KEYBRIDGE®
CAPITAL LIMITED

Annual Report 2008

Financial Calender

EVENT DATES FOR FINANCIAL YEAR 2009

Annual General Meeting	Thursday 16 October 2008
Financial year 2009 half year results announced	Tuesday 10 February 2009
Ex-dividend share trading starts	Tuesday 24 February 2009
Record date for interim dividend	Monday 2 March 2009
Interim dividend paid	Wednesday 18 March 2009
Financial year 2009 annual results announced	Thursday 6 August 2009
Ex-dividend share trading starts	Thursday 20 August 2009
Record date for final dividend	Wednesday 26 August 2009
Final dividend paid	Thursday 24 September 2009
Annual General Meeting	Thursday 1 October 2009

The Company reserves the right to change these dates.

This Annual Report (including the Financial Report) is for the Company up to 30 June 2008. During the period the Company changed its name from Mariner Bridge Investments Limited to Keybridge Capital Limited (on 28 November 2007). To facilitate comprehension, the Company is referred to as Keybridge Capital or the Company throughout the Annual Report.

THE REGISTERED OFFICE OF KEYBRIDGE CAPITAL LIMITED IS:

Level 26, 259 George Street
Sydney NSW 2000

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Chairman's Report

On behalf of our Directors, I present the Keybridge Capital Limited Annual Report for the 12 month period ended 30 June 2008.

For this period, the Company reported a net profit after tax of $20.8 million, and declared dividends to shareholders totalling 11.6 cents per share, fully franked. These dividends represented a full distribution of the Company's after tax earnings.

This last 12 months has seen price changes and dislocations in global debt and equity markets of a magnitude not seen for many years. Whilst we are now doing business in more challenging economic times, your Board continues to believe in the Company's business model. This model operates with the core principles of simplicity, return for risk, respect for our shareholders and accountability to all stakeholders.

The style of investing that Keybridge Capital undertakes is not new and continues to be implemented successfully by a wide range of public and private investors. It relies on assessing and managing investments across a portfolio diversified by asset class, counterparty, maturity and location. This diversity seeks to insulate the Company against cyclical business and economic downturns and acknowledges that, within the portfolio, some investments will perform better than others.

Your Board continues to support a simple business structure, as well as regular and transparent communication to stakeholders on the Company's performance. During the year, your Company has continued to adopt a conservative and prudent approach to capital management and investment decision-making. The Board has also reviewed the Company's corporate governance and financial and risk management processes to ensure their ongoing relevance for the changing global financial environment.

Looking forward, there is potential that the disruption to global debt and equity markets will open up attractive opportunities for your Company. Mark Phillips and his management team have provided the Company with a platform for future growth. Relationships that have been developed with transaction partners and bankers, and the corporate structure that has been developed, ensure the Company has both committed debt facilities and the management capacity to take advantage of new investment opportunities as they emerge.

I believe your Company continues to be well positioned to grow earnings per share over the medium term.

On behalf of the Board and management, I thank you for your interest in Keybridge Capital as we seek to grow the Company's business and to deliver value to our shareholders.

Irene Lee

Irene Lee
Chairman

In Brief

Keybridge Capital invests in and lends to transactions supported by real assets or reliable cash flows.

Our style of investing has the following features:

- We are an absolute return investor seeking returns above 15% per annum.
- We will seek to grow earnings per share by using the scalability of our operating costs, the leverage facilitated by our permanent equity base and the investment upsides present in many of our transactions and, in the medium term, by developing fee income businesses.
- We supplement our own in-house capabilities by developing mutually beneficial transaction partnerships with originators expert in the Company's target asset classes.
- We aim to be flexible and speedy in making decisions, whilst maintaining a consistent and robust risk management framework.
- We seek to diversify our investment portfolio by asset class, counterparty, maturity and location.

MANAGING DIRECTOR'S REPORT

Keybridge Capital Limited has been operating in its current form since 26 October 2006. It is a financial services company that invests in, or lends to, transactions backed by real assets or reliable cash flows.

During the year, the Company changed its name from Mariner Bridge Investments Limited to Keybridge Capital Limited.

The Company's style of investing has the following key features:

- It is an absolute return investor seeking returns above 15% per annum.
- It seeks to grow earnings per share by using the scalability of its operating costs, the leverage facilitated by its permanent equity base and the investment upsides present in many of its transactions and, in the medium term, by developing fee income businesses.
- It supplements its own in-house capabilities by developing mutually beneficial transaction partnerships with originators expert in the Company's target asset classes.
- It aims to be flexible and speedy in making decisions, whilst maintaining a consistent and robust approach to risk management.
- It seeks to diversify its investment portfolio by asset class, counterparty, maturity and location.

Over the past 12 months, the Company's target asset classes have been:

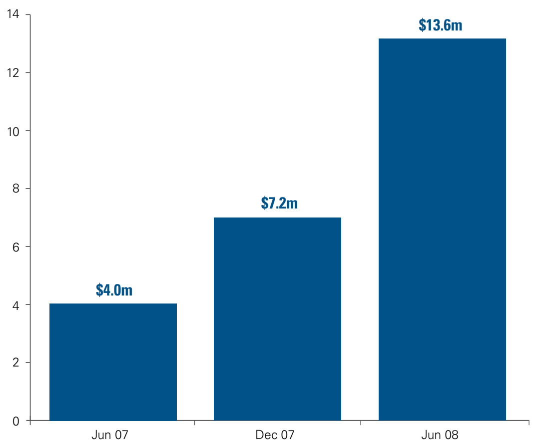
- **Property,** predominantly focusing on commercial and residential projects on the eastern seaboard of Australia.
- **Aviation,** with investments principally in passenger jets leased to large international airlines.
- **Shipping**, concentrating on freight-carrying vessels in the wet and dry bulk sectors chartered to major shipping companies.
- **Infrastructure**, with a focus on wind and solar projects in Europe.
- **Loans,** predominantly being senior secured loans within a range of industries.

FINANCIAL OUTCOMES

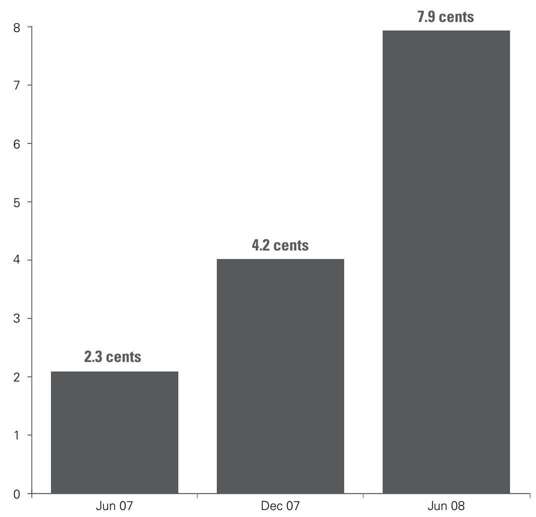
Over the year to 30 June 2008, the key financial outcomes for Keybridge Capital were the following:

- Net profit after tax of $20.8 million.
- Dividends of 11.6 cents per share, fully franked.
- Total investment income of $42 million, representing an average return on investments in excess of 19% per annum.
- Growth in investments from $264 million to $418 million.

NET PROFIT AFTER TAX



EARNINGS PER SHARE



The graphs above relate to six monthly periods.

ECONOMIC ENVIRONMENT

During 2008, Keybridge Capital faced a number of economic headwinds. At the beginning of the year, global debt markets were deteriorating as a result of the downturn in the US subprime home loan market. By September, the outlook for this market prompted the Company to make further significant writedowns in the value of its US securitisation investments. These investments are now carried at a Nil book value.

Given the poor performance from these investments, the Company's profitability in 2008 was satisfying and was achieved because of exceptional returns from the remainder of the investment portfolio.

Conditions in global capital markets continued to deteriorate in the second half of the year. This led to Keybridge Capital's share price falling to a level which is a material discount to the Company's net tangible assets. Whilst ever this circumstance persists, issuance of new equity by the Company will tend to be prohibitively expensive. This underpinned the decision by the Board in July 2008 to suspend the Company's dividend reinvestment plan.

As capital markets have become more difficult, so have refinancing conditions for entities borrowing from banks. Keybridge Capital acted swiftly during the year to extend the maturity date of its own corporate debt facility from December 2009 to June 2011. This was done because we held the view that financing conditions may become even more difficult over the next 12 months.

The difficult conditions in capital and banking markets have coincided with a deteriorating economic outlook for some major economies, most notably that of the United States, as well as with a material increase in the price of oil.

These influences have meant that Keybridge Capital has become even more vigilant in monitoring the performance of its investment portfolio. The diversification of the Company's investments and the variety of risk mitigants within individual transactions mean that we are well positioned to withstand the generally negative economic and market environment. This notwithstanding, the inevitable flow-on effects from this environment necessitate a continuing active approach to investment management.

PROFITABILITY

The Company's 2008 net profit after tax of $20.8 million had the following components:

- **Investment and interest income of $76 million**, driven by an average return on investments of 19.4% per annum. This was a higher return than had been budgeted, and was due to strong earnings across the investment portfolio, with the Company's shipping investments performing particularly well.
- **Provisions of $34 million**, with over 90% of these relating to the writedowns on US securitisations.
- **Borrowing costs of $10.5 million**, representing an average cost of 8.6% per annum on average corporate borrowings of $123 million.
- **Operating costs of $8.3 million**.
- **Income tax of $2.4 million**, which was reduced due to some shipping and infrastructure investments having their income taxed outside Australia.

CAPITAL MANAGEMENT

As at 30 June 2008, Keybridge Capital had available capital of $476 million, comprising contributed equity of $261 million and corporate debt facilities of $215 million.

The Company was successful during the year in extending the term of its committed debt facility and increasing the amount to $215 million. The facility is provided by Commonwealth Bank, BankWest, St. George Bank and National Australia Bank. The key covenants within the facility are minimum tests for interest cover and shareholders' funds and a maximum test for debt as a proportion of assets. There is no minimum market capitalisation covenant.

During the year, the Board took a decision, in response to the uncertainties within financial markets, to maintain a clear buffer of liquidity (being undrawn debt and cash holdings) of at least 5% of the Company's assets. This served to delay some potential growth in the investment portfolio but was judged to be a prudent step in the light of market conditions.

Over the course of 2008, the Company received approximately $60 million of repayments from existing investments. Together with the fact that approximately 75% of the Company's gross income during the year was in the form of cash, this meant that there was a high level of natural liquidity generated by the investment portfolio.

Keybridge Capital's policy is to hedge all material interest rate and currency exposures. The Company has locked-in the bank bill cost on $125 million of its corporate debt at an average rate of 7.19% per annum for an average remaining term of over three years. The majority of the Company's investments are denominated in US dollars, being the currency of the Company's shipping and aircraft transactions. The Company also has renewable energy investments denominated in Euro. The principal investment amount plus the probable income from all foreign currency investments are fully hedged back to Australian dollars.

There are underlying borrowings within the majority of investments undertaken by Keybridge Capital. All such borrowings have no recourse to the Company. This notwithstanding, we monitor these borrowings to ensure their terms are satisfactory for the ongoing positive performance of the investments.

DIVIDENDS

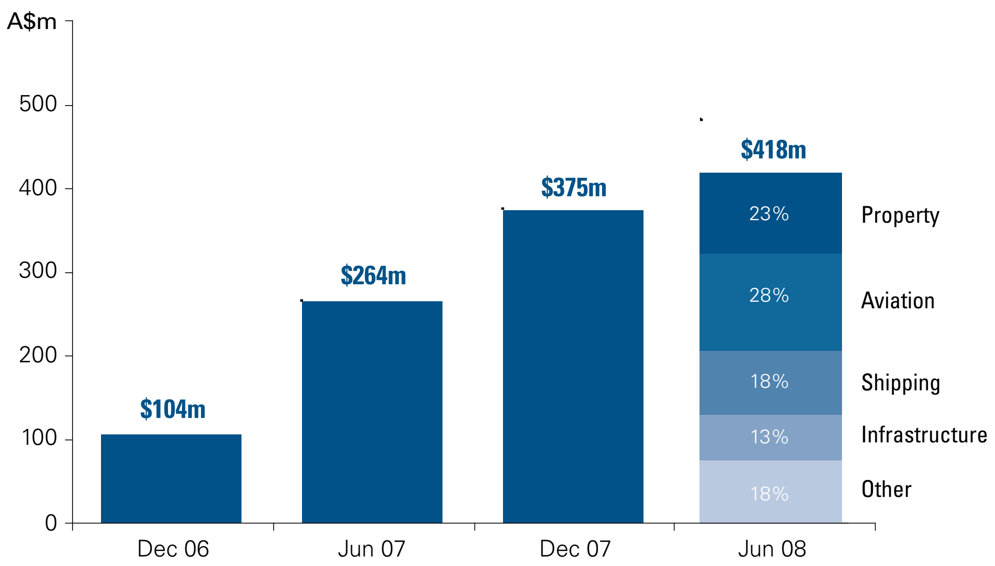
It is the policy of Keybridge Capital to pay six monthly dividends to shareholders which represent a full payout of the Company's net profit after tax.

Some of the Company's offshore investments may give rise to income which is not subject to taxation in Australia. Whilst this will be beneficial to the after-tax earnings of the Company, it may reduce the ability to pay fully franked dividends. If this were to occur, we may consider not distributing as dividends that component of our net profit which cannot be fully franked.

TEAM COMPOSITION

Keybridge Capital has a management team of eleven with a depth of relevant transactional and investment management experience. Stability in the executive team, along with continuity in membership of the Board, has served the Company well over the past year, characterised as it was by an ever-changing market environment.

GROWTH IN INVESTMENTS



RISK MANAGEMENT

As an investor and financier, Keybridge Capital relies for its success on the identification, assessment and management of risks. The Company has established a range of policies and procedures, including an over-arching Transactional Risk Management Policy, which guides the Board and the executive team in their management of the Company. This risk management framework is described in detail on pages 23 to 25 of this Annual Report.

OUTLOOK

The outlook for the Company in the shorter-term is influenced by the prevailing economic environment, which is characterised by:

- Continuing difficult conditions for debt financing;
- Uncertain growth prospects for some major economies;
- A high oil price; and
- Elevated risk aversion amongst equity investors.

This environment calls for ongoing vigilance by the Company in managing its investment portfolio. In general, the balance of supply and demand in the property, aviation, shipping and infrastructure markets in which Keybridge Capital participates is sound. Together with the risk mitigants that the Company has structured into its investments, this provides us with confidence that our investment portfolio can continue to deliver high earnings.

This notwithstanding, we are conscious that uncertainty must attach to any current outlook and, thus, we remain alert to possible changes in market conditions.

Over the past six to nine months, the flow of attractive new investments available to Keybridge Capital has slowed. This is a result of the difficult financing conditions which have made senior bank debt less available for new transactions and the generally uncertain environment, which has slowed decision-making in general. This reduced supply of new transactions may continue to apply for some more months. Eventually, however, the economic environment is likely to provide a financier such as Keybridge Capital with an increased flow of transactions with attractive risk-adjusted returns.

Given this likelihood, the Company has begun developing a funds management platform for its activities. The Company has been successful in obtaining a wholesale funds management license and is progressing discussions with investors to ensure optimal fund design.

In terms of profitability, the Company expects to continue growing its earnings per share over the next 2 to 3 years. Beyond that, we are confident of developing the Keybridge Capital business so that it will grow further in both size and profitability.

Mark Phillips
Managing Director

Board of Directors

IRENE LEE

Appointed Executive Chairman of Keybridge Capital Limited in October 2006.

Irene Lee has an extensive background in the finance industry. Over the past 20 years she has held senior positions in investment banking and funds management in the UK, the US and Australia. Previously, Irene was an executive director of Citicorp Investment Bank, Head of Corporate Finance at Commonwealth Bank of Australia and CEO of Sealcorp Holdings Limited. She was formerly a non-executive director of Record Investments Limited, Mariner Financial Limited, Record Funds Management Limited and Ten Network Holdings Limited.

She is presently a non-executive director of QBE Insurance Group Limited and ING Bank (Australia) Limited. She is also a member of the Takeovers Panel, the Advisory Council of JPMorgan Australia Limited and the Executive Council of the University of Technology Sydney Faculty of Business.

MARK PHILLIPS

Appointed Managing Director of Keybridge Capital Limited in August 2006.

Mark Phillips has over 25 years experience in financial markets with expertise in building and managing portfolios of loans, investments and tradeable instruments and developing new businesses. Prior to joining Keybridge Capital Limited, Mark had been Managing Director of Record Investments Limited for over four years where he played a key role in building the company's market capitalisation from under $200 million to over $1.5 billion. Prior to this, Mark was employed by Commonwealth Bank of Australia for 20 years in various roles, including Chief Dealer – Interest Rate Swaps, Head of Long End Trading, Head of Quantitative Analysis, Head of Equity Finance, Head of Property Finance and Head of Government Finance. He has been a director of Interlink Roads Pty Limited (operator of the M5 Motorway in Sydney) and a director of ASB Bank Limited in New Zealand. Mark joined the Mariner Financial group in March 2006 and was appointed Managing Director of Keybridge Capital on the restructure of the group in October 2006.

IAN INGRAM

Appointed a Non-Executive Director of Keybridge Capital Limited in February 2005.

Ian Ingram is an investment banker with over 25 years experience in international financial markets. He was formerly a Vice President of Morgan Guaranty Trust Company of New York (Morgan) based at different times in Morgan's London, New York and Sydney offices and finally an Executive Director and the Head of Mergers and Acquisitions at JPMorgan Australia Limited based in Sydney.

Ian left Morgan after approximately nine years in 1986 to form his own corporate advisory and investment group, which included Australian Assets Corporation Limited (the former name of Mariner Financial Limited) and Claridge Capital Limited (the former name of Beyond International Limited) both of which are listed on ASX.

Ian is currently Chairman of Beyond International Limited and Sealion Capital PLC as well as Chairman of various private venture capital and investment companies.
Ian is resident in London.

PHILIP LEWIS

Appointed a Non-Executive Director of Keybridge Capital Limited in October 2006.

