	-	-	-	-	(78)
Dividends paid	-	-	-	-	(4,043)	(4,043)
Balance at 31 December 2007	259,331	431	(2,819)	-	6,987	263,929
	\$'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
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
Share based payments	-	88	-	-	-	88
Total income and expense recognised directly in equity	-	88	(13,645)	-	-	(13,557)
Profit for the period	-	-	-	-	1,280	1,280
Total recognised income and expense	-	88	(13,645)	-	1,280	(12,276)
Dividends paid	-	-	-	-	(13,185)	(13,185)
Balance at 31 December 2008	260,651	965	(13,400)	-	1,633	249,849

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Consolidated Interim Balance Sheet As at 31 December 2008

		Consolidated	
	Note	31 Dec 2008 \$'000	30 June 2008 \$'000
Current Assets			
Cash and cash equivalents		11,402	25,264
Trading and other receivables		618	377
Loans and receivables - net	7	68,093	62,085
Derivative assets		-	9,454
Other assets		169	57
Total Current Assets		80,282	97,237
Non Current Assets			
Loans and receivables - net	7	426,475	334,296
Held-to-maturity investments		-	865
Derivative assets		10,225	11,862
Deferred tax assets		13,727	15,043
Property plant and equipment		581	646
Total Non-Current Assets		451,008	362,712
Total Assets		531,290	459,949
Current Liabilities			
Payables		2,492	5,858
Derivative liabilities	9	17,407	-
Current tax liabilities		-	8,780
Total Current Liabilities		19,899	14,638
Non-Current Liabilities			
Derivative liabilities	9	46,542	-
Loans and borrowings	10	215,000	170,000
Total Non-Current Liabilities		261,542	170,000
Total Liabilities		281,441	184,638
Net Assets		249,849	275,311
Equity			
Share capital		260,651	260,651
Reserves		(12,435)	1,122
Retained earnings		1,633	13,538
Total equity attributable to the shareholders of the Company		249,849	275,311

The balance sheet is to be read in conjunction with the notes to the financial statements.

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Consolidated Interim Statement of Cash Flows For the half year ended 31 December 2008

	Consolidated	
	31 Dec	31 Dec
Notes	2008	2007
	\$'000	\$'000
Cash flows from operating activities		
Fees received	1,193	429
Interest received	21,740	14,286
Cash settlement for FX	(44,242)	5,422
Payments to suppliers and employees	(5,395)	(3,609)
Establishment fee on loan facility	-	(74)
Interest payment on loan facility	(6,687)	(1,253)
Net income tax refund received/(tax paid)	(2,114)	(5,368)
Net cash from operating activities	<u>(35,505)</u>	<u>9,833</u>
Cash flows from investing activities		
Dividends received	-	2
Purchases of property, plant & equipment	20	(745)
Loans and receivables advanced net of sale or repayment of investments	(7,911)	(121,814)
Proceeds from sale of trading assets	282	11,101
Proceeds from sale of available-for-sale investments (cash distributions received)	291	1,934
Payment for investments in associates	-	(12,808)
Net cash from investing activities	<u>(7,317)</u>	<u>(122,330)</u>
Cash flows from financing activities		
Proceeds from the issue of ordinary share capital	-	711
Proceeds from borrowings	63,000	115,000
Repayment of loans	(20,856)	(3,000)
Dividends paid	(13,184)	(4,042)
Net cash from financing activities	<u>28,960</u>	<u>108,669</u>
Net (decrease) in cash and cash equivalents	(13,863)	(3,828)
Cash and cash equivalents at 1 July 2008	25,264	8,436
Cash and cash equivalents at 31 December 2008	<u>11,402</u>	<u>4,608</u>

The statement of cashflows is to be read in conjunction with the notes to the financial statements.

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Notes to the Consolidated Interim Financial Report For the half year ended 31 December 2008

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 2008 comprises the Group 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 31 December 2008 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

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 2008.

This consolidated interim financial report was approved by the Board of Directors on 10 February 2009.

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

Except as described below, 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 2008.

The Group has updated its policy on impairment of financial assets. The previous accounting treatment for impairments losses were only related to specific financial assets that were deemed impaired for individually assessed loans. The new accounting treatment includes an additional collective impairment provision, where considered appropriate, for impairments across a group of assets.

This is performed in respect of losses which have been incurred but have not yet been identified on loans subject to individual assessment for impairment. Where loans have been individually assessed and no evidence of loss has been identified, these loans are grouped together on the basis of similar risk characteristics for the purpose of calculating a collective impairment loss. This loss covers loans that are impaired at balance date but which will not be individually identified as such until some time in the future. Consideration includes:

- historic loss experience;
- the estimated period between a loss occurring and that loss being identified and provided for; and
- management's experienced judgment as to whether the current economic and credit conditions are such that the actual level of inherent losses is likely to be greater than that suggested by historical experience.

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

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Notes to the Consolidated Interim Financial Report For the half year ended 31 December 2008

Significant accounting policies (continued)

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value. Individually significant financial assets are tested for impairment on an individual basis.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

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 2008.

