KEYBRIDGE®
CAPITAL LIMITED

Annual Report 2013

Financial Calendar

EVENT DATES FOR FINANCIAL YEAR 2014

Annual General Meeting .... Thursday 10 October 2013

Financial year 2014 half year results announced .... Thursday 13 February 2014

Financial year 2014 annual results announced .... Thursday 21 August 2014

Annual General Meeting .... Thursday 9 October 2014

The Company reserves the right to change these dates.

This Annual Report (including the Financial Report) is for the Company up to 30 June 2013.

THE REGISTERED OFFICE OF KEYBRIDGE CAPITAL LIMITED IS:

Level 26
259 George Street
Sydney NSW 2000

Contents

Chairman's Report

On behalf of the Directors of Keybridge Capital Limited (Keybridge), I present the Group's Annual Report for the year ended 30 June 2013.

While conditions in key markets in which Keybridge has invested remained turbulent during 2013, the Company achieved a significant milestone being the full repayment of its corporate debt in May 2013. Keybridge is now debt free.

In 2013, Keybridge reported a net loss after asset impairments of $3.8 million. At year-end, the Group had shareholders' funds of $42.0 million, equating to approximately 24.4 cents per share (now 22 cents (unaudited) with a further asset write-down and the absorbtion of PRFG referred to in the the next paragraph).

Subsequent to year end, on 16 August 2013, the acquisition of PR Finance Group Limited (PRFG) reached financial close with the payment of $1.5 million in cash and the issue of 2.5 million Keybridge shares to PRFG shareholders. The transaction has an implementation date of 28 June 2013 as per the orders of the Federal Court. Keybridge is in the process of facilitating the divestment by PRFG of its motor vehicle division. The sale would result in the full repayment of PRFG's outstanding senior debt facility (of $41 million), and an $11.7 million repayment of its mezzanine loan from Keybridge.

During the year, Mark Worrall resigned from the role of Managing Director after making a strong contribution at Keybridge and the Board appointed Nicholas Bolton as its Executive Director. Nicholas previously held the role of Non-executive Director. Also appointed to the Board during the past year were Bill Brown and Robert Moran, both of whom bring significant legal and investment experience to the Company. The Board is well represented by its shareholders, with Nicholas and Robert respectively representing Keybridge's two largest