Philip Lewis has over 25 years experience in law and investment banking. Philip practised law for seven years before undertaking a 17 year career in investment banking at Credit Suisse Group and its predecessor organisations.

At Credit Suisse Group, Philip was instrumental in building the structured debt/asset backed securities business and financial institutions franchise and played a major role in a number of landmark transactions, particularly in the financial services industry. Philip has also participated in merger and acquisition, capital markets and advisory transactions across mining, food, transport, real estate and various other sectors. Philip is a Non-Executive Director of Reedy Lagoon Corporation Limited.

MICHAEL PERRY

Appointed a Non-Executive Director of Keybridge Capital Limited in October 2006.

Michael Perry has over 30 years experience in merchant banking, primarily project financing infrastructure projects in Australia, South East Asia and the UK. He was executive director in charge of project finance at both Capel Court Pty Limited and Citibank Australia, and a non-executive director of the companies formed to develop the Gateway Bridge in Brisbane, the Yulara Township in central Australia and the electricity interconnector between Tasmania and the Australian mainland.

In 1985, he established his own business to advise on such projects as the Sydney Harbour Tunnel and Sydney's M2 Tollway. He has held a number of government posts, such as Chairman of the NSW taskforce to establish guidelines for private sector development of infrastructure and Chairman of the Australian Council for Infrastructure Development.

He has been a Non-Executive board member of the Development Australia Fund and Record Investments Limited. He is currently on the Board of the Irrigation Development Authority of Tasmania and retained by a number of major local and international companies involved in banking, insurance and manufacturing.

Property

In Property, the Company has nine investments – mainly mezzanine loans in commercial and residential projects. The majority of these are located on the Australian eastern seaboard. Two are in Chicago and Manhattan in the United States.

Keybridge Capital and the Board of Directors are committed to achieving and demonstrating the highest standards of accountability and transparency and see the continued development of a cohesive set of corporate governance policies and practice as fundamental to the successful growth of the Company.

To achieve the highest standard of corporate governance, Keybridge Capital has established corporate governance policies and charters. The Company's policies and practices meet the requirements of both the *Corporations Act 2001* (Cth) and the Listing Rules of the Australian Securities Exchange (ASX). In formulating its policies, the Company has endeavoured, as far as practicable, to be consistent with the ASX Principles of Good Corporate Governance and Good Practice Recommendations (ASX Principles).

The following table sets out the relevant ASX Principles:

ASX PRINCIPLE

- **Principle 1** – Lay solid foundations for management and oversight
- **Principle 2** – Structure the Board to add value
- **Principle 3** – Promote ethical and responsible decision-making
- **Principle 4** – Safeguard integrity in financial reporting
- **Principle 5** – Make timely and balanced disclosure
- **Principle 6** – Respect the rights of shareholders
- **Principle 7** – Recognise and manage risk
- **Principle 8** – Remunerate fairly and responsibly

Each of the Company's policies and charters referred to below are publicly available on the Company's website at www.keybridge.com.au

PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Relevant policies and charters

- Board Charter

The Board's primary responsibilities include:

- overseeing the Company, including its control and accountability systems;
- appointing, monitoring and where appropriate, removing the Executive Chairman, Managing Director and senior executives;
- approving management's corporate strategy and performance objectives;
- approving and monitoring the progress of major investments, capital expenditure, capital management, acquisitions and divestitures;
- approving and monitoring financial and other reporting, including the review and approval of the annual and half-yearly financial reports;
- reviewing and ratifying systems of risk management, internal compliance and control and legal compliance to ensure appropriate compliance frameworks and controls are in place; and
- monitoring and ensuring compliance with legal and regulatory requirements, ethical standards and policies and best practice corporate governance requirements.

The Board has delegated to management the responsibility for:

- developing, and upon approval, implementing Board strategies, business plans and annual budgets for the Company;
- managing resources within the budget and reporting performance against budget to the Board;
- day-to-day management and administration of the Company;
- managing the risk and compliance frameworks, including reporting to the Board and the market;
- appointing staff and evaluating their performance and training requirements, as well as developing Company policies to ensure the effective operation of the Company;
- ensuring compliance with applicable laws and regulations; and
- ensuring the Board is given sufficient information to enable it to perform its functions, set strategies and monitor performance.

The Managing Director is responsible for ensuring the responsibilities delegated by the Board are properly discharged by management and for keeping the Board informed on these matters.

The Board has in place procedures to assess the performance of Senior Executives, including the Managing Director. For the Managing Director, this process involves the Remuneration Committee, as well as the Board, reviewing the performance of the Managing Director across a range of key areas including profitability, transaction origination, risk management, financial stability, stakeholder management and team leadership. The review is discussed with the Managing Director and a recommendation developed for Board approval covering base pay, incentive awards, equity awards and terms of engagement. For Senior Executives, the Managing Director reviews each executive's performance across the same key areas, discusses the review with the executive and recommends any change in remuneration to the Remuneration Committee for approval. A performance review of Senior Executives was completed for the period to 30 June 2008 in accordance with this process. Further details regarding the performance review process for Senior Executives are contained in the Remuneration Report at pages 35 to 43.

PRINCIPLE 2 – STRUCTURE THE BOARD TO ADD VALUE

Relevant policies and charters

- Board Charter
- Nomination Committee Charter

The size and composition of the Board are determined by the Board within the parameters set by Keybridge Capital's Constitution which requires that there are no less than three and no more than 10 directors.

At present the Board consists of five directors with an appropriate range of skills, experience and expertise to understand and deal competently with current and emerging business issues. The names of Keybridge Capital's Directors during the financial year, including their respective skills, experience, relevant expertise and term of office are set out on pages 31 to 33.

The Company's Director Tenure Policy, which applies to all Directors except the Managing Director, specifies that no Director may hold office for more than 3 years without re-election by shareholders and that the maximum term for a Director is 10 years (in the absence of exceptional circumstances).

The Board met 22 times during the year. Full details of Directors' attendance at Board and Committee meetings are set out in the Directors' Report on page 34.

The Board has established committees to assist it in carrying out its responsibilities and to consider certain issues and functions in detail. Each committee has its own written charter setting out its role and responsibilities, composition, structure, membership requirements and the manner in which the committee is to operate. The charter, committee structure and composition are reviewed on an annual basis.

Minutes of committee meetings are tabled at the following Board meeting.

Aviation

In Aviation, the Company has five investments, involving predominately mezzanine loans secured by in excess of 60 individual aircraft in the narrow body, wide body and turbo prop segments of the market.

The Board committees are:

- Audit, Finance and Risk Committee (AFRC);
- Remuneration Committee; and
- Nomination Committee.

Details regarding the AFRC are contained in the discussion of ASX Principles 4 and 7. Details regarding the Remuneration Committee are contained in the section covering ASX Principle 8.

Details regarding the Nomination Committee are as follows:

Members and composition	Role
Irene Lee (Chairman) Ian Ingram Philip Lewis Michael Perry Mark Phillips	The primary objective of the Nomination Committee is to review the membership of the Board having regard to present and future needs of the Company and to make recommendations on Board composition and appointments. The Nomination Committee is responsible for: • annually reviewing the Board's role, the processes of the Board and Board Committees, the Board's performance and each Director's performance; • identifying, and recommending to the Board, nominees for membership of the Board, including the Managing Director and re-election of incumbent Directors; • identifying and assessing the necessary and desirable competencies and characteristics for Board membership and regularly assessing the extent to which those competencies and characteristics are represented on the Board; • ensuring succession plans are in place to maintain an appropriate balance of skills on the Board and reviewing those plans; and • if appropriate, recommending the removal of Directors. The Nomination Committee oversees the process for selecting and appointing new Directors. As part of this process, the Nomination Committee considers the potential director's suitability against a range of criteria including whether the potential director: • has the necessary skills, experience and knowledge to perform their duties and responsibilities as a director; • is able to devote the time necessary to perform their duties and responsibilities; • is sufficiently independent; and • is able to work with the other members of the Board.

Board Performance Review

A performance review of the Board, individual Directors and the Board Committees was completed in May 2008. The performance review included the following assessments:

- whether the Directors have satisfied the time requirements necessary for the performance of their functions;
- whether Directors have worked together effectively;
- whether Directors have the necessary skills, experience and knowledge to perform their duties; and
- whether the Board and Board Committees could more effectively review key business and strategic issues.

The performance review was conducted by the Chair of the Remuneration Committee. The findings were discussed with the individual Directors and the Board as whole and the recommendations were then formally adopted by the Board.

Director Independence

The Board assesses each Director against a range of criteria on a case-by-case basis to determine whether they are in a position to be characterised as independent, meaning they can bring, and be perceived to bring, quality judgements, free of bias, to all issues. The Board's specific principles in relation to Director independence include:

- Being free from any business or other relationship which could, or could reasonably be perceived to, interfere materially with the Directors ability to act in the best interests of the Company. Such interference could arise as a result of a Director having been, within the last three years, directly or indirectly:
  - a material supplier or customer of the Company;
  - a principal of a material professional adviser or material consultant to the Company; or
  - employed in an executive capacity by the Company.

  Materiality is assessed on a case-by-case basis having regard to the individual circumstances of each Director.
- Whether a substantial shareholding exists, including where the Director has a relevant interest in shares held by another party. The definition of substantial shareholder for the purpose of this assessment is based on the *Corporations Act 2001* definition which generally sets 'substantial' as a holding of 5% or more of a company's voting shares.

Directors provide the Board with all information regarding interests and relationships which may affect their independence so as to enable the Board to make assessments regarding independence. It is the Company's practice to allow its Directors to accept appointments outside the Company only with the prior approval of the Board.

Ian Ingram was not considered to be independent for part of the year due to his relationship with a substantial shareholder of the Company. Prior to 2 January 2008 Ian Ingram was also a director of Mariner Financial Limited (MFL), which was a substantial shareholder of the Company. He resigned from the Board of MFL on 2 January 2008 and MFL ceased to be a substantial shareholder of the Company on 14 May 2008.

As at the date of this Report, it is the Board's view that each of its Non-Executive Directors is independent in their role of overseeing the general operations of the Company.

Chairman

The Chairman is selected by the Board and is an Executive Chairman. The Chairman's role includes:

- providing leadership to the Board and the Company including promoting the efficient organisation and conduct of the Board's functions;
- facilitating Board discussions to ensure core issues facing the Company are addressed and that the Board considers and adopts strategies designed to meet present and future needs of the Company;
- monitoring the performance of the Board; and
- facilitating the effective contribution and ongoing development of all Directors.

The executive responsibilities of the Chairman of the Board include originating, developing and monitoring strategic partnerships and taking a leadership role in developing specific transactions for investment by the Company.

The appointment of an Executive Chairman does not comply with Recommendation 2.2 of the ASX Principles which state that 'the chairperson should be an independent director.' The Board believes that its non-compliance with this recommendation is in the best interests of all its shareholders. The Company has structured its Board to ensure it can exercise independent judgement in relation to business dealings through:

- adopting and implementing processes to manage any conflicts of interest that may arise through the Code of Corporate Conduct and Board Charter; and
- ensuring that the majority of Directors are Independent Non-Executive Directors.

In addition, the independent directors have the express ability to appoint one of their number as a "lead independent director" to monitor and report to them on issues falling within the normal purview of a non-executive chairman. The lead independent director will chair any Board meeting or parts of Board meetings where the Executive Chairman is absent or where she has absented herself due to a conflict of interest. During the period to 30 June 2008, on the one occasion when a lead independent director was called for (refer Board Performance Review above), Philip Lewis was appointed.

The Board believes that it is in the best interests of the Company that Irene Lee be an Executive Chairman given her skills, expertise, reputation and business relationships with transaction partners.

Indemnity, access to information and independent professional advice

The Directors may access any information they consider necessary to fulfil their responsibilities. This information includes access to:

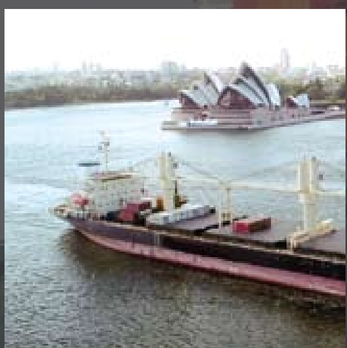
- management to seek explanations and information; and
- external auditors to seek explanations and information from them without management being present.

Directors and Board committees have the right, in connection with their duties and responsibilities, to seek independent professional advice at the Company's expense.

Information in relation to indemnity and insurance arrangements for Directors and Officers of the Company is contained on page 34 of this Annual Report.

Shipping

In Shipping, the Company has five investments secured by 25 vessels in the wet and dry bulk cargo sectors.



PRINCIPLE 3 – PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

Relevant policies and charters

- Corporate Code of Conduct
- Code of Conduct for Directors and Senior Executives
- Share Trading Policy
- Related Party Policy
- Communications and Continuous Disclosure Policy

Code of Conduct

Keybridge Capital has developed a number of policies to ensure that the Company is mindful of and complies with the guidelines for ethical and responsible decision-making. Those policies require that, at all times, all Keybridge Capital personnel act with the utmost integrity and objectivity and in compliance with the letter and the spirit of the law, the ASX Principles and Company policies.

The Company's over-arching policy is its Corporate Code of Conduct. Below this, the Company's Code of Conduct for Directors and Senior Executives serves to articulate the high standards of honesty, integrity and ethical and law-abiding behaviour expected of people in positions of influence.

Key issues addressed in the Corporate Code of Conduct include:

Corporate mission	The Company's mission is to create long-term value for its shareholders by being one of the most respected asset-backed financiers in Australia. Key elements in achieving this mission include: • sustainable increases in earnings per share; • managing risk to achieve earnings consistency; • maintaining strong relationships with key stakeholders; • ensuring ongoing financial stability; and • attracting and retaining a high quality team.
Responsibility to shareholders and investors	The Company seeks to: • provide superior returns to shareholders and investors, relative to the risks being assumed; • serve and protect the long term interests of its shareholders and investors; • communicate openly, honestly and on a timely basis with its shareholders and the financial markets generally; and • ensure that financial disclosure to shareholders and other investors is based on best practice and complies with all relevant laws, regulations and rules.
Honesty and fairness	The Company will act honestly and fairly in all of its dealings. This includes: • honouring contractual commitments; • avoiding profiting from situations in which it has a conflict of interest; • where conflicts of interest arise, the Company using its best endeavours • to ensure disclosure to all relevant parties; and • the Company and its employees not offering or accepting bribes or secret commissions.

Key issues addressed in the Corporate Code of Conduct include: *(continued)*

Regulatory compliance	The Company does, and will continue to, comply with all relevant laws, regulations and rules governing its activities in Australia and other jurisdictions in which it may operate.
Responsibilities to the individual	The Company seeks to ensure that: • employment practices are consistent with market practice and all relevant employment laws, regulations and rules; and • privacy of employees is respected and any confidential or privileged employee information in its possession is not misused.
Compliance	It is expected that Senior Executives and other employees will report promptly, and in good faith, any actual or suspected violation of the standards, requirements or expectations set out in the Corporate Code of Conduct and encourage others to do the same. The Code requires that all reports of any violation or unethical behaviour must be investigated thoroughly, the rules of natural justice are observed and appropriate disciplinary action is taken if an allegation is substantiated.

Senior Executives and other employees receive training which assists to ensure that they remain aware of the Company's policies and practices and their ongoing responsibilities.

Trading in Company Securities

The purchase and sale of Keybridge Capital securities by Directors, senior executives and employees is only permitted during the calendar month following the release of the half-yearly and annual financial results to the market and following the Annual General Meeting, or where there is a product disclosure statement or a prospectus on issue in respect of the securities. Furthermore, trading in Keybridge Capital securities is only permitted where the individual:

- does not possess materially price sensitive information regarding the Company which has not yet been made public; and
- has first informed the Chairman or Managing Director or, in the case of the Chairman, the Chair of the AFRC.

The Company's Share Trading Policy also sets out the Company's position regarding hedging of vested and unvested Keybridge Capital securities. The Policy provides that:

- Directors and Senior Executives are prohibited from entering into hedging transactions in relation to securities that have not yet vested, or that are held subject to a holding lock or restriction on dealing under an employee share plan operated by the Company;
- clearance must be obtained from an approving officer prior to entering into a hedging transaction in relation to vested securities; and
- notification of any hedging transaction must be made in accordance with the Policy.

The Share Trading Policy prohibits the Company's Directors from providing Keybridge Capital shares as security for borrowings.

In addition to addressing dealings in Keybridge Capital securities, the Share Trading Policy provides that Directors and employees may only purchase or sell securities of another listed entity if he or she does not have information that he or she knows, or ought reasonably to know, is inside information in relation to those securities.

The Directors are satisfied that the Group has complied with its policies on ethical standards, including trading in securities.

Infrastructure

In Infrastructure, the Company has five investments, mainly in renewable energy. They include two solar farms in Spain, a wind farm in Germany and loans to a water business in the United States and a pipeline company in Australia.

PRINCIPLE 4 – SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

Relevant policies and charters

- Audit, Finance and Risk Committee Charter
- Selection and Appointment of External Auditor

The Board has established an Audit, Finance and Risk Committee (AFRC). The members, composition and role of the AFRC are as follows:

Members and composition	Role
Michael Perry (Chairman) Ian Ingram Philip Lewis	The primary objective of the AFRC is to assist the Board achieve its corporate governance and oversight responsibilities in relation to financial risk management, application of accounting policies, internal control and risk management systems, external financial reporting and legal and regulatory compliance. The Committee is required to consist of: • members who have appropriate financial expertise; and • members who have a working knowledge of the financial services industry in which the Company operates. The Chairman of the Board is precluded from being the chairman of the AFRC. Specifically, the role of the AFRC includes: • maintaining and improving the quality, credibility and objectivity of the financial reporting process; • assessing the appropriateness and application of the Company's accounting policies and principles so that they accord with the applicable financial reporting framework; • monitoring the Company's financial management, including management of the Company's funding, hedging, liquidity and insurance coverage; • reviewing the framework for management of the Company's transactional risks, including concentration exposures and the manner in which transaction-based decisions are made; • providing a forum for communication between the Board, external auditor and senior executives; • ensuring effective communication between the Board and the external auditors; • reviewing the independence and performance of the external auditor and providing them with confidential access to the Non-Executive members of the Board and to attend AFRC meetings; and • recommending to the Board the appointment, removal and remuneration of the external auditor, and reviewing the terms of its engagement and the scope and quality of the audit.