5. Financial risk management

Capital Management and Liquidity

The Group has fully drawn the total \$215 million of its corporate debt facility. This facility matures on 2 June 2011.

In the six months to 31 December 2008 and since balance date, the Group's available liquidity has been reduced by the following factors:

- the fall in the value of the Australian Dollar versus the US Dollar and Euro, resulting in cash outflows to settle foreign exchange hedging contracts that were being rolled over; and
- delays, due to the current economic and financial environment, in investment repayments and interest income.

The Group is progressing discussions with its lenders in relation to changing its Australian Dollar-denominated corporate debt facility to one denominated in US Dollars and Euro. This would reduce the use of forward foreign exchange contracts for hedging the Group's foreign currency investments and would reduce the variability in the Group's cashflow over the medium term. Such a change in the corporate debt facility would likely result in the Group's borrowing margin increasing.

Should the Group not change its corporate debt facility, it may remain subject to cashflow variability arising from changes in the value of the Australian Dollar. At exchange rates of AUD1.00 = USD 0.6350 and AUD1.00 = Euro 0.4900, an amount of \$22 million is required to settle outstanding foreign exchange hedges due to be renewed during the six months to 30 June 2009.

If the value of the Australian Dollar (a) rises or (b) falls by 10% from these levels, then (a) \$17 million or (b) \$28 million are required to settle outstanding foreign exchange contracts over the same period.

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Notes to the Consolidated Interim Financial Report For the half year ended 31 December 2008

The Group anticipates that its available liquidity and likely investment repayments would enable it to meet these requirements. This notwithstanding, the Group's ability to meet these requirements, should they become due, is dependent on factors, not all of which are within the control of the Group. Given this, the Group is pursuing the switch in its corporate debt facility to US Dollars and Euro funding as a matter of priority.

Interest Rate risk Management

In relation to Keybridge Capital's corporate debt facilities, interest rate swaps denominated in Australian dollars have been entered into as cash flow hedges. At 31 December 2008, the Group had interest rate swaps with a notional contract amount of \$125 million (30 June 2008: \$125 million) representing 58% of drawn debt.

The interest rate swaps have maturities ranging from August 2010 to June 2013 and an average remaining term, as at 31 December 2008, of three years and one month providing the Group with an average fixed rate payable of 7.19% per annum versus an average floating rate receivable of the three month bank bill buy rate.

The Group 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.

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 2008.

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 and other infrastructure related projects.
- *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.

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Notes to the Consolidated Interim Financial Report For the half year ended 31 December 2008

Segment reporting

For the six months ended 31 December

Business segments	Property		Aviation		Shipping		Infrastructure		Lending		Fixed income - US Securitisation		Other operations		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenues	7,149	4,845	20,230	8,248	4,092	19,891	3,988	2,509	5,362	7,487	-	-	489	564	41,309	43,544
Associates profit/(loss)	-	-	-	-	432	-	(3,738)	-	-	-	-	-	-	-	(3,306)	-
Less impairments	(4,050)	-	-	-	-	-	-	-	(21,483)	-	292	(31,073) *	-	-	(25,241)	(31,073)
Segment result	3,099	4,845	20,230	8,248	4,524	19,891	250	2,509	(16,121)	7,487	292	(31,073)	489	564	12,762	12,471
Unallocated expenses															10,966	7,235
Results from operating activities before income tax															1,796	5,236

* 2007 US Securitisation: Impairments recorded are net of any revenue received in the period.

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Notes to the Consolidated Interim Financial Report For the half year ended 31 December 2008

7. Write-down of investment in Loans and Receivables

During the six months ended 31 December 2008 the Group recognised a collective impairment provision for investments in Australian domiciled property. The provision was made on investments in both residential and commercial properties and reflects increased inherent losses in that sector due the likely diminution in the security coverage of these investments in the current economic and financial environment.

The Group also recognised individual impairments on two loans classified as 'lending'. One relates to a senior secured loan where a voluntary administrator has been appointed to the borrower.

	Impairment Provisions	
	31 Dec 08	30 June 08
Income statement charge		
<i>Loan impairment expenses</i>		
Collective provision	7,178,705	-
Reversal of allowances no longer required	(3,128,705)	(10,277)
New allowances	8,118,432	3,000,000
Amounts recovered	(292,301)	-
Amounts written off	<u>13,365,000</u>	<u>23,521,384</u>
Total recognised in income statement	<u>25,241,131</u>	<u>26,511,107</u>
<i>Breakdown</i>		
Individually assessed allowances	18,062,295	26,511,107
Collectively assessed allowances	<u>7,178,705</u>	<u>-</u>
Total recognised in income statement	<u>25,241,131</u>	<u>26,511,107</u>
Total Outstanding allowance		
Individually assessed allowances	8,118,432	3,000,000
Collectively assessed allowances	<u>7,178,705</u>	<u>-</u>
	<u>15,297,137</u>	<u>3,000,000</u>
Carrying amounts		
	31 Dec 08	30 June 08
Individually impaired loans (gross)	30,177,215	37,271,384
Less: allowance for impairment	8,118,432	3,000,000
Less: amounts written off	<u>13,365,000</u>	<u>23,521,384</u>
Carrying amount	8,693,783	10,750,000
Loans not individually impaired	493,049,320	385,631,053
Less: allowance for collective impairment	<u>7,178,705</u>	<u>-</u>
Carrying amount	485,870,615	385,631,053
Total carrying amount of loans and receivables	<u>494,564,398</u>	<u>396,381,053</u>

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Notes to the Consolidated Interim Financial Report For the half year ended 31 December 2008

8. Equity accounted investments in associates

The Group's share of net loss in its equity accounted investments in associates for the year was \$3.4 million loss (June 2008:\$4.2 million profit).