In fulfilling its responsibilities, the AFRC receives regular reports from management and the external auditor and meets separately with the external auditor at least twice a year without the presence of management.

The AFRC has authority, within the scope of its responsibilities, to seek any information it requires from any employee or external party.

Further information on the qualifications of each AFRC member are set out in the Directors' Report on pages 31 to 33.

Management sign-off on financial reports

Consistent with their obligations under section 295A of the Corporations Act, the Managing Director and Chief Financial Officer provide formal statements to the Board confirming that Keybridge Capital's financial reports present a true and fair view, in all material aspects, of the Company's financial position and performance and have been prepared in accordance with all relevant accounting standards.

External Auditor

The Company's policy is to appoint an external auditor that clearly demonstrates experience, quality and independence.

KPMG has been the external auditor since 18 October 2005.

The performance of the external auditor is reviewed annually. In addition, the AFRC will periodically invite the incumbent auditor and other top tier audit firms to submit proposals for the provision of statutory audit, taxation and GST services to the Company. The AFRC will assess proposals on the basis of the firms' understanding of the Company's business and its needs, their capacity for proactive and positive contribution to the efficiency and effectiveness of Keybridge Capital's business operations and the demonstrated knowledge and teamwork of the audit team.

The Company sought such proposals in July 2007 and, following assessment of the proposals, reaffirmed KPMG as auditor.

The Company complies with auditor rotation requirements. The lead partner of KPMG for the Company's audit will rotate from the audit team after the June 2010 audit.

An analysis of fees paid to the external auditor, including a breakdown of fees for non-audit services, is provided in Note 30 to the financial statements. It is the policy of the external auditor to provide to the AFRC an annual declaration of its independence. The external auditor will also attend the Annual General Meeting and will be available to answer shareholder questions about the conduct of the audit and the preparation and content of the Auditor's Report.

PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE

Relevant policies and charters

- Communications and Continuous Disclosure Policy

The Company has a continuous disclosure policy to ensure compliance with the continuous disclosure requirements of the ASX and the *Corporations Act 2001*. The policy requires timely disclosure of any information concerning the Company and its controlled entities that a reasonable person would expect to have a material effect on the price of the Company's securities, subject only to the exclusions identified in the ASX Listing Rules.

The Managing Director and the Company Secretary have been appointed as the persons responsible for communications with the ASX. This role includes responsibility for overseeing and coordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the public.

Directors receive copies of all announcements released to the ASX and copies of the announcements are posted to Keybridge Capital's website.

PRINCIPLE 6 – RESPECT THE RIGHTS OF SHAREHOLDERS

Relevant policies, charters and updates
- Board Charter
- Communications and Continuous Disclosure Policy

Keybridge Capital is committed to providing shareholders and the market with timely information on the Company's investments and financial performance. It does this by:

- continuously reporting developments through the ASX companies' announcements platform;
- reporting through a quarterly investment update, half yearly financial reports and the Annual Report;
- releasing all Company announcements, media briefings, details of Company meetings, press releases and financial reports on the Company's website;
- encouraging shareholder participation at the Annual General Meeting and other general meetings and allowing adequate time to address any queries or questions put by shareholders; and
- requiring the attendance of the external auditor at the Annual General Meeting and to be available to answer questions concerning the conduct of the audit and the preparation and content of the Auditor's Report.

PRINCIPLE 7 – RECOGNISE AND MANAGE RISK

Relevant policies and charters
- Board Charter
- Audit, Finance and Risk Committee Charter
- Risk Management Policy
- Financial Management Policy
- Transactional Risk Management Policy

As an investor and financier, Keybridge Capital relies on the identification, assessment and management of risks for its success.

Risk management systems

The Board is responsible for overseeing the implementation of, and ensuring there are adequate policies in relation to, the Company's risk management, compliance and control systems. These systems require management to be responsible for identifying and managing the Company's material business risks.

The Company's policies aim to ensure that material financial and non-financial risks facing the Company, and within individual investments, are identified, analysed and evaluated and that active processes are in place for the management and reporting of these risks.

Division of Risk Management Functions

Board of Directors

In relation to risk management, the Board's responsibilities include:

a) overseeing the Company, including its control and accountability systems;
b) approving and monitoring the progress of major investments, acquisitions and divestments;
c) reviewing and ratifying systems of risk management, internal compliance and control and legal compliance to ensure appropriate compliance frameworks and controls are in place; and
d) monitoring and ensuring compliance with legal and regulatory requirements and ethical standards and policies.

In addition, the Board has primary approval discretion over each investment made by the Company. It also reviews and approves all of the Company's policies recommended by the Audit, Finance and Risk Committee.

Audit, Finance and Risk Committee (AFRC)

In relation to risk management, the AFRC's responsibilities include:

a) overseeing the establishment and implementation of risk management and internal compliance and control systems and ensuring there is a mechanism for assessing the efficiency and effectiveness of those systems;
b) approving and recommending to the Board for adoption policies and procedures on risk oversight and management to establish an effective and efficient system for:
   – identifying, assessing, monitoring and managing risk; and
   – regularly reviewing and updating the risk profile and disclosing any material change;
c) assessing the adequacy of the internal risk control system with Management and the external auditors;
d) monitoring the effectiveness of the internal risk control system; and
e) ensuring the risk management system takes into account all material risks.

Further details on the AFRC are included under ASX Principle 4.

Management reporting on risk

Management reporting on risk operates on a number of levels.

Keybridge Capital has appointed a Chief Investment Officer (CIO) to oversee Management's risk reporting to the Board and AFRC. The CIO's role includes reviewing the operational performance of the Company's investments and transaction partners. This role acts as an internal audit function.

All reports to the Board on strategic, operational and investment issues include an assessment by Management of the material risks, to ensure that the Board is in a position to make fully-informed business judgements. Proposed new investments are analysed and developed initially by Keybridge Capital's deal team, CIO, Chief Financial Officer and Managing Director. For investments of a material size, a detailed investment evaluation report is then presented to the Board, which considers the potential investment prior to any commitment being made.

In addition, the Board receives regular reports from Management on the quality of the Company's investment portfolio. Management also provides the Board with assessments of the Company's strategic transaction partners, as well as dedicated risk management updates addressing the material business risks facing the Company and the extent to which these are being managed effectively.

The Board reviews the Company's risk management policies and procedures on an annual basis and where necessary modifies these to promote ongoing improvements in the Company's business model and risk management practices.

The Board also receives written certifications from the Managing Director and the Chief Financial Officer in relation to the Company's financial reporting processes. For the 2008 financial year, the Managing Director and Chief Financial Officer certified that the declaration provided in accordance with section 295A of the Corporations Act in respect of the Consolidated Financial Report for the year ended 30 June 2008 is founded on a sound system of risk management and internal control and the system is operating effectively in all material respects in relation to financial reporting risks.

Examples of business risks

Examples of specific business risks, and the processes Keybridge Capital has in place to manage these risks, include the following:

Type of risk	Method of management
Strategic Risk	Strategic risk is managed through: • the Board retaining final approval for all strategic investments, new business activities and most transactional exposures; • regular reports from Management concerning anticipated changes in the economic and business environment, the quality of the investment portfolio and the Company's capital and cash flow position; • Management ensuring a diversity of transactional sources and open and productive relationships with stakeholders, including transaction originators; and • recognition that KBC has and, for some time into the future, will have a small number of experienced executives and ensuring that employment practices support and encourage continuity of employment of key executives and Board members.
Credit Risk	Keybridge Capital has a process for assessing and monitoring credit risk in its investments and across the investment portfolio. This process is outlined in detail in the Company's transactional risk management policy and includes guidelines for: • Investment timeframe; • Portfolio concentration (by individual asset, counterparty, industry sector and location); • Approval authorities; • Risk identification, analysis and evaluation; • Due diligence; and • Transaction monitoring and review. The Board has primary approval discretion over each investment made by the Company and receives regular reports on the quality of the Company's investment portfolio and also receives assessments of the Company's strategic transaction partners.
Market Risk	Keybridge Capital's policy is to hedge, where practicable, all material currency and interest rate risk. This includes: • maintaining dealing lines with a minimum of two banks covering forward foreign exchange and interest rate derivatives (forward rate agreements and swaps); and • Management having a clearly defined process for approving, recording and documenting all hedging transactions.
Liquidity Risk	• Cash flow forecasts, including anticipated new investments, asset sales and foreign currency movements, are maintained for a minimum forecast period of 12 months and reported to the AFRC; and • Liquidity of at least $5 million is maintained to cover unexpected contingencies.
Financial Reporting	• A 12 month budget and three year financial outlook are approved annually by the Board; and • Actual financial results are collated monthly, compared to the approved budget and reported regularly to the Board.

Further details of the Company's risk management framework are set out in Note 24 to the financial statements.

PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY

Relevant policies and charters

- Remuneration Committee Charter

The Board has established a Remuneration Committee to assist it develop a remuneration strategy that seeks to:

- maintain alignment with the short and long term interests of shareholders; and
- be competitive so that the Company is able to retain and attract talented people who are key to delivering sustained profitable growth for the Company.

Members and composition	Role
Philip Lewis (Chairman) Ian Ingram Michael Perry	The primary objective of the Remuneration Committee is to advise the Board on remuneration policies and practices of the Company including: • the remuneration packages and other terms of employment for Senior Executives; and • the remuneration and retirement policies for Non-Executive Directors.

The structure and details of the remuneration paid to Directors and Senior Executives during the period are set out in the Remuneration Report on pages 35 to 43 of this Annual Report and Note 25 to the financial statements on page 84 to 86 of this Annual Report.

Financial Statements

Your Directors present their report on the Group consisting of Keybridge Capital Limited and controlled entities (the "Group") for the year ended 30 June 2008 and the independent auditors' report thereon.

DIRECTORS

The Directors of the Company at the date of this Report are:

Executive Directors

Irene Lee (Chairman)
Mark Phillips (Managing Director)

Non-Executive Directors

Ian Ingram
Philip Lewis
Michael Perry

PRINCIPAL ACTIVITIES

Keybridge Capital invests in, or lends to, transactions backed by real assets, financial assets or cash flows. The main asset classes are property, aviation, shipping and infrastructure, with infrastructure focusing principally on renewable energy.

DIVIDENDS – KEYBRIDGE CAPITAL LIMITED

Dividends paid to shareholders during the financial year were as follows:

Final ordinary dividend for the year ended 30 June 2007	2.3 cents
Interim ordinary dividend for the six months ended 31 December 2007	4.0 cents
	6.3 cents

Since the end of the financial year the Directors have recommended the payment of a final ordinary dividend of 7.6 cents per fully paid share to be paid on 25 September 2008 out of retained profits available to the Company at 30 June 2008. Together with the interim dividend for the 2008 financial year, the total dividends to shareholders for the year to 30 June 2008 is 11.6 cents per share, up from a total of 2.3 cents per share paid for the year to 30 June 2007.

The Company's dividend policy is to distribute approximately 100% of net profit after tax to shareholders. The Company is subject to the Australian corporate income tax rate of 30% and expects to generate franking credits to pay dividends that are franked (either partially or wholly).

REVIEW OF OPERATIONS AND RESULTS

For the purposes of this review, results for the consolidated entity are compared to the prior comparable period. Keybridge Capital changed its business focus to being an investor in finance transactions on 26 October 2006. As a result, the twelve months to 30 June 2007 includes only eight months of comparable investment activity. Prior period comparisons should be considered in this context.

The Group's net profit after tax attributable to ordinary equity holders for the year to 30 June 2008 was $20.8 million, an increase of $16.7 million on the prior corresponding period. Basic and diluted earnings were 12.16 cents per share and 12.12 cents per share, respectively.

A summary of the consolidated revenues and results of the Company for the year ended 30 June 2008 is set out below:

	2008 $ millions	2007 $ millions
Investment & Interest Income[1]	73.1	17.6
Net Gain on embedded upsides	2.8	4.7
Impairment provision	(33.9)	(10.4)
Total Income	42.0	11.9
Operating Expenses	(8.3)	(4.7)
Earnings before Interest and Tax	33.7	7.2
Borrowing Costs	(10.5)	(1.8)
Profit before Tax	23.2	5.4
Income Tax Expense	(2.4)	(1.3)
Net Profit After Tax	20.8	4.1
Average Investment Balances	371.9	158.0
Average Return on Investments (per annum, pre impairment provision for US Securitisation investments)	19.4%	21.3%
Average Borrowings	122.7	20.7
Average Cost of Borrowing	8.6%	7.4%

[1] Includes equity accounted profits and fees

Total income for the year ended 30 June 2008 increased by $30.1 million over the prior corresponding period to $42.0 million. The components of income were interest, fee and dividend income on investments of $54.3 million, gains from sale of investments of $12.4 million, recognition required under Australian accounting standards of equity upsides in investments of $2.8 million and net gains of $6.4 million arising in the normal course of business due to changes in exchange rates in relation to fully hedged foreign currency investments. The overall result was negatively impacted by the inclusion of impairment allowances totalling $33.9 million, of which $30.9 million related to investments in US Securitisation instruments, which now have a book value of Nil.

Operating expenses (excluding financing costs) increased by $3.6 million to $8.3 million compared to the previous corresponding period. Financing costs totalled $10.5 million for the year ended 30 June 2008 compared to $1.8 million for the prior corresponding period, reflecting the increased use of the Company's debt facilities.

Investments

	2007 $ millions	2008 $ millions	2008 % of Total
Investments at 30 June			
Property	36	98	23%
Aviation	51	118	28%
Shipping	57	73	18%
Infrastructure	23	54	13%
Natural Resources	32	22	5%
Other	65	53	13%
	264	418	100%

Keybridge Capital's portfolio of investments grew strongly during the year ended 30 June 2008, with this growth being spread across the main assets classes and the average investment size increasing to $13.5 million (2007: $10 million).

Average investments in the year to 30 June 2008 were $372 million. The average return on investments across the portfolio, excluding provision against US Securitisation investments, was 19.4% pa. Changes in investments made during the year included:

- In Property, the Company made five new investments bringing total transactions in this sector to nine. The majority involve commercial and residential projects located on the Australian eastern seaboard. Two are in the United States in Chicago and Manhattan. One property investment was repaid in full during the year.
- In Aviation, the Company made three new investments. The Company now has five separate investments, involving predominantly mezzanine loans secured by in excess of 60 individual aircraft. These aircraft are spread across the narrow body, wide body and turbo prop segments of the market.
- In Shipping, two new investments were made during the year. In total, the Company now has five separate shipping investments secured by 25 vessels in the wet and dry bulk cargo sectors. During the year two shipping investments were fully repaid.
- In Infrastructure, the Company increased its investments in renewable energy with two new investments in solar farms in Spain and an investment in a water business in the United States. This brings the Company's Infrastructure investments to five.
- In Natural Resources, no new investments were made and one loan was repaid in full.
- The Other segment of the investment portfolio now comprises six investments spread across a range of industries. During the year, the Company reduced the value of its investments in seven US securitisation programs to a book value of Nil. Cash distributions totalling $3.7million were received from these investments during the year.

It is a feature of Keybridge Capital's operations that it maintains an investment portfolio that has a range of maturities typically from six months to five years which contributes to the ongoing availability of cash flow to the Company. In the year ending 30 June 2008, investments totalling $57 million were repaid.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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.

No other significant change has occurred during the year ended 30 June 2008.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

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 of operations and results.

ENVIRONMENTAL REGULATION

The operations of the consolidated entity are not subject to any particular or significant environmental regulation under Commonwealth, State or Territory Law.

INFORMATION ON DIRECTORS

IRENE LEE

BA, Smith College, Massachusetts, USA; Barrister-at-Law, Honourable Society of Gray's Inn, London

Experience and Expertise

Irene Lee has an extensive background in the finance industry. Over the past 20 years she has held senior positions in investment banking and funds management in the UK, the US and Australia.

Other Current Directorships

QBE Insurance Group Limited
ING Bank (Australia) Limited

Former Directorships in Last Three Years

Mariner Financial Limited
Record Investments Limited
Record Funds Management Limited
Ten Network Holdings Limited

Special Responsibilities

Executive Chairman of Keybridge Capital Limited
Chairman of the Nomination Committee

Interests in Shares and Options

1,675,414 Direct (of which 1,000,000 were issued under the Director and Employee Share Scheme)
1,075,000 Indirect

MARK PHILLIPS

BComm (Honours), MComm, University of New South Wales

Experience and Expertise

Mark Phillips has over 25 years experience in financial markets with expertise in building and managing portfolios of loans, investments and tradeable instruments and developing new businesses.

Other Current Directorships

Nil

Former Directorships in Last Three Years

Mariner Financial Limited
Record Investments Limited
Record Funds Management Limited

Special Responsibilities

Managing Director of Keybridge Capital Limited
Member of the Nomination Committee

Interests in Shares and Options

3,038,000 Direct (of which 3,000,000 were issued under the Director and Employee Share Scheme)
415,149 Indirect

IAN INGRAM

BA, University of New South Wales; BSc (Econ) (Honours), University of London; Barrister-at-Law, Honourable Society of Lincoln's Inn, London

Experience and Expertise

Ian Ingram is an investment banker with over 25 years experience in international financial markets.

Other Current Directorships

Beyond International Limited
Sealion Capital Plc

Former Directorships in Last Three Years

Mariner Retirement Solutions Limited
Mariner Financial Limited

Special Responsibilities

Member of the Audit, Finance and Risk Committee
Member of the Remuneration Committee
Member of the Nomination Committee

Interests in Shares and Options

200,000 Direct (issued under the Director and Employee Share Scheme)

PHILIP LEWIS

BEc, LLB, Sydney University

Experience and Expertise

Philip Lewis has over 25 years experience in law and investment banking. Philip practised law for seven years before undertaking a 17 year career in investment banking at Credit Suisse Group and its predecessor organisations.

Other Current Directorships

Reedy Lagoon Corporation Limited

Former Directorships in Last Three Years

Nil

Special Responsibilities

Member of the Audit, Finance and Risk Committee
Chairman of the Remuneration Committee
Member of the Nomination Committee

Interests in Shares and Options

337,084 Direct (of which 200,000 were issued under the Director and Employee Share Scheme)
198,011 Indirect

MICHAEL PERRY

BComm, University of New South Wales

Experience and Expertise

Michael Perry has over 30 years experience in merchant banking, primarily in the project financing of infrastructure projects in Australia, South East Asia and the UK.

Other Current Directorships

Irrigation Development Authority (Tasmanian Government statutory authority)

Former Directorships in Last Three Years

Record Investments Limited
Development Australia Fund

Special Responsibilities

Chairman of the Audit, Finance and Risk Committee
Member of the Remuneration Committee
Member of the Nomination Committee

Interests in Shares and Options

200,000 Direct (issued under the Director and Employee Share Scheme)
535,715 Indirect

COMPANY SECRETARY

The company secretary is Karen Penrose, who was appointed to the position on 10 November 2006. Karen also holds the position of Chief Financial Officer. Before joining Keybridge Capital Limited in 2006, Karen worked with Commonwealth Bank of Australia for 10 years and, prior to this, worked with Leighton Holdings Limited and HSBC Bank Australia Limited.

INDEMNITIES AND INSURANCE

In addition to the amounts disclosed for remuneration of Directors and Key Management, Keybridge Capital pays a premium each year in respect of Directors and Officers' insurance. In accordance with normal commercial practice, disclosure of the premium payable under, and the nature of the liabilities covered by, the insurance contract is prohibited by a confidentiality clause in the contract.

MEETINGS OF DIRECTORS

In addition to scheduled meetings of the Board, the Company has an Audit, Finance and Risk Committee, Remuneration Committee and Nomination Committee. The number of meetings of the Board of Directors and of each Committee held during the year ended 30 June 2008, and the number of meetings attended by each Director were:

	Number of Meetings Attended	Number of Meetings Held During the Time the Directors Held Office During the Financial Year
Board		
Irene Lee – Chairman	22	22
Mark Phillips	22	22
Ian Ingram	20	22
Philip Lewis	22	22
Michael Perry	19	22
Audit, Finance and Risk Committee		
Michael Perry – Chairman	4	4
Ian Ingram	4	4
Philip Lewis	4	4
Remuneration Committee		
Philip Lewis – Chairman	2	2
Ian Ingram	2	2
Michael Perry	2	2
Nomination Committee		
Irene Lee – Chairman	2	2
Mark Phillips	2	2
Ian Ingram	2	2
Philip Lewis	2	2
Michael Perry	2	2

REMUNERATION REPORT

This Remuneration Report has been prepared in accordance with section 300A of the Corporations Act, associated regulations and Australian Accounting Standard AASB 124 Related Party Disclosures. The Remuneration Report has been audited by the Company's Auditor.

The Board is focused on delivering a high standard of disclosure in a clear and comprehensive document. This Report aims to reflect that commitment to shareholders.

The Report provides details of the remuneration arrangements for the following Key Management Personnel* of the Group and the Company for the 2008 financial year:

Chairman and Non-Executive Directors

Name	Position
Irene Lee	Executive Chairman
Ian Ingram	Independent Non-Executive Director
Philip Lewis	Independent Non-Executive Director
Michael Perry	Independent Non-Executive Director

Senior Executives (including Managing Director)

Name	Position
Mark Phillips	Managing Director
Ian Pike	Chief Investment Officer
Karen Penrose	Chief Financial Officer

* Key Management Personnel are those directors and executives with authority and responsibility for planning, controlling and directing the affairs of Keybridge Capital, and include the highest paid executives of the Company and Group in accordance with section 300A of the Corporations Act.

REMUNERATION POLICY

Remuneration Strategy

The Board determines a remuneration strategy that seeks to meet the best interests – both short-term and long-term – of shareholders.

Accordingly, the Board has developed the Company's remuneration arrangements with a view to:

- maintaining alignment with shareholders' interests; and
- ensuring remuneration remains competitive to retain and attract talented people who are key to delivering sustained profitable growth for the Company.

Specifically, the Remuneration Policy involves annually-reviewed fixed fees for the Chairman and Non-Executive Directors and both fixed and at-risk elements for Senior Executives, including the Managing Director. The Chairman and Non-Executive Director fees are set to secure appropriately-qualified shareholder representatives on the Board, while the remuneration structures for Senior Executives are designed to attract and retain a management team capable of managing the Group's investments and achieving its strategic objectives.

Overview of Remuneration Structure

An overview of Keybridge Capital's approach to remuneration is as follows:

	Executive Chairman and Non-Executive Directors	Senior Executives, including the Managing Director
Fixed remuneration		
Fees	Yes	No
Salary	No	Yes
Superannuation	Yes[a]	Yes
Retention	Yes[b]	Yes[b]
Other Benefits	Yes[c]	Yes[c]
At-risk remuneration		
Incentives:		
Short-term	No	Yes
Long-term	No	No[d]
Termination benefits		
Termination payments to former executives	No	Yes

(a) The Executive Chairman and Non-Executive Directors have the right to elect to salary sacrifice a portion of their fees towards superannuation payments.
(b) The Directors and Senior Executives received equity-based retention grants under the Director and Employee Share Scheme in connection with the Company's change of strategy in October 2006. These shares were acquired on the terms outlined on page 39 in this Annual Report, and are subject to service-based vesting restrictions.
(c) Other benefits include car parking and costs associated with services related to employment (inclusive of applicable fringe benefits tax)
(d) The Company is considering introducing a further share-based component of Senior Executive remuneration for the year to 30 June 2009 for which the structure and terms are yet to be decided.

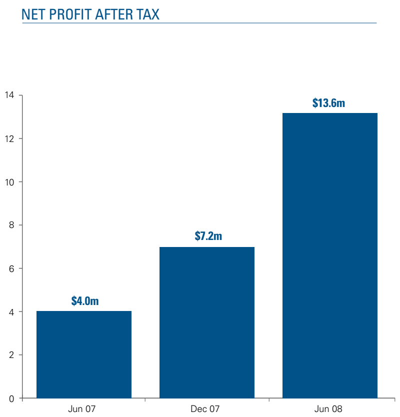
Each of these elements of remuneration is explained in further detail in the sections below.

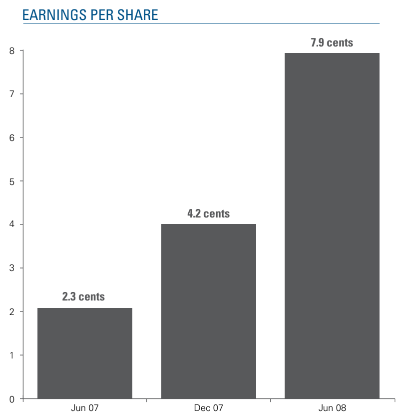
COMPANY PERFORMANCE

Linking Executive Remuneration to Company Performance

The Directors of Keybridge Capital understand that linking executive remuneration to Company performance is a driver of performance. Since the Company adopted a new business strategy and raised equity in late 2006, it has delivered consistent growth in returns to shareholders.

The Company's results for the 2008 financial year show growth in profitability and earnings per share.





The graphs above relate to six monthly periods.

In addition, the following fully franked dividends have been or will be paid:

- 2.3 cents per share paid on 14 September 2007
- 4.0 cents per share paid on 19 March 2008
- 7.6 cents per share will be paid on 25 September 2008

Consistent with the steady growth in performance, the level of Senior Executives' (including for the Managing Director) remuneration has increased over this period.

The Directors of Keybridge Capital consider that a variety of factors, including the broad economic environment, market sentiment and financial performance, contribute to a company's share price. As a result, Keybridge Capital's executive remuneration, excluding the retention-based reward, is linked to the Company's financial performance, rather than the Company's share price which has been:

Date	per Ordinary Share
26 October 2006	$2.23
29 June 2007	$2.35
2 July 2007	$2.31
30 June 2008	$0.68

SENIOR EXECUTIVE REMUNERATION (INCLUDING FOR THE MANAGING DIRECTOR)

Purpose and Approach

Keybridge Capital's remuneration is market competitive and aims to attract, retain and motivate high calibre employees who contribute to the sustained profitable growth of Keybridge Capital's business with a mix of 'fixed' and 'at-risk' elements.

The purpose of at-risk reward is to make a significant contribution to the total reward package subject to meeting various targets linked to Keybridge Capital's business objectives, avoiding an alternative scenario of no incentives and much higher fixed remuneration in lieu. An incentivised reward structure is necessary as a competitive package in the Australian and global marketplace for executives. Incentives are designed to focus and motivate employees to achieve outcomes beyond the expectation of normal professional competence. Although discretionary, the at-risk reward opportunity is designed to equal approximately 50% of the total remuneration for Senior Executives, where performance is in line with a stretched set of expectations.

Remuneration is reviewed annually. In reviewing each executive's salary, consideration is given to external competitiveness, position responsibilities and individual skills and experience. An adjustment was made to remuneration levels in the 2008 financial year for Senior Executives, excluding the Managing Director, to ensure that Keybridge Capital retains the skills and talents of its Senior Executives by remaining competitive with companies against which it competes for people. As a result, fixed pay levels were raised.

For 2008, the at-risk component of Senior Executive remuneration comprised a short-term incentive, based on annual performance targets and delivered in the form of cash. For the 2009 financial year, the Company is considering introducing an additional component of at-risk remuneration, to be delivered in the form of equity. Whilst the form of the new grants has not yet been determined, it is intended that any shares granted will vest over multiple years as an additional incentive for Senior Executives to focus on achieving sustained returns to shareholders.

Fixed Remuneration

The fixed element provides a regular base remuneration that reflects the applied professional competence of each Senior Executive according to his/her knowledge, experience and accountabilities.

Senior Executives' fixed remuneration comprises salary and other benefits (including statutory superannuation contributions) that may be taken in an agreed form, including cash, leased motor vehicles, additional superannuation and computers, provided that no extra cost is incurred by the Company.

At-Risk Performance-Based Reward

The Short-Term Incentive (STI) is an annual at-risk cash reward opportunity, based on performance against financial and business-specific targets.

The Board approves realistic but challenging targets for the Managing Director at the outset of the financial year and assesses performance against those goals at the end of the year. The Managing Director assesses the business performance of the management team continually throughout the year, including a semi-annual formal review, for progress and improvement, to arrive at a summary appraisal at year-end, for approval by the Remuneration Committee. As a higher-level review, the Board also reflects on the performance of the management team who report directly to the Managing Director, with a view to understanding, endorsing and/or discussing individual circumstances and potential.

For the 2008 financial year, STI performance targets for Senior Executives were based on the Group targets of net profit after tax (NPAT), investment levels, risk mitigation, financial stability and stakeholder management and also on position-specific targets. These targets were selected on the basis that Keybridge Capital has, and is likely to have for sometime, a small number of experienced executives and ensuring that employment practices support and encourage continuity of team engagement with sustained and profitable growth of the Company.

In addition, in light of the negative impact of investments in US Securitisations (which now have a book value of Nil), 20% of the STI for Senior Executives for the year ended 30 June 2007 was withheld subject to achieving NPAT targets in the 2008 financial year.

Details of the STI payments to be made to Senior Executives in respect of the 2008 financial year (including the deferred 2007 financial year component) are set out below:

	2008 Total STI	
	Percentage allocated*	Percentage forfeited*
Senior Executives (including the Managing Director)		
Mark Phillips	92%	8%
Ian Pike	91%	9%
Karen Penrose	91%	9%

*Calculated based on a notional STI payment equal to 100% of base remuneration

Retention-Based Reward

The Company initiated a Director and Employee Share Scheme, as an equity-based retention incentive, when the Company was establishing its new board and the management team in October 2006. The shares issued under the Director and Employee Share Scheme were on terms approved by shareholders at the Annual General Meeting on 26 October 2006. A total of 3,550,000 shares were issued to Senior Executives, including the Managing Director, in 2006.

The key terms upon which the shares under the Director and Employee Share Scheme have been issued include:

- the majority of shares have an issue price of $1.25 per share (except for 525,000 shares granted in 2007 which have an issue price of $2.27 per share);
- limited recourse, interest free loans were provided by the Company to fund the acquisition of the shares by the Senior Executives;
- between 75% and 100% of the cash value of dividends paid on the Shares during the vesting period will be applied towards part repayment of the loan, with up to 25% of the cash value of dividends being remitted to the participants to assist funding their personal tax liability of the dividends;
- other than dividends, there is no payment of cash by the Company to participants;
- the limited recourse loan must be repaid within five years from the date of issue;
- shares vest progressively over periods up to three years from date of issue, subject to the Senior Executives remaining employed with the Company; and
- once vested, shares are subject to a non-selling period of 12 months.

Given the retention focus of these grants, vesting of the shares is subject only to service conditions and not linked to satisfaction of performance targets.

Details of the shares granted to Senior Executives under the Director and Employee Share Scheme (including details of shares vested during the year) are set out in the table below.

	Number of Shares granted	Grant date	Fair value at grant date $)	Exercise price ($)	Expiry date	Number of Employee Shares Vested during 2007	Number of Employee Shares vested during 2008*
Senior Executives (including the Managing Director)							
Mark Phillips	3,000,000	18 August 2006	185,260	1.25	6 March 2009	1,000,000	1,000,000
Ian Pike	400,000	5 October 2006	83,669	1.25	11 December 2009	–	133,333
Karen Penrose	150,000	5 October 2006	30,745	1.25	1 November 2009	–	50,000
	3,550,000		299,674			1,000,000	1,183,333

No shares were exercised and no new grants of shares were made to these Senior Executives during the year ended 30 June 2008.

Given that the retention grants made under the Director and Employee Share Scheme will vest or lapse in the year to December 2009, the Company intends to introduce a new equity-based component of Senior Executive at-risk remuneration for the 2009 financial year. While details of the new arrangements are yet to be finalised, it is intended that any shares granted to Senior Executives will vest over multiple years in order to serve the dual purpose of:

- providing a retention incentive for Senior Executives; and
- adding additional encouragement for Senior Executives to focus on delivering sustained returns to shareholders.

Share Trading Policy – Hedging of Company Securities

Keybridge Capital's Share Trading Policy sets out the Company's position regarding hedging of vested and unvested Keybridge Capital securities. The Policy provides that:

- Directors and Senior Executives are prohibited from entering into hedging transactions in relation to securities that have not yet vested, or that are held subject to a holding lock or restriction on dealing under an employee share plan operated by the Company;
- clearance must be obtained from an approving officer prior to entering into a hedging transaction in relation to vested securities; and
- notification of any hedging transaction must be made in accordance with the Policy.

Any breach of the Share Trading Policy is reported to the AFRC and the Board. A breach of the policy by an employee may lead to disciplinary action, including dismissal in serious cases. It may also be a breach of the law.

Further details are included in page 19 of this Annual Report.

Remuneration Summary

The following table itemises the total remuneration cost recorded for Senior Executives of Keybridge Capital Limited, including for the Managing Director.

	Short-term employee benefits			Post-employment benefits				
(In AUD	Cash salary $	Incentive and bonus payments $	Non-monetary benefits $	Company contributions to superannuations $	Share-based payments $	Total $	Proportion of performance related remuneration %	Value of shares as a proportion of remuneration %
Senior Executives								
Mark Phillips, Managing Director								
2008	499,987	485,000	9,598	15,415	71,435	1,081,435	44.8%	6.6%
2007	358,042	–	–	35,708	83,541	477,291	0%	17.5%
Ian Pike, Chief Investment Officer								
2008	359,203	382,000*	1,354	14,443	32,152	789,152	48.4%	4.1%
2007	179,075	176,000	–	12,686	31,982	399,743	44.0%	8.0%
Karen Penrose, Chief Financial Officer								
2008	323,400	343,000*	–	14,100	11,631	692,131	49.6%	1.7%
2007	197,333	152,000	–	16,514	12,533	378,380	40.2%	3.3%

* including the deferred 2007 financial year STI payment

Service Agreements For Senior Executives (including the Managing Director)

Employment conditions, including basic remuneration entitlements, for the Company's Senior Executives are formalised in service agreements. Key features are shown in the following table:

Name	Term of contract	Notice period by either party	Termination benefit*
Managing Director Mark Phillips	No Fixed Term	3 months	1.5 times current base annual salary and prior year STI, if terminated before 30 April 2010. Thereafter, 12 months of current base annual salary plus prior year STI
Chief Investment Officer Ian Pike	No Fixed Term	3 months	3 months of base annual salary
Chief Financial Officer Karen Penrose	No Fixed Term	3 months	3 months of base annual salary

* A termination benefit is not payable in the case of dismissal.

Chairman and Non-Executive Directors Remuneration

Directors' Fees

The fees for the Chairman and Non-Executive Directors are recommended by the Remuneration Committee and set by the Board within a maximum aggregate amount of $525,000 being the amount approved at the Annual General Meeting on 28 November 2007. The structure and quantum of fees are reviewed annually and determined by the Board, after taking into account internal analysis and market practices among appropriate comparable companies. The Board also considers the time commitments being devoted by Keybridge Capital's relatively small Board, which acts as an investment committee for the majority of the Company's investments, as well as the level of remuneration required to attract and retain directors of the appropriate calibre.

For the 2008 financial year the Chairman and Non-Executive Directors received a single flat fee, with no separate fees for chairing or being a member of a Committee. These fees remained unchanged from the prior financial year.

Other Benefits

The Chairman and Non-Executive Directors may specify the amount of their base 'cash' fee that is to be directed to superannuation, provided the total cost to the Company is not increased.

The Chairman and Non-Executive Directors do not receive retirement allowances, bonuses or other performance-based incentive payments.

The Chairman and Directors are entitled to be reimbursed for expenses properly incurred by them in attending any meeting or otherwise in connection with the business or affairs of the Company, in accordance with the Company's Constitution.