The Group has recognised accounting losses relating to one of its two equity accounted investments, being Bridge Infrastructure Capital Pty Limited (BIC), of \$3.4 million for the period ended 31 December 2008.

For the period to 31 December 2008, the Group's carrying amount in all five investments total \$85.0 million (net of equity accounted losses), and is recognised in Loans and Receivables.

9. Derivative liabilities

	Consolidated	
	31 Dec 08	30 Jun 08
	\$'000	\$'000
Foreign Exchange contracts	52,798	-
Interest rate swaps	11,151	-
	<u>63,949</u>	<u>-</u>

The Group's policy is to use forward foreign exchange contracts to hedge back to Australian dollars the principal and probable income for each investment denominated in foreign currency, as well as embedded derivatives denominated in foreign currency. These are either cash flow or fair value hedges. At 31 December 2008 and since balance date, approximately 7% of the Group's investments are not hedged in accordance with the Group's policy.

The Group uses interest rate swaps to hedge variable rate loans to fixed rates of interest.

10. 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, with a term maturing on 2 June 2011.

The total facility of \$215,000,000 was drawn down as at 31 December 2008 (30 June 2008: \$170,000,000). The weighted average rate interest rate was 8.45% per annum in the 6 months to 31 December 2008 and the nominal rate ranged between 6.33% - 9.80%.

11. Taxation

The Group's consolidated effective tax rate in respect of continuing operations for the six months ended 31 December 2008 was 29 per cent (for the year ended 30 June 2008: 11 per cent). The lower effective tax rate in the year ended 30 June 2008 was due to a greater level of income from specific offshore investments being exempt from Australian income tax and equity accounted profit being booked on a post tax basis, mainly in the shipping business segment.

12. Related party disclosure

Related parties

There were no related party transactions during the six months ended 31 December 2008.

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 2008.

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Notes to the Consolidated Interim Financial Report For the half year ended 31 December 2008

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

In October 2006 the Group established a share scheme. The terms and conditions of the share scheme are disclosed in the consolidated financial report 30 June 2008. No further grants or schemes have occurred during the half year to 31 December 2008.

As at 31 December 2008, 3,774,998 Employee Shares had vested. The granted fair value of all Employee Shares is \$714,856. The amortisation expense recognised in the financial report for the period ended 31 December 2008 was \$88,004 and the amount recognised in the issued capital account was \$88,004.

Effective 30 November 2008 Ian Ingram, who resigned as a Non-executive Director of the Group on 30 November 2008, surrendered 200,000 shares under the Share Scheme.

Under the Share Scheme, shares will vest in equal proportions over a period of up to three years. The exercise price is \$1.25 per share or higher for Employee Shares. The Share Scheme involves participants effectively borrowing from the Group 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 Group 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

In relation to capital management initiatives, the Board of KBC has resolved to manage the Group's capital as follows:

- Surplus repayments from investments will be applied to reducing the balance of the corporate debt facility; and
- Once debt has been reduced, the Group anticipates returning capital to shareholders as cash becomes available.

As a result of these factors, returns of capital to shareholders are most likely to begin late 2011-12 and be spread over the subsequent 3 to 4 years.

This strategy may be altered by changes in market conditions and the Group will update shareholders should this occur.

No other 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 2008.

Keybridge Capital Limited and Controlled Entities

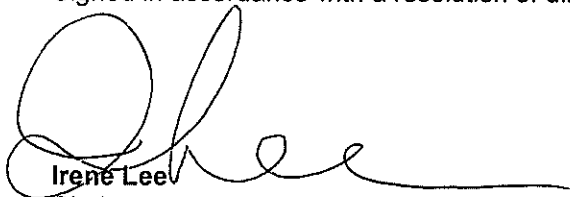
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Directors' Declaration

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 2008 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, 10 February 2009

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

Report on the financial report

We have reviewed the accompanying interim financial report of Keybridge Capital Limited (the Company), which comprises the consolidated interim balance sheet as at 31 December 2008, income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, significant accounting policies and other explanatory notes 1 to 13 and the directors' declaration set out on pages 5 to 16 of the Group comprising the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

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 2008 and its performance for the half-year 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 a 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*.

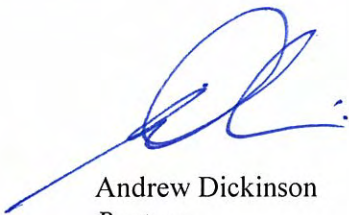
Conclusion

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 2008 and of its performance for the half-year 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

10 February 2009