Share-based Retention Grants

The Chairman and Non-Executive Directors were issued a total of 1,600,000 shares under the Director and Employee Share Scheme on terms approved by shareholders at the Annual General Meeting on 26 October 2006. The terms are the same as for the Senior Executives (see page 39 of this Annual Report for a summary of these terms).

Details of the shares granted to the Chairman and Non-Executive Directors under the Director and Employee Share Scheme (including details of shares vested during the year) are set out in the table below.

	Number of Employee Shares granted	Grant date	Fair value at grant date ($)	Exercise price ($)	Expiry date	Number of Employee Shares Vested during 2007	Number of Employee Shares vested during 2008
Chairman and Non-Executive Directors							
Irene Lee	1,000,000	25 August 2006	82,223	1.25	26 October 2009	–	333,333
Ian Ingram	200,000	25 August 2006	16,445	1.25	26 October 2009	–	66,666
Philip Lewis	200,000	27 September 2006	38,880	1.25	26 October 2009	–	66,666
Michael Perry	200,000	27 September 2006	38,880	1.25	26 October 2009	–	66,666
	1,600,000		176,428			–	533,331

No shares were exercised and no new grants of shares occurred during the year ended 30 June 2008.

Remuneration Summary

Total remuneration received by the Chairman and Non-Executive Directors in the 2008 financial year was $391,437 (2007: $289,388). Payments and non-monetary benefits received by the Chairman and Non-Executive Directors individually are set out in the following table:

	Short-term employee benefits	Post Employment Benefits		
(In AUD)	Cash fees $	Company contributions to superannuation $	Share-based payments (b) $	Total $
Chairman				
Irene Lee				
2008	120,000	10,800	29,529	160,329
2007[a]	79,999	7,200	30.417	117,616
Non-Executive Directors				
Ian Ingram				
2008	65,400	–	5,906	65,400
2007	45,894	–	6,083	62,339
Philip Lewis				
2008	60,000	5,400	14,501	79,901
2007[a]	40,000	3,600	16,204	59,804
Michael Perry				
2008	60,000	5,400	14,501	79,901
2007[a]	40,000	3,600	16,204	59,804
Total Chairman and Non-Executive Directors				
2008	305,400	21,600	64,437	391,437
2007	205,893	14,587	68,908	289,388

[a] Cash fees for 2007 related to eight months from 26 October 2006.
[b] Relates to shares granted to the Chairman or Non-Executive Directors under the Company's Director and Employee Share Scheme.

NON-AUDIT SERVICES

The Company may decide to employ its auditor KPMG on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the consolidated entity are important.

Details of the amounts paid or payable to the auditor for audit and non-audit services provided during the year are set out below.

The Board of Directors has considered the position and, in accordance with the advice received from the Audit, Finance and Risk Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001*.

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 45.

During the year to 30 June 2008 the following fees were paid to the auditor of the parent entity, its related practices and non-related audit firms:

	Consolidated	
	2008 ($)	2007 ($)
KPMG		
audit and review of financial reports	132,336	106,000
tax services	43,895	42,918
other non audit services	–	68,182
	176,231	217,100

The Company engaged KPMG to provide due diligence services in relation to the Company's equity raising in May 2007. These fees are included as other non audit services in the table above.

This report is made in accordance with a resolution of Directors.

Irene Lee
Chairman

Sydney, 7 August 2008

KPMG

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 audit for the financial year ended 30 June 2008 there have been:

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

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

KPMG

KPMG

Andrew Dickinson
Partner

Sydney
7 August 2008

KPMG

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

Report on the financial report

We have audited the accompanying financial report of Keybridge Capital Limited (the Company), which comprises the balance sheets as at 30 June 2008, and the income statements, statements of changes in equity and cash flow statements for the year ended on that date, a summary of significant accounting policies and other explanatory notes 1 to 30 and the directors' declaration set out on pages 48 to 89 of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the 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 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. In note 2(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Company's and the Group's financial position and of their performance

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

KPMG

Auditor's opinion

In our opinion:

(a) the financial report of Keybridge Capital Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2008 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a).

Report on the remuneration report

We have audited the Remuneration Report included in pages 35 to 43 of the directors' report for the year ended 30 June 2008. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Keybridge Capital Limited for the year ended 30 June 2008, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Andrew Dickinson
Partner

Sydney

7 August 2008

Income Statements

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

For the year ended 30 June 2008

		Consolidated		The Company	
	Note	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Revenue and Income					
Fees		4,513	1,836	2,659	1,657
Interest income	6	42,875	14,681	29,831	13,785
Dividend income		2,703	14	24,413	1,706
Gain on sale of trading assets		12,356	–	5,470	(54)
Net foreign currency gains		6,381	983	4,691	22
Share of profit in equity accounted investees		4,160	126	–	–
Unrealised gain/(loss) on embedded derivatives designated at fair value through profit and loss		2,810	4,659	(1,635)	4,533
Net gain/(loss) on sale of available-for-sale investments		–	(54)	–	–
Other income		86	104	46	–
Impairment expenses		(33,856)	(10,420)	(33,856)	(10,420)
		42,028	11,929	31,619	11,229
Expenses					
Administration expenses		(1,032)	(549)	(950)	(526)
Borrowing costs		(10,514)	(1,807)	(10,514)	(1,808)
Employment costs	7	(5,943)	(3,338)	(5,943)	(3,338)
Legal and professional fees		(877)	(386)	(877)	(387)
Other expenses		(436)	(402)	(815)	(402)
		(18,802)	(6,482)	(19,099)	(6,461)
Profit before income tax		23,226	5,447	12,520	4,768
Income tax expense	8(a)	(2,469)	(1,353)	(3,120)	(790)
Net profit for the period		20,757	4,094	9,400	3,978
		Cents	Cents		
Basic Earnings cents per share	23	12.16	5.49		
Diluted Earnings cents per share	23	12.12	5.32		

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

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

For the year ended 30 June 2008

30 June 2008	Note	Share capital $'000	Available-for-sale investments reserve $'000	Share-based payment reserve $'000	Cashflow hedge reserve $'000	Capital profits reserve $'000	Retained earnings/ (losses) $'000	Total $'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	21	–	–	–	1,700	–	–	1,700
Net change in fair value of cash flow hedges transferred to profit and loss, net of tax	21	–	–	–	(1,587)	–	–	(1,586)
Share based payments	21	–	–	651	–	–	–	651
Total income and expense recognised directly in equity		–	–	651	113	–	–	764
Profit for the period		–	–	–	–	–	20,757	20,757
Total recognised income and expense		–	–	651	113	–	20,757	21,521
Shares issued	20	2,032	–	–	–	–	–	2,032
Offer related costs		(78)	–	–	–	–	–	(78)
Dividends paid	22	–	–	–	–	–	(11,090)	(11,090)
Balance at 30 June 2008		260,651	–	877	245	–	13,538	275,311
The Company								
Balance at 1 July 2007		258,697	–	226	132	–	3,756	262,811
Effective portion of changes in fair value of cash flow hedges, net of tax	21	–	–	–	(869)	–	–	(869)
Net change in fair value of cash flow hedges transferred to profit and loss, net of tax	21	–	–	–	897	–	–	897
Share based payments	21	–	–	651	–	–	–	651
Total income and expense recognised directly in equity		–	–	651	28	–	–	679
Profit for the period		–	–	–	–	–	9,400	9,400
Total recognised income and expense		–	–	651	28	–	9,400	10,079
Shares issued	20	2,032	–	–	–	–	–	2,032
Offer related costs		(78)	–	–	–	–	–	(78)
Dividends paid	22	–	–	–	–	–	(11,090)	(11,090)
Balance at 30 June 2008		260,651	–	877	160	–	2,066	263,754

The statements of changes in equity are to be read in conjunction with the notes to the financial statements.

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

For the year ended 30 June 2008

	Note	Share capital $'000	Available-for-sale investments reserve $'000	Share-based payment reserve $'000	Cashflow hedge reserve $'000	Capital profits reserve $'000	Retained earnings/ (losses) $'000	Total $'000
The Company and its consolidated entities								
Balance at 1 July 2006		9,110	16	–	–	462	(685)	8,903
Effective portion of changes in fair value of cash flow hedges, net of tax	21	–	–	–	132	–	–	132
Net change in fair value of cash flow hedges transferred to profit and loss, net of tax	21	–	–	–	–	–	–	–
Share based payments	21	–	–	226	–	–	–	226
Total income and expense recognised directly in equity		–	–	226	132	–	–	358
Profit for the period		–	–	–	–	–	4,094	4,094
Total recognised income and expense		–	–	226	132	–	4,094	4,452
Shares issued	20	255,005	–	–	–	–	–	255,005
Offer related costs		(5,418)	–	–	–	–	–	(5,418)
Movement from reserves		–	(16)	–	–	(462)	462	(16)
Balance at 30 June 2007		258,697	–	226	132	–	3,871	262,926
The Company								
Balance at 1 July 2006		9,110	16	–	–	462	(685)	8,904
Effective portion of changes in fair value of cash flow hedges, net of tax	21	–	–	–	132	–	–	132
Net change in fair value of cash flow hedges transferred to profit and loss, net of tax	21	–	–	–	–	–	–	–
Share based payments	21	–	–	226	–	–	–	226
Total income and expense recognised directly in equity		–	–	226	132	–	–	358
Profit for the period		–	–	–	–	–	3,978	3,978
Total recognised income and expense		–	–	226	132	–	3,978	4,336
Shares issued	20	255,005	–	–	–	–	–	255,005
Offer related costs		(5,418)	–	–	–	–	–	(5,418)
Movement from reserves		–	(16)	–	–	(462)	462	(16)
Balance at 30 June 2007		258,697	–	226	132	–	3,756	262,811

The statements of changes in equity are to be read in conjunction with the notes to the financial statements.

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

As at 30 June 2008

	Note	Consolidated 2008 $'000	Consolidated 2007 $'000	The Company 2008 $'000	The Company 2007 $'000
Current Assets					
Cash and cash equivalents	9(a)	25,264	8,436	25,264	8,436
Trading and other receivables	10	377	1,581	377	1,581
Loans and receivables – net	12	62,085	20,712	18,291	17,000
Derivative assets	15	9,454	1,935	3,621	1,813
Other assets	10	57	35	57	36
Total Current Assets		97,237	32,699	47,610	28,866
Non-Current Assets					
Loans and receivables – net	12	334,296	220,737	377,096	224,275
Available-for-sale investments – net	14	–	13,219	–	13,219
Held-to-maturity investments	13	865	865	865	865
Derivative assets	15	11,862	6,398	7,760	5,946
Deferred tax assets	17	15,043	6,286	15,607	6,311
Property, plant and equipment	11	646	18	646	18
Total Non-Current Assets		362,712	247,523	401,974	250,634
Total Assets		459,949	280,222	449,584	279,501
Current Liabilities					
Payables	18	5,858	1,346	5,858	1,279
Current tax liabilities	8(a)	8,780	5,375	9,972	4,836
Provisions		–	75	–	75
Total Current Liabilities		14,638	6,796	15,830	6,190
Non-Current Liabilities					
Loans and borrowings	19	170,000	10,500	170,000	10,500
Total Non-Current Liabilities		170,000	10,500	170,000	10,500
Total Liabilities		184,638	17,296	185,830	16,690
Net Assets		275,311	262,926	263,754	262,811
Equity					
Share capital	20	260,651	258,697	260,651	258,697
Reserves	21	1,122	358	1,037	358
Retained earnings		13,538	3,871	2,066	3,756
Total equity attributable to the shareholders of the Company		275,311	262,926	263,754	262,811

The balance sheets are to be read in conjunction with the notes to the financial statements.

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

For the year ended 30 June 2008

		Consolidated		The Company	
	Note	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Cash flows from operating activities					
Fees received		1,158	2,112	1,158	1,949
Interest received		45,053	18,249	37,431	15,639
Payments to suppliers and employees		(6,149)	(3,787)	(6,149)	(3,764)
Establishment fee on loan facility		(147)	(558)	(147)	(558)
Interest payment on loan facility		(6,905)	(1,497)	(6,905)	(1,497)
Net income tax refund received (tax paid)		(7,868)	2	(7,868)	2
Net cash from operating activities	9(b)	25,142	14,521	17,520	11,771
Cash flows from investing activities					
Dividends received		2,703	14	2,703	14
Trust distribution received		–	–	–	1,692
Purchases of property, plant and equipment		(732)	(21)	(732)	(21)
Payment for investments in US securitisations		–	(48,294)	–	(48,294)
Loans and receivables advanced net of FX hedging gains and sale or repayment of investments		(174,215)	(223,542)	(84,750)	(189,759)
Loans advanced to related parties		–	–	(76,215)	(32,723)
Proceeds from sale of trading assets		11,105	388	5,477	–
Proceeds from sale of available-for-sale investments (cash distributions received)		2,053	–	2,053	386
Net cash from investing activities		(159,086)	(271,455)	(151,464)	(268,705)
Cash flows from financing activities					
Proceeds from the issue of ordinary share capital		2,362	255,232	2,362	255,232
Proceeds from borrowings		183,000	10,500	183,000	10,500
Payments for issuance costs		–	(7,530)	–	(7,530)
Repayment of loans		(23,500)	–	(23,500)	–
Dividends paid		(11,090)	–	(11,090)	–
Net cash from financing activities		150,772	258,202	150,772	258,202
Net increase/(decrease) in cash and cash equivalents		16,828	1,268	16,828	1,268
Cash and cash equivalents at 1 July		8,436	7,168	8,436	7,168
Cash and cash equivalents at 30 June	9(a)	25,264	8,436	25,264	8,436

The consolidated statements of cash flows are 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 "Company") is a company domiciled in Australia. The consolidated financial report of the Company as at and for the year ended 30 June 2008 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 2008 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**

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The consolidated financial report of the Group and the financial report of the Company comply with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

The financial statements were approved by the Board of Directors on 7 August 2008.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following which are measured at fair value:

- derivative financial instruments through profit and loss; and
- available-for-sale financial assets.

The methods used to measure fair values are discussed further in Note 4.

(c) Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency and the functional currency of the majority of the Group.

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.

(d) Use of estimates and judgements

The preparation of 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.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

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 the following notes:

- Note 14 – Available-for-sale investments
- Note 24 – Financial Risk Management – Impairment Losses

For further details on estimates refer to Note 14 and 24.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by the Group entities. Certain comparative amounts have been reclassified to conform with the current year's presentation.

During the period, the Group adopted AASB7 Financial instruments: Disclosures and AASB101 Presentation of Financial Statements. AASB7 replaces the disclosure requirements of financial instruments in AASB132 and is applicable for annual reporting periods beginning on or after 1 January 2007. The adoption of AASB7 has impacted the type and amount of disclosures made in these financial statements, but had no impact on the reported profits or financial position of the consolidated entity. In accordance with the requirement of the standard, the consolidated entity has provided full comparative information.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

In the Company's financial statements, investments in subsidiaries are carried at cost.

(ii) Associates and joint ventures (equity accounted investees)

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. Associates and joint ventures, including partnerships, are accounted for using the equity method (equity accounted investees).

The consolidated financial statements include the Group's share of the income and expenses of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

In the Company's financial statements, investments in joint venture entities are carried at cost.

(iii) Transactions eliminated on consolidation

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee.

Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment. Gains and losses are recognised when the contributed assets are consumed or sold by the equity accounted investees or, if not consumed or sold by the equity accounted investee, when the Group's interest in such entities is disposed of.

(b) Foreign currency

Foreign currency transactions

Transactions in foreign currencies aretranslated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the foreign exchange rate at that date.

The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial liability designated as a hedge of the net investment in a foreign operation.

(c) Financial instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, loans and receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs, except as described below. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances, call deposits and short-term deposits.

Accounting for revenue and borrowing costs is discussed in Note 3(h).

Held-to-maturity investments

If the Group has the positive intent and ability to hold debt securities to maturity, then they are classified as held-to-maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment losses.

Available-for-sale financial assets

Available-for-sale financial assets, subsequent to initial recognition, are measured at fair value and changes therein, other than impairment losses and foreign exchange gains and losses on available-for-sale monetary items are recognised as a separate component of equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

Financial assets at fair value through profit or loss

Equity investments, except investments in subsidiaries, associates and joint ventures are designated at fair value through profit or loss with changes in fair value recognised in profit or loss in the period of change.

Loans and receivables

Loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. The collectability of debts is assessed at reporting date and where required specific provision is made for any doubtful debts.

Loan write-offs

Loans (and the related impairment allowance accounts) are normally written off, either partially or in full, when there is no realistic prospect of recovery of these amounts and, for collateralised loans, when the proceeds from the realisation of security have been received.

Other financial liabilities

Other financial liabilities comprise loans, borrowings and other payables being measured at amortised cost using the effective interest method.

(ii) Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

Derivatives are recognised initially at fair value, attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Cash flow hedges

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in equity to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity remains there until the forecast transaction occurs. When the hedged item is a non-financial asset, the amount recognised in equity is transferred to the carrying amount of the asset when it is recognised. In other cases the amount recognised in equity is transferred to profit or loss in the same period that the hedged item affects profit or loss.

Fair value hedge

Changes in fair value of derivative hedging instruments are recognised in profit or loss and the gain or loss on the hedged item attributable to the hedged risk shall adjust the carrying amount of the hedged item and be recognised in the profit or loss.

Hedge effectiveness testing

To qualify for hedge accounting the consolidated entity requires that at the inception of the hedge and throughout its life, each hedge must be expected to be highly effective (prospective effectiveness). Actual effectiveness (retrospective testing) must also be demonstrated on an ongoing basis.

The documentation of each hedging relationship sets out how the effectiveness of the hedge is assessed. The method the consolidated entity adopts for assessing hedge effectiveness will depend on its risk management strategy.

For prospective effectiveness, the hedging instrument must be expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated. For actual effectiveness, the changes in fair value or cash flows must offset each other in the range of 80% to 125% for the hedge to be deemed effective.

Hedge ineffectiveness, if any, is recognised in the income statement in net foreign currency gains.

Separable embedded derivatives

Changes in the fair value of separable embedded derivatives are recognised immediately in profit or loss.

(iii) Share capital

Ordinary shares

Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any related income tax benefit.

Dividends

Dividends are recognised as a liability in the period in which they are declared.

(d) Impairment of financial assets

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.

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.

(e) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" in profit or loss.

(ii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment.

The estimated useful lives for the current and comparative periods are as follows:

- Leasehold improvements 13 years
- Furniture and fittings 5 years
- Computer equipment 3 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

(f) Employee benefits

(i) Short-term benefits

Liabilities for employee benefits for wages, salaries, annual leave and sick leave represent present obligations resulting from employees' services provided to reporting date and are calculated at undiscounted amounts based on wage and salary rates that the Group expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax.

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) Share-based payment transactions

The fair value of options granted to employees in relation to the Director and Employee Share Scheme is recognised as an employee expense, with a corresponding increase in equity, over the period in which the shares vest. The grant date is defined as the date a contract is entered into between the Company and the participant.

(g) Fees

Fees that are integrated in the effective yield of the financial assets or liabilities are included in the measurement of the effective interest rate.

(h) Revenue and borrowing costs

Revenue comprises interest income on funds invested, dividend income, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss, foreign currency gains, and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues, using the effective interest method. Dividend income is recognised on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date. Dividend revenue is recognised net of any franking credits.

All borrowing costs are recognised in profit or loss using the effective interest method.

(i) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Effective 1 July 2006, the entity is taxed at the ordinary company tax rate of 30%.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

(i) Tax consolidation

The Company is head entity of the tax-consolidated group comprising all the Australian wholly owned subsidiaries. The entities entered into a tax sharing and funding agreement effective 27 October 2006.

Under the terms of this agreement current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under consolidation.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries is assumed by the head entity in the tax-consolidated group and are recognised as amounts payable/(receivable) to/(from) other entities in the tax-consolidated group in conjunction with any tax funding arrangement amounts. Any difference between these amounts is recognised by the head entity and members as an equity contribution or distribution.

The Company recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

(ii) Nature of tax funding arrangements and tax sharing arrangements

The head entity, in conjunction with other members of the tax-consolidated group, has entered into a tax funding arrangement which sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts. The tax funding arrangements require payments to/from the head entity equal to the current tax liability/(asset) assumed by the head entity and any tax-loss deferred tax asset assumed by the head entity, resulting in the head entity recognising an inter-entity receivable (payable) equal in amount to the tax liability (asset) assumed. The inter-entity receivables (payables) are at call.

Contributions to fund the current tax liabilities are payable as per the tax funding arrangement and reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant tax authorities.

The contribution amount arising under the tax funding arrangement is charged to the Company through the intercompany account.

(j) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the Australian Taxation Office (ATO) is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(k) Earnings per share

(i) Basic earnings per share

Basic earnings per share is determined by dividing the net profit/(loss) after income tax attributable to members of the Company by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(l) Segment reporting

Segment information is presented in respect of the Group's business segments. The primary format and business segments are based on the Group's management and internal reporting structure. Segment results, assets and liabilities include items directly attributable to a segment.

Business segments

The Group comprises the following main business segments:

- Property
- Aviation
- Shipping
- Infrastructure
- Lending
- Other

(m) New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2008, but have not been applied in preparing this financial report:

- AASB 8 *Operating Segments* introduces the "management approach" to segment reporting. AASB 8, which becomes mandatory for the Group's 30 June 2010 financial statements, will require the disclosure of segment information based on the internal reports regularly reviewed by the Group's Chief Operating Decision Maker in order to assess each segment's performance and to allocate resources to them. Currently the Group presents segment information in respect of its business and geographical segments (see Note 5) which is already in accordance with the management approach in respect of Property, Aviation, Shipping, Infrastructure, Lending and Other.
- Revised AASB 101 *Presentation of Financial Statements* introduces as a financial statement (formerly "primary" statement) the "statement of comprehensive income". The revised standard does not change the recognition, measurement or disclosure of transactions and events that are required by other AASBs. The revised AASB 101 will become mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the potential effect of the revised standard on the Group's disclosures.
- Revised AASB 123 Borrowing Costs removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised AASB 123 will become mandatory for the Group's 30 June 2010 financial statements but will not constitute a change in accounting policy for the Group. The Group does not expect the potential effect of the revised standard on future earnings to be material.
- Revised AASB 127 *Consolidated and Separate Financial Statements* changes the accounting for investments in subsidiaries. Key changes include: the remeasurement to fair value of any previous/retained investment when control is obtained/lost, with any resulting gain or loss being recognised in profit or loss; and the treatment of increases in ownership interest after control is obtained as transactions with equity holders in their capacity as equity holders. The revised standard will become mandatory for the Group's 30 June 2010 financial statements. The Group does not expect the potential effect of the revised standard on the Group's financial report to be material.
- AASB 2008-1 *Amendments to Australian Accounting Standard – Share-based Payment: Vesting Conditions and Cancellations* changes the measurement of share-based payments that contain non-vesting conditions. AASB 2008-1 becomes mandatory for the Group's 30 June 2010 financial statements. The Group does not expect the potential effect of the amending standard on the Group's financial report to be material.

4. DETERMINATION OF FAIR VALUES

A number of the Group's accounting policies and disclosures require the determination of fair value for financial assets. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Financial derivatives

The fair value of forward exchange contracts and interest rate swaps is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate.

(ii) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

(iii) Held-to-maturity

It is considered that the fair value approximates the carrying value.

(iv) Loans and receivables

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

(v) Embedded derivatives

Embedded derivatives, which are determined for disclosure purposes, are calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

(vi) Available-for-sale

At 30 June 2008 there were Nil investments in available-for-sale.

(vii) Share-based payment transactions

The fair value of shares issued under the Director and Employee Share Scheme is measured using a Black-Scholes methodology.

Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

5. 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:* These are currently investments in US securitisations which have book value of Nil at 30 June 2008.

5. SEGMENT REPORTING *(continued)*

Business segments	Property		Aviation		Shipping		Infrastructure		Lending		Fixed income – US Securitisation		Other operations		Consolidated	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000	2008 $'000	2007 $'000	2008 $'000	2007 $'000	2008 $'000	2007 $'000	2008 $'000	2007 $'000	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Revenues	13,417	2,667	15,159	8,447	22,100	1,273	5,623	1,167	14,337	4,360	–	–	1,088	4,309	71,724	22,223
Associates profit	–	–	–	–	4,160	126	–	–	–	–	–	–	–	–	4,160	126
Less impairments	(3,000)	–	–	–	–	–	–	–	–	–	(30,856)	(10,420)	–	–	(33,856)	(10,420)
Segment result	10,417	2,667	15,159	8,447	26,260	1,399	5,623	1,167	14,337	4,360	(30,856)	(10,420)	1,088	4,309	42,028	11,929
Unallocated expenses	–	–	–	–	–	–	–	–	–	–	–	–	–	–	18,802	6,482
Results from operating activities	–	–	–	–	–	–	–	–	–	–	–	–	–	–	23,226	5,447
Segment assets	98,410	36,377	118,672	50,711	72,501	57,063	54,005	23,228	74,827	61,093	–	35,392	41,534	16,358	459,949	280,222
Segment liabilities																
Unallocated liabilities	–	–	–	–	–	–	–	–	–	–	–	–	–	–	184,638	17,296
Total liabilities	–	–	–	–	–	–	–	–	–	–	–	–	–	–	184,638	17,296

5. SEGMENT REPORTING *(continued)*

Geographic segments	Australia		United States		Europe		Other Regions		Consolidated	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000	2008 $'000	2007 $'000	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Revenues	25,600	11,337	4,349	181	4,515	1,167	37,260	9,538	71,724	22,223
Associates profit	–	–	–	–	–	–	4,160	126	4,160	126
Less impairments	(3,000)	–	(30,856)	(10,420)	–	–	–	–	(33,856)	(10,420)
Segment Result	22,600	11,337	(26,507)	(10,239)	4,515	1,167	41,420	9,664	42,028	11,929
Segment Assets	194,855	103,299	28,055	48,999	45,866	23,228	191,173	104,696	459,949	280,222

Shipping and Aviation investments are included in Other Regions. Property and Infrastructure investments are included in the jurisdiction of the underlying investment. Lending, other than one investment, is included under Australia because of the location of the counterparties or the majority of the security. The exception in Lending is an investment where the counterparty and the security are in the United States.

	Consolidated		The Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000

6. REVENUE

Interest income on current Held-to-maturity investments	97	89	97	89
Interest income on investments in fixed income	–	3,551	–	3,551
Interest income on bank deposits	897	881	897	877
Interest on loans and advances – third parties	41,881	10,160	26,353	8,222
Interest on loans and advances – subsidiaries	–	–	2,484	1,046
	42,875	14,681	29,831	13,785

7. EMPLOYMENT COSTS

Wages and salaries	5,062	2,691	5,062	2,691
Other associated personnel expenses	561	421	561	421
Expenses related to the Director and Employee Share Scheme	320	226	320	226
	5,943	3,338	5,943	3,338

8. INCOME TAX EXPENSE

(a) Recognised in the income statement

Current tax (expense) refund				
Current period	(11,274)	(5,375)	(12,466)	(4,836)
Less tax paid in advance	(2,494)	–	(2,494)	–
Total Current tax	(8,780)	(5,375)	(9,972)	(4,836)
Deferred tax expense				
Offer costs	(464)	(464)	(464)	(464)
Provision for impairment	6,590	3,126	6,590	3,126
Deferred income	(82)	626	(210)	601
Unrealised FX gains and losses	2,470	2,049	1,805	2,060
Fair value of embedded derivative assets	(672)	(1,436)	662	(1,398)
Other	963	121	963	121
Total Deferred tax	8,805	4,022	9,346	4,046
Total income tax expense	(2,469)	(1,353)	(3,120)	(790)

(b) Reconciliation between tax expense and pre-tax net profit

	Consolidated		The Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Profit for the period	20,757	4,094	9,400	3,978
Total income tax expense	(2,469)	(1,353)	(3,120)	(790)
Profit excluding income tax	23,226	5,447	12,520	4,768
Prima facie income tax calculated at 30% (2007: 30%)	(6,968)	(1,634)	(3,756)	(1,431)
Non-deductible expenses	(98)	(2)	(213)	–
Related party transactions	–	–	–	807
Tax exempt income	2,908	449	849	–
Gain on asset sale	1,689	(164)	–	(164)
Franking credits received	–	(2)	–	(2)
	(2,469)	(1,353)	(3,120)	(790)

(c) Income tax recognised directly in equity

Gain on cash flow hedging instruments	(105)	(57)	(69)	(57)
Offer costs	–	2,322	–	2,322
	(105)	2,265	(69)	2,265

9. CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents

	Consolidated		The Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Cash at bank	9,993	8,380	9,993	8,380
Term deposits	10,000	–	10,000	–
11am deposits	5,271	56	5,271	56
	25,264	8,436	25,264	8,436

(b) Reconciliation of cash flow from operating activities

Cash flows from operating activities				
Profit/(loss) for the period	20,757	4,094	9,400	3,978
Adjustments for:				
Depreciation	104	3	104	3
Non-cash adjustment – interest accrued	(16,114)	(4,371)	(10,551)	(6,727)
Non-cash adjustment – net of fees received and accrued	(5,700)	253	(1,501)	268
Non-cash adjustment – intercompany interest	–	–	(2,484)	–
Non-cash adjustment – embedded derivative income	(2,855)	(4,659)	1,488	(4,532)
Non-cash adjustment – tax expense	2,469	1,353	3,120	790
Non-cash adjustment – employee and other expenses	2,728	1,533	3,110	1,533
Non-cash adjustment – impairment expenses	33,856	10,420	33,856	10,420
Non-cash loss on fair value of financial instruments	14,254	7,501	16,047	7,517
Non-cash gain investments in associates	(4,160)	(126)	–	–
Cash adjustment – establishment fees on loan facility	(147)	(483)	(147)	(483)
Realised (gain)/loss on sale of investment	(12,310)	(596)	(5,424)	(596)
Dividends received	(2,749)	(14)	(24,459)	(14)
Operating profit before changes in working capital and provisions	30,133	14,908	22,559	12,157
Increase/(decrease) in payables	(732)	(126)	(780)	(126)
(Increase)/decrease in trade and other receivables	–	(266)	–	(266)
	29,401	14,516	21,779	11,765
Interest paid	3,609	3	3,609	4
Income taxes paid	(7,868)	2	(7,868)	2
Net cash from operating activities	25,142	14,521	17,520	11,771

10. TRADE AND OTHER RECEIVABLES

	Consolidated		The Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Interest receivables from loans	377	679	377	679
Interest receivables from investments	–	23	–	23
Funding fees receivables from loans	–	24	–	24
Receivable from sale of investment	–	552	–	552
Other receivables	57	338	57	339
	434	1,616	434	1,617

11. PROPERTY, PLANT AND EQUIPMENT

Consolidated and Company	Leasehold improvements $'000	Office equipment $'000	Furniture and fittings $'000	Computer software $'000	Computer hardware $'000	Total $'000
Cost or deemed cost						
Balance at 1 July 2006	–	–	–	–	–	–
Additions	–	7	–	3	11	21
Disposals	–	–	–	–	–	–
Balance at 30 June 2007	–	7	–	3	11	21
Cost or deemed cost						
Balance at 1 July 2007	–	7	–	3	11	21
Additions	318	56	151	144	63	732
Disposals	–	–	–	–	–	–
Balance at 30 June 2008	318	63	151	147	74	753
Depreciation and impairment losses						
Balance at 1 July 2006	–	–	–	–	–	–
Depreciation for the year	–	2	–	–	1	3
Disposals	–	–	–	–	–	–
Balance at 30 June 2007	–	2	–	–	1	3
Balance at 1 July 2007	–	2	–	–	1	3
Depreciation for the year	24	18	14	30	18	104
Disposals	–	–	–	–	–	–
Balance at 30 June 2008	24	20	14	30	19	107
Carrying amounts						
At 30 June 2007	–	5	–	3	10	18
At 30 June 2008	294	43	137	117	55	646

12. LOANS AND RECEIVABLES

	Consolidated		The Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Loans and receivables	424,680	247,165	423,200	246,909
Deferred income	(1,778)	(2,086)	(1,292)	(2,004)
Less: allowance for impairment expenses	(26,521)	(3,630)	(26,521)	(3,630)
	396,381	241,449	395,387	241,275
Current assets				
Property	39,003	20,712	13,750	17,000
Aircraft	4,135	–	4,135	–
Shipping	7,528	–	3,406	–
Lending	14,419	–	–	–
Less: allowance for impairment expenses	(3,000)	–	(3,000)	–
	62,085	20,712	18,291	17,000
Non-Current assets				
Property	58,512	15,462	4	–
Aircraft	107,758	50,711	107,758	50,711
Shipping	59,637	56,549	28,725	41,698
Infrastructure	54,005	24,874	54,005	24,874
Lending	56,162	53,779	35,577	53,779
Loans to subsidiaries	–	–	152,319	33,769
Deferred income	(1,778)	(2,086)	(1,292)	(2,004)
Other – US securitisation	23,521	25,078	23,521	25,078
Less: allowance for impairment expenses	(23,521)	(3,630)	(23,521)	(3,630)
	334,296	220,737	377,096	224,275
Allowance for impairment				
Opening balance	(3,630)	–	(3,630)	–
Impairment loss for the year	(22,891)	(3,630)	(22,891)	(3,630)
Balance at 30 June 2008	(26,521)	(3,630)	(26,521)	(3,630)

	Consolidated 2008 $'000	Consolidated 2007 $'000	The Company 2008 $'000	The Company 2007 $'000
13. HELD-TO-MATURITY				
Non-current asset				
Held-to-maturity investment	865	865	865	865

Held-to-maturity investment is an investment in Mariner Floating Rate notes being an unsecured note issued by Mariner Treasury Limited with coupon payments at quarterly intervals. The coupon rate is based on the Bank Bill Swap rate plus 4.0% per annum.

14. AVAILABLE-FOR-SALE INVESTMENTS

	Consolidated 2008 $'000	Consolidated 2007 $'000	The Company 2008 $'000	The Company 2007 $'000
Investment in US securitisations	17,755	20,009	17,755	20,009
Less: allowance for impairment expenses	(17,755)	(6,790)	(17,755)	(6,790)
	–	13,219	–	13,219
Allowance for impairment				
Opening balance	(6,790)	–	(6,790)	–
Impairment loss for the year	(10,965)	(6,790)	(10,965)	(6,790)
Balance at 30 June 2008	(17,755)	(6,790)	(17,755)	(6,790)

15. DERIVATIVE ASSETS

	Consolidated 2008 $'000	Consolidated 2007 $'000	The Company 2008 $'000	The Company 2007 $'000
Embedded derivatives	6,898	4,659	2,452	4,659
Foreign Exchange contracts	4,658	1,935	3,271	1,813
Cash flow hedges:				
Foreign Exchange contracts	7,575	1,739	3,473	1,288
Interest rate swaps	2,185	–	2,185	–
	21,316	8,333	11,381	7,760

In determining the value of any embedded derivatives in its investments, the Group relies on its own assessment of the outlook for individual investments supported in all instances by independent expert valuations. Embedded derivatives reflect the Group's share of profit from an investment above a base return. The share of profit is realised on sale or repayment of an investment.

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. All foreign exchange contracts are entered into by the Company on behalf of its subsidiaries and are included in the Consolidated results.

The Group uses interest rate swaps to hedge variable rate loans to fixed rates of interest. These are cash flow hedges.

16. EQUITY ACCOUNTED INVESTMENTS IN ASSOCIATES

The Group's share of net profit or loss in its equity accounted investments in associates for the year was $4.2 million profit (2007: $0.1 million profit). The Group has not recognised accounting losses relating to Bridge Infrastructure Capital Pty Limited (BIC), totalling $1.2 million during the year ended 30 June 2008, since the Group has no obligation in respect of these losses and it is expected that the Group will at least earn its base return from these investments over time. The equity investment is carried at Nil as at 30 June 2008.

For the period to 30 June 2008, the Group's investment income excludes interest due on one of the five investments in BIC, being a shipping investment, in anticipation that this portion of interest may not be recoverable.

	Consolidated		The Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Equity investments in associates #	–	–	–	–
Profit on investments in associates	4,160	126	(126)	–
	4,160	126	(126)	–
Additional investment made by way of loans	83,666	46,458	74,506	46,457
	87,826	46,584	74,380	46,457

Share in capital of less than $52 is rounded down to zero.

Summary financial information for equity accounted investments in associates, not adjusted for the percentage ownership held by the Group, is presented as follows:

	Assets $'000	Liabilities $'000	Net assets $'000	Revenues $'000	Expenses $'000	Net profit or loss $'000	Profit share $'000
2007							
Associates	219,822	(211,075)	8,747	8,272	(7,613)	659	126
2008							
Associates	305,843	(264,500)	41,343	32,987	(23,331)	9,656	4,160

17. TAX ASSETS

	Balance 1 July 2006 $'000	Recognised in profit or loss $'000	Recognised in equity $'000	Balance 30 June 2007 $'000	Recognised in profit or loss $'000	Recognised in equity $'000	Balance 30 June 2008 $'000
Loans and receivables	–	279	–	279	5,816	–	6,095
Available-for-sale financial assets	–	2,037	–	2,037	–	–	2,037
Derivatives	–	2,049	(57)	1,992	2,470	(48)	4,414
Loans and borrowings	–	–	–	–	971	–	971
Share-based payments	–	–	68	68	–	–	68
Capitalised – issuance costs	–	–	1,858	1,858	(464)	–	1,394
Other items	–	52	–	52	12	–	64
	–	4,417	1,869	6,286	8,805	(48)	15,043
Company							
Loans and receivables	–	292	–	292	7,022	–	7,314
Available-for-sale financial assets	–	2,037	–	2,037	–	–	2,037
Derivatives	–	2,060	(57)	2,003	1,805	(50)	3,758
Loans and borrowings	–	–	–	–	971	–	971
Share-based payments	–	–	68	68	–	–	68
Capitalised – issuance costs	–	–	1,858	1,858	(464)	–	1,394
Other items	–	53	–	53	12	–	65
	–	4,442	1,869	6,311	9,346	(50)	15,607

18. PAYABLES

	Consolidated		The Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Loan facility interest expense	3,288	4	3,288	4
Employment related expenditure	3,149	1,447	3,149	1,448
Professional fees payable	297	106	297	106
Other fees payable	104	217	104	149
Trade creditors	–	22	–	22
Capitalised bank debt costs	(980)	(450)	(980)	(450)
	5,858	1,346	5,858	1,279

19. LOANS AND BORROWINGS

This note provides information about the contractual terms of the interest-bearing loans and borrowings for the Group and for the Company measured at amortised cost. For more information about exposure to financial risks refer to Note 24.

	Consolidated and Company		Consolidated and Company	
	30 June 2008		30 June 2007	
	Face value $'000	Carrying amount $'000	Face value $'000	Carrying amount $'000
Secured bank loans	170,000	170,000	10,500	10,500
	170,000	170,000	10,500	10,500

The loans are denominated in Australian dollars and have a nominal rate of interest of 2.0% per annum over the Bank Bill Swap rate and a maturity of June 2011. The capitalised upfront bank establishment fees are recorded in payables.

20. CONTRIBUTED EQUITY

	Consolidated		The Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
(a) Issued and paid-up capital				
172,070,564 (30 June 2007: 169,848,654) ordinary shares fully paid	260,651	258,697	260,651	258,697

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of, and amounts paid on, the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy is entitled to one vote and upon a poll each share is entitled to one vote.

	Consolidated		The Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
(b) Movement in ordinary share capital				
Opening balance 1 July 2007	258,697	9,110	258,697	9,110
Issue of 52,000,000 ordinary shares on 31 October 2006 at $1.25 per share	–	65,000	–	65,000
Issue of 5,400,000 ordinary shares on 14 November 2006 at $1.25 per share	–	6,750	–	6,750
Issue of 42,600,000 ordinary shares on 27 November 2006 at $1.25 per share	–	53,250	–	53,250
Issue of 16,925,232 ordinary shares on 14 May 2007 at $2.30 per share	–	38,928	–	38,928
Issue of 37,075,918 ordinary shares on 14 June 2007 at $2.00 per share	–	74,152	–	74,152
Issue of 8,462,616 ordinary shares on 14 June 2007 at $2.00 per share	–	16,925	–	16,925
Issue costs incurred to the year ended 30 June 2007	–	(5,418)	–	(5,418)
Issue costs incurred to the year ended 30 June 2008	(78)	–	(78)	–
Issue of 355,287 ordinary shares on 14 September 2007 at $1.62 per share (dividend reinvestment)	576	–	576	–
Issue of 1,866,623 ordinary shares on 19 March 2008 at $0.78 per share (dividend reinvestment)	1,456	–	1,456	–
Closing balance 30 June 2008	260,651	258,697	260,651	258,697

(c) Share issued not paid

The Company initiated a Director and Employee Share Scheme ("Share Scheme" or "Employee Shares"), as an equity-based retention incentive, when the Company was establishing its new board and the management team in October 2006. As at 30 June 2008, there are 5,975,000 issued shares under the Share Scheme (2007: 5,975,000 shares granted). Entitlement to the Employee 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 at least 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 have lapsed after the date on which vesting conditions are satisfied and the loan is repaid in full.

Details of grants under the Director and Employee Share Scheme are as follows:

Grant date	Number of Instruments	Vesting conditions	Contractual Life of grant
Grant to Key Management on 18-Aug-06	3,000,000	Service to March 2009	5 years
Grant to Key Management on 25-Aug-06	1,200,000	3 years service	5 years
Grant to Key Management on 27-Sep-06	400,000	3 years service	5 years
Grant to Key Management on 5-Oct-06	550,000	3 years service	5 years
	5,150,000		
Grant to employees on 5-Oct-06	300,000	3 years service	5 years
Grant to employees on 17-Jun-07	525,000	3 years service	5 years
	5,975,000		

	Weighted average exercise price 2008	No. of Shares	Weighted average exercise price 2007	No. of Shares
	2008	2008	2007	2007
Outstanding at 1 July	1.34	5,975,000	–	–
Forfeited during the period	–	–	–	–
Exercised during the period	–	–	–	–
Granted during the period	–	–	1.34	5,975,000
Outstanding at 30 June	1.34	5,975,000	1.34	5,975,000
Exercisable at 30 June	1.30	2,966,664	1.25	1,000,000

Shares issued under the Director and Employee Share Scheme have an issue price of $1.25, other than 525,000 shares issued to employees at an issue price of $2.27.

The fair value calculated at the grant dates is measured using a Black Scholes methodology. The total fair value grant expense of $731,301 is amortised over the vesting periods. The expense reported in the financial year to 30 June 2008 is $320,319 (2007: $226,469).

The number of issued shares adjusted for the Employee Shares is 178,045,564.

21. RESERVES

	Consolidated		The Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Cash flow hedge reserve, net of tax	245	132	160	132
Share-based payment reserve, net of tax	877	226	877	226
	1,122	358	1,037	358

Cash flow hedge reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to foreign exchange contracts and interest rate swaps with settlement dated post 30 June 2008.

Share-based payment reserve

The share-based payment reserve comprises the amortised cost of the value of shares granted under the Director and Employee Share Scheme and dividends applied to reduce the underlying loan.

22. DIVIDENDS

Dividends recognised in the current year by the Group are:

	Cents per share	Total amount $'000	Franked/ unfranked	Date of payment
2008				
Final 2007 – ordinary shares	2.3	4,042	Franked	14 September 2007
Interim 2008 – ordinary shares	4.0	7,048	Franked	19 March 2008
Total amount		11,090		
2007				
Final 2006 – ordinary shares	–	–	–	–

Franked dividends declared or paid during the year were franked at the tax rate of 30%.

After 30 June 2008, the following final dividend was proposed by the Directors for the 2008 financial year. The dividends have not been provided. The declaration and subsequent payment of dividends has no income tax consequences.

	Cents per share	Total amount $'000	Franked/ unfranked	Date of payment
Total amount – final ordinary shares	7.6	13,531	Franked	25 September 2008

The financial effect of these dividends have not been brought to account in the financial statements for the financial year ended 30 June 2008 and will be recognised in subsequent financial reports.

Company	2008 $'000	2007 $'000
Dividend franking account		
30% franking credits available to shareholders of Keybridge Capital for subsequent financial years	12,047	55

22. DIVIDENDS *(continued)*

The franking credits available are based on the balance of the dividend franking account at year end adjusted for:

(a) franking credits that will arise from the payment of the current tax liabilities;

(b) franking debits that will arise from the payment of dividends recognised as a liability at the year end;

(c) franking credits that will arise from the receipt of dividends recognised as receivables by the tax-consolidated group at the year end; and

(d) franking credits that the entity may be prevented from distributing in subsequent years.

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends. The impact on the dividend franking account of dividends proposed after the balance sheet date but not recognised as a liability is to reduce it by $5.8 million (2007: Nil).

23. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share at 30 June 2008 was based on the profit attributable to ordinary shareholders of $20.76 million (2007: $4.09 million) and a weighted average number of ordinary shares outstanding of 170.6 million (2007: 74.5 million) calculated as follows:

	Consolidated	
Profit attributable to ordinary shareholders	2008 $'000	2007 $'000
Net profit/(loss) attributable to ordinary shareholders	20,757	4,094
Weighted average number of ordinary shares in thousands of shares	No. '000	No. '000
Weighted average number of ordinary shares at 30 June	170,658	74,504

Diluted earnings per share

The calculation of diluted earnings per share at 30 June 2008 was based on profit attributable to ordinary shareholders of $20.76 million (2007: $4.09 million) and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 171.3 million (2007: 77.0 million), calculated as follows:

	Consolidated	
Profit attributable to ordinary shareholders (diluted)	2008 $'000	2007 $'000
Net profit (loss) attributable to ordinary shareholders (diluted)	20,757	4,094
	No. '000	No. '000
Weighted average number of ordinary shares (basic)	170,658	74,504
Effect of share options on issue	652	2,464
Weighted average number of ordinary shares (diluted) at 30 June	171,310	76,968

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.

24. FINANCIAL RISK MANAGEMENT

The Group seeks to minimise the effects of financial risks arising in the normal course of the Group's business. Financial risks include credit risk, liquidity risk, foreign currency risk, interest rate risk and capital management.

Financial risk management is carried out by Management under policies approved by the Board. The Group's policies aim to ensure that material financial risks facing the Group, including those within individual investments, are identified, analysed and evaluated and that active processes are in place for the management and reporting of these risks.

Relevant Group policies are:

- Risk Management Policy
- Financial Management Policy
- Transactional Risk Management Policy.

The policies are available on the Company's website at **www.keybridge.com.au** and discussed in further detail under Corporate Governance – ASX Principle 4 – Safeguard integrity in financial reporting and ASX Principle 7 – Recognise and manage risk on pages 21 and 23 respectively of this 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 reports regularly to the Board on its activities.

Keybridge Capital has appointed a Chief Investment Officer (CIO) to oversee Management's risk reporting to the Board and AFRC. The CIO role acts as an internal audit function.

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 managing the Group's credit risk. No credit exposures are assumed without appropriate analysis. The TRMP outlines the processes by which the Group identifies, analyses and evaluates the risks of each investment. The Group manages ongoing credit risk by monitoring closely the performance of investments, the financial health of counterparties (including lessee and charter parties, banks and other financial institutions) and compliance with senior debt terms and conditions where the Group is a mezzanine or equity investor.

The Group manages its investment portfolio cognisant of portfolio concentration guidelines outlined in the TRMP. These address preferred maximum exposures to counterparties, individual transactions and asset classes.

24. FINANCIAL RISK MANAGEMENT *(continued)*

Exposure to credit risk

The carrying amount of the Group's financial assets represents its maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

		Carrying amount	
	Note	2008 $'000	2007 $'000
Cash and cash equivalents	9	25,264	8,436
Loans and receivables	12	396,381	239,361
Available-for-sale investments	14	–	13,219
Held-to-maturity investment	13	865	865
Embedded derivatives on investments	15	6,898	4,659
Forward exchange contracts used for hedging: Assets	15	12,233	3,674
Interest rate swaps used for hedging: Assets	15	2,185	–
Trade and other receivables	10	434	1,616
Add back deferred income		1,778	2,086
		446,038	273,916

The Company's maximum exposure to credit risk at the reporting date was $395,387 (2007: $241,275) for loans and receivables, $12,233 (2007: $3,674) for forward exchange contracts used for hedging and $2,185 (2007: Nil) for interest rate swaps used for hedging. Cash and cash equivalents were $25,264 (2007: $8,436). These numbers are in thousands of dollars.

The Group's maximum exposure to credit risk for loans and receivables at the reporting date by segment was:

	Carrying amount	
	2008 $'000	2007 $'000
Cash (Australian banks)	25,264	8,436
Property	98,410	36,377
Aviation	118,672	50,711
Shipping	72,501	57,063
Infrastructure	54,005	23,228
Lending	74,827	61,093
Other – US securitisation	–	35,392
Other – Interest rate swaps	2,185	–
Other – trade and other receivables	174	1,616
	446,038	273,916

The Company's maximum exposure to credit risk for loans and receivables at the reporting date by industry segment was Cash (Australian banks): $25,264 (2007: $8,436), Property: $10,750 (2007: $17,000), Aviation: $118,672 (2007: $50,711), Shipping: $37,645 (2007: $43,484), Infrastructure: $54,005 (2007:$23,228), Lending: $37,839 (2007: $39,150) and Other: Nil (2007: $35,392). These numbers are in thousands of dollars.

24. FINANCIAL RISK MANAGEMENT *(continued)*

Impairment losses

The movement in the allowance for impairment during the year was as follows:

	Loans and receivables		Available-for-sale		Total loss recognised	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Balance at 1 July	3,630	–	6,790	–	10,420	–
Impairment loss recognised	22,891	3,630	10,965	6,790	33,856	10,420
Balance at 30 June	26,521	3,630	17,755	6,790	44,276	10,420

Impairment losses in respect of US securitisation investments were $30.9 million in 2008 (2007: $10.4 million) taking the total impairment to $41.3 million. During the year cash distributions totalling $3.7 million were received across five of the seven US securitisation investments. Further material distributions are not expected.

Impairment losses were also recorded against two other investments during the year ended 30 June 2008.

In relation to one loan, the Group ceased recognising interest income on that loan from 1 February 2008. The underlying security has been sold to a third party with settlement on a progressive basis. Proceeds of $8.5 million have been received by the Company reducing the exposure to $6.2 million. Additional proceeds are anticipated during the next financial year. An impairment loss of $2.0 million has been recorded for this loan to reflect the value of collateral less transaction costs.

In relation to the second investment, the Group provides a subordinated loan to an Australian Commercial Mortgage Trust. Interest is current and the underlying asset pool continues to perform. An impairment loss of $1.0 million has been recorded as recognition of the potential for the Group to earn less than the originally expected return as the Mortgage Trust is being wound down and increases in the interest rate on senior debt reduce available cash flow.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages liquidity risk by:

- maintaining committed debt facilities, adequate cash and undrawn debt capacity;
- monitoring compliance with bank debt covenants; and
- monitoring forecast and actual cash flows, including anticipated new investments, asset sales and foreign currency movements for a minimum forecast period of 12 months.

Cash flow forecasts are reported regularly to the AFRC. In addition, the Group maintains liquidity of at least $5 million to cover unexpected contingencies.

24. FINANCIAL RISK MANAGEMENT *(continued)*

The following are the contractual maturities of financial liabilities including estimated interest payments and excluding the impact of netting agreements:

30 June 2008

$'000	Carrying amount	Contractual cash flows	6 months or less	6–12 months	1–2 years	2–5 years
Non-derivative financial liabilities						
Secured bank loans	(170,000)	(249,880)	(8,383)	(8,194)	(16,038)	(217,265)
Trade and other payables*	(5,858)	(5,858)	(5,858)	–	–	–
	(175,858)	(255,738)	(14,241)	(8,194)	(16,038)	(217,265)

* Excludes derivatives (shown separately).

30 June 2007

$'000	Carrying amount	Contractual cash flows	6 months or less	6–12 months	1–2 years	2–5 years
Non-derivative financial liabilities						
Secured bank loans	(10,500)	(10,696)	(196)	–	–	(10,500)
Trade and other payables*	(1,346)	(1,346)	(1,346)	–	–	–
	(11,846)	(12,042)	(1,542)	–	–	(10,500)

* Excludes derivatives (shown separately).

The following table indicates the periods in which the cash flows associated with derivatives that are cash flow hedges are expected to occur and the periods in which the cash flows associated with derivatives that are cash flow hedges are expected to impact profit and loss.

	Consolidated and Company											
	2008						2007					
$'000	Carrying amount	Expected cash flows	6 months or less	6-12 months	1–2 years	2–5 years	Carrying amount	Expected cash flows	6 months or less	6–12 months	1–2 years	2–5 years
Interest rate swaps:												
Assets	2,185	1,717	243	292	611	571	–	–	–	–	–	–
Forward exchange contracts:												
Company												
Assets	3,473	56,270	957	1,026	52,438	1,849	1,288	184,309	128,682	33,902	2,625	19,100
Liabilities	-	(49,990)	(820)	(883)	(46,763)	(1,524)	-	(178,795)	(127,577)	(33,087)	(1,799)	(16,332)
Subsidiaries												
Assets	4,102	36,196	36,196	–	–	–	451	34,615	1,977	1,723	30,915	–
Liabilities	–	(31,764)	(31,764)	–	–	–	–	(33,907)	(1,722)	(1,696)	(30,489)	–
	9,760	12,429	4,812	435	6,286	896	1,739	6,222	1,360	842	1,252	2,768

All foreign exchange contracts are held under the Company on behalf of its subsidiaries and included in the Consolidated results.

24. FINANCIAL RISK MANAGEMENT *(continued)*

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 denominated in both US dollars and Euros.

The Group's policy is to use forward foreign exchange contracts to hedge the principal and probable income for each investment denominated in foreign currency back to Australian dollars. The Group's policies:

- require that the Group will have dealing lines with a minimum of two banks;
- authorise management to enter into foreign exchange transactions with banks rated by Standard & Poor's as "A" or better for transactions of less than three years or "AA–" or better for transactions longer than three years, without the need for specific Board approval; and
- outline the internal delegation process for approving foreign exchange transactions.

At 30 June 2008, the Group had foreign currency dealing lines with its four primary banks, Commonwealth Bank, Bank of Western Australia Limited through Bank of Scotland Treasury, St.George Bank and National Australia Bank. The Group has adopted hedge accounting in order to manage the volatility in profit or loss.

Exposure to currency risk

The Group's exposure to foreign currency risk at balance date was as follows, based on notional amounts:

	USD	Euro	USD	Euro
	30 June 2008		30 June 2007	
	$'000	$'000	$'000	$'000
Loans and Receivables	249,189	49,530	210,737	16,428
Gross balance sheet exposure	249,189	49,530	210,737	16,428
Foreign exchange contracts	(270,855)	(48,956)	(209,456)	(16,293)
Net exposure	(21,666)	574	1,281	135

The Net exposure relates to the foreign exchange contracts that include hedges of future payments of principal and interest on investments in foreign currency.

The Company's exposure to foreign currency risk at balance date was as follows, based on notional amounts:

	USD	Euro	USD	Euro
	30 June 2008		30 June 2007	
	$'000	$'000	$'000	$'000
Loans and receivables	167,110	49,530	153,666	16,428
Gross balance sheet exposure	167,110	49,530	153,666	16,428
Foreign exchange contracts	(195,391)	(48,956)	(188,327)	(16,293)
Net exposure	(28,281)	574	(34,661)	135

The Net exposure relates to the foreign exchange contracts that include hedges of future payments of principal and interest on investments in foreign currency.

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2008	2007	2008	2007
AUD: USD	0.9054	0.7859	0.9653	0.8497
AUD: Euro	0.6099	0.6019	0.6111	0.6319

24. FINANCIAL RISK MANAGEMENT *(continued)*

Sensitivity analysis

The Group seeks to hedge the principal and known interest for each investment in foreign currency back in Australian dollars. As a result, a change in an exchange rate will have an equal and offsetting impact on the change in the book value of the underlying investment and the change in the fair value of the related derivative.

Interest rate risk

The Group and Company is exposed to interest rate risk where committed debt facilities, including non-recourse debt financing, are at a variable rate of interest.

In relation to the Group and Company corporate debt facilities, interest rate swaps denominated in Australian dollars have been entered into as cash flow hedges. At 30 June 2008, the Group had interest rate swaps with a notional contract amount of $125 million (2007: Nil) representing 73.5% of drawn debt. The interest rate swaps have maturities ranging from August 2010 to June 2013 and an average remaining term, as at 30 June 2008, of three years and three months 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 Company 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.

The Group and Company sensitivity to interest rates has increased during the period to 30 June 2008 mainly due to a higher level of committed debt facilities at a variable rate.

Interest rate profile

At the reporting date the interest rate profile was as follows:

	Consolidated Carrying amount		The Company Carrying amount	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Fixed rate instruments				
Financial assets	325,606	204,988	127,866	131,105
Variable rate instruments				
Financial assets	77,826	40,482	62,646	32,499
Financial liabilities – corporate borrowings	(170,000)	(10,500)	(170,000)	(10,500)
Interest rate swaps (pay fixed receive floating)	125,000	–	125,000	–
Total Variable rate instruments	32,826	30,302	17,646	21,999

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss and the Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at the reporting date would have a Nil impact on profit or loss.

24. FINANCIAL RISK MANAGEMENT *(continued)*

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2007.

	Profit or loss		Equity	
	100bp increase $'000	100bp decrease $'000	100bp increase $'000	100bp decrease $'000
30 June 2008				
Variable rate instruments	389	(389)	–	–
Interest rate swap	–	–	656	(656)
Cash flow sensitivity (net)	389	(389)	656	(656)
30 June 2007				
Variable rate instruments	157	(157)	–	–
Interest rate swap	–	–	–	–
Cash flow sensitivity (net)	157	(157)	–	–

Fair values

Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

	30 June 2008		30 June 2007	
Consolidated	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
Available-for-sale investments	–	–	13,219	13,219
Held-to-maturity investment	865	865	865	865
Loans and receivables	396,381	392,883	241,449	241,449
Cash and cash equivalents	25,264	25,264	8,436	8,436
Trade and other receivables	434	434	1,616	1,616
Interest swaps used for hedging: Assets	2,185	2,185	–	–
Forward exchange contracts used for hedging: Assets	12,233	12,233	3,674	3,674
Secured bank loans	(170,000)	(170,000)	(10,500)	(10,500)
Trade and other payables	(5,858)	(5,858)	(1,346)	(1,346)
	261,504	258,006	257,413	257,413

24. FINANCIAL RISK MANAGEMENT *(continued)*

	30 June 2008		30 June 2007	
Company	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
Available-for-sale investments	–	–	13,219	13,219
Held-to-maturity investment	865	865	865	865
Investment in subsidiaries	–	–	–	–
Loans and receivables	395,387	393,928	241,275	241,275
Cash and cash equivalents	25,264	25,264	8,436	8,436
Trade and other receivables	434	434	1,617	1,617
Interest swaps used for hedging: Assets	2,185	2,185	–	–
Forward exchange contracts used for hedging: Assets	6,744	6,744	3,101	3,101
Secured bank loans	(170,000)	(170,000)	(10,500)	(10,500)
Trade and other payables	(5,858)	(5,858)	(1,279)	(1,279)
	255,021	253,562	256,734	256,734

Interest rates used for determining fair value

The interest rates to discount estimated cash flows are based on the expected yields in the marketplace for similar assets at the reporting date. They were in the following ranges, with the specific discount rate chosen being related to the term and risk profile of the investment:

	2008	2007
Loans and receivables	10% – 20%	10% – 15%
Investment in associates	10% – 15%	10% – 12%

For the year ended 30 June 2007 the majority of the Group's investments were less than 12 months old and when combined with the more stable economic environment in that period, it was assessed that fair value approximated their carrying value.

24. FINANCIAL RISK MANAGEMENT *(continued)*

Capital Management

The Group has total available capital of $476 million as at 30 June 2008 comprising contributed equity of $261 million and a corporate debt facility of $215 million.

The Board's practice is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Board also monitors the return on the total capital of the business and the level of dividends to ordinary shareholders.

At present Key Management Personnel of the Group hold an interest in shares equal to 4.7% of the ordinary shares of the Company, including shares issued under the Director and Employee Share Scheme.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. During the financial year, the Group extended the term of its corporate debt facility to 2 June 2011 and, in response to the uncertainties within financial markets, maintained a clear buffer of liquidity (being undrawn debt and cash holdings) of at least 5% of the Company's assets. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

25. RELATED PARTY DISCLOSURE

Key Management Personnel compensation

Information regarding individual Directors' and Senior Executives' compensation and shares held in the Company disclosures as permitted by Corporations Regulations 2M.3.03 are provided on pages 35 to 43 of this Annual Report.

No Director has entered into a material contract with the Company or the Group since the end of the previous financial year and there were no material contracts involving Directors' interests existing at year end.

Senior Executives (being the Managing Director, Chief Investment Officer and Chief Financial Officer)

	Short-term employee benefits			Post-employment benefits		
	Cash salary	Incentive and bonus payments	Non-monetary	Company contributions to superannuation	Share-based payments	Total
In AUD	$	$	$	$	$	$
Totals – 2008	1,182,590	1,210,000	10,952	43,958	115,218	2,562,718
Totals – 2007	734,450	328,000	–	64,908	128,056	1,255,414

Chairman and Non-Executive Directors

	Short-term employee benefits	Post-employment benefits		
	Cash fees	Company contributions to superannuation	Share-based payments	Total
In AUD	$	$	$	$
Totals – 2008	305,400	21,600	64,437	391,437
Totals – 2007	205,893	14,587	68,908	289,388

25. RELATED PARTY DISCLOSURE *(continued)*

Options and Rights Over Equity Instruments

The movement during the reporting period in the number of rights over ordinary shares in the Group and Company held directly by Key Management Personnel is as follows:

	Held at 1 July 2007	Granted as Retention based remuneration	Exercised	Other changes	Vested during the year	Vested and exercisable at 30 June 2008
Directors						
Irene Lee	1,000,000	–	–	–	333,333	333,333
Mark Phillips	3,000,000	–	–	–	1,000,000	2,000,000
Ian Ingram	200,000	–	–	–	66,666	66,666
Philip Lewis	200,000	–	–	–	66,666	66,666
Michael Perry	200,000	–	–	–	66,666	66,666
Other Key Management Personnel						
Ian Pike	400,000	–	–	–	133,333	133,333
Karen Penrose	150,000	–	–	–	50,000	50,000

	Held at 1 July 2006	Granted as Retention based remuneration	Exercised	Other changes	Vested during the year	Vested and exercisable at 30 June 2007
Directors						
Irene Lee	–	1,000,000	–	–	–	–
Mark Phillips	–	3,000,000	–	–	1,000,000	1,000,000
Ian Ingram	–	200,000	–	–	–	–
Philip Lewis	–	200,000	–	–	–	–
Michael Perry	–	200,000	–	–	–	–
Other Key Management Personnel						
Ian Pike	–	400,000	–	–	–	–
Karen Penrose	–	150,000	–	–	–	–

25. RELATED PARTY DISCLOSURE *(continued)*

Movements in Shares

The numbers of shares in the Company held during the financial year by Key Management Personnel of the Group, including their personally-related entities, is set out below. This excludes shares provided as retention based remuneration from the Company's Director and Employee Share Scheme, unless such shares have been exercised. At 30 June 2008, no shares under the Director and Employee Share Scheme have been exercised.

	Held at 1 July 2007	Purchases	Received on exercise of rights	Sales	Held at 30 June 2008
Directors					
Irene Lee	1,642,467	107,947	–	–	1,750,414
Mark Phillips	390,000	63,149	–	–	453,149
Ian Ingram	–	–	–	–	–
Philip Lewis	314,287	20,808	–	–	335,095
Michael Perry	285,715	250,000	–	–	535,715
Other Key Management Personnel					
Ian Pike	114,285	25,716	–	–	140,001
Karen Penrose	64,929	3,330	–	–	68,259
	2,811,683	470,950	–	–	3,282,633

	Held at 1 July 2006	Purchases	Received on exercise of rights	Sales	Held at 30 June 2007
Directors					
Irene Lee	–	1,642,467	–	–	1,642,467
Mark Phillips	–	390,000	–	–	390,000
Ian Ingram	–	–	–	–	–
Philip Lewis	–	314,287	–	–	314,287
Michael Perry	–	285,715	–	–	285,715
Other Key Management Personnel					
Ian Pike	–	114,285	–	–	114,285
Karen Penrose	–	64,929	–	–	64,929
	–	2,811,683	–	–	2,811,683

26. GROUP ENTITIES

The ultimate controlling party of the Group is Keybridge Capital Limited incorporated in Australia.

		Ownership interest	
Significant subsidiaries	Country of incorporation	2008 %	2007 %
Bridge Property Investments Pty Limited	Australia	100	100
Pacific Bridge Cyprus Limited	Cyprus	100	100
Bridge Financial Pty Limited	Australia	100	100
MB Finance Pty Limited	Australia	100	100
Mariner Bridge Investments Trust	Australia	–	100
Keybridge Funds Management Pty Limited	Australia	100	–

27. SUBSEQUENT EVENT

No matter or circumstance has arisen since the reporting date which would have a material effect on the Group's financial statements as at 30 June 2008.

28. COMMITMENTS

(i) Loan commitments

There are a number of loans that have undrawn commitments at year end. The balance of the undrawn commitments is approximately $22.6 million at 30 June 2008 (2007: $92.0 million).

(ii) Lease commitments

	Consolidated		The Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Less than one year	275	–	275	–
Between one and five years	1,102	–	1,102	–
	1,377	–	1,377	–

The Group leases its premises under a lease which expires in September 2012. The Group leases office equipment under a lease which will expire in September 2011. Leases generally provide the Group entity with a right of renewal at which time all terms are renegotiated.

29. CONTINGENCIES

There are no contingent assets or liabilities as at 30 June 2008.

30. AUDITOR'S REMUNERATION

	Consolidated		The Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Auditors of the Company				
KPMG Australia:				
Audit and review of the financial reports	132,336	106,000	132,336	106,000
Tax services	43,895	42,918	43,895	42,918
Other non-audit services	–	68,182	–	68,182
	176,231	217,100	176,231	217,100

Directors' Declaration

1. In the opinion of the Directors of Keybridge Capital Limited (the Company):

   (a) the financial statements and notes set out on pages 28 to 88, and the Remuneration Report in the Directors' Report, set out on pages 35 to 43, are in accordance with the *Corporations Act 2001*, including:

      (i) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2008 and of their performance, for the financial year ended on that date; and

      (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;

   (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2(a); and

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

2. The Directors have been given the declarations required by section 295A of the *Corporations Act 2001* from the Managing Director and Chief Financial Officer for the financial year ended 30 June 2008.

Signed in accordance with a resolution of Directors:

Irene Lee
Chairman

Sydney, 7 August 2008

Shareholder Information

The shareholder information set out below was applicable as at 31 July 2008.

DISTRIBUTION OF EQUITY SECURITIES

Range	Total holders	Shares	% of Issued Shares
1 to 1000	243	137,661	0.08
1001 to 5000	1,076	3,310,022	1.86
5001 to 10000	836	6,255,026	3.51
10001 to 100000	1,539	42,177, 076	23.69
100001 and Over	145	126,165,779	70.86
Total	3,839	178,045,564	100.00

LARGEST SHAREHOLDERS

The names of the 20 largest holders of ordinary shares are listed below: as at 31 July 2008.

Name	Number held	% of issued units
UBS Nominees Pty Ltd	15,190,064	8.53%
National Nominees Limited	9,613,178	5.40%
Queensland Investment Corporation	7,416,168	4.17%
Australian Executor Trustees Limited	6,558,887	3.68%
JPMorgan Nominees Australia Limited	6,405,750	3.60%
Brispot Nominees Pty Ltd <House Head Nominee No 1 A/C>	6,237,654	3.50%
Citicorp Nominees Pty Limited <CFS Future Leaders Fund A/C>	5,557,655	3.12%
Citicorp Nominees Pty Limited <CFS Developing Companies A/C>	5,455,911	3.06%
Quotidian No 2 Pty Limited	4,722,489	2.65%
ANZ Nominees Limited <Cash Income A/C>	3,191,422	1.79%
The Myer Family Company P/L	3,085,715	1.73%
Mr Mark Phillips	3,038,000	1.71%
Invia Custodian Pty Limited <WAM Capital Limited A/C>	2,355,313	1.32%
Bond Street Custodians Limited <Macquarie Smaller Co's A/C>	2,329,830	1.31%
Pine Street Pty Ltd <Pine Street A/C>	2,300,000	1.29%
Blaironia Pty Ltd	1,798,062	1.01%
Invia Custodian Pty Limited <Black A/C>	1,709,467	0.96%
Ms Irene Lee	1,675,414	0.94%
HSBC Custody Nominees (Australia) Limited	1,556,176	0.87%
M F Custodians Ltd	1,404,840	0.79%

SUBSTANTIAL HOLDERS

Shareholder	Number of shares	%
UBS Nominees	16,764,586	9.42%
Eley Griffiths Group Pty Limited	10,872,866	6.11%

VOLUNTARY ESCROW

There are no shares subject to escrow arrangements, other than those issued under the Director and Employee Share Scheme.

MARKETABLE PARCELS

The number of holders holding less than a marketable parcel of 690 shares ($0.725 on 31 July 2008) is 153.

VOTING RIGHTS

On a show of hands, at a general meeting of Keybridge Capital, every member present at a meeting in person or by proxy has one vote and upon a poll, each member has one vote for each ordinary share held.

SHAREHOLDER ENQUIRIES

Shareholders with enquiries about their shareholdings should contact Keybridge's share registry, Link Market Services Limited, by telephone on 1800 992 613.

CHANGE YOUR ADDRESS?

If you change your address, please promptly notify our share registry in writing. Please quote your Shareholder Reference Number and your old address as added security.

INVESTOR INFORMATION

Keybridge Capital maintains a website at www.keybridge.com.au where company information is available and a service for any queries is provided. For any further queries, please contact the Company on +61 2 9321 9000.

ONLINE RECEIPT OF THE ANNUAL REPORT AND SHAREHOLDER INFORMATION

Keybridge Capital makes its Annual Report available online. The Company encourages shareholders to receive all other shareholder information including notices of all Annual General Meetings online. Shareholders who prefer to receive a hard copy of the Annual Report, or all other shareholder information by mail should advise the share registry in writing.

STOCK EXCHANGE LISTING

Keybridge Capital Limited ordinary shares are quoted on the Australian Securities Exchange (ASX Code: KBC).

UNQUOTED EQUITY SECURITIES

There are 5,975,000 shares issued under the Director and Employee Share Scheme which are unquoted. These are described in the Remuneration Report.

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Corporate Directory

REGISTERED OFFICE

Level 26
259 George Street
Sydney NSW 2000
T +61 2 9321 9000
F +61 2 9321 9090
www.keybridge.com.au

SHARE REGISTRY

Link Market Services Limited
Level 12
680 George Street
Sydney NSW 2000
T (within Australia): 1800 992 613
T (outside Australia): +61 2 8280 7746
www.linkmarketservices.com.au

KEYBRIDGE CAPITAL LIMITED

Level 26, 259 George Street
Sydney NSW 2000

T +61 2 9321 9000
F +61 2 9321 9090
abn 16 088 267 190

www.keybridge.com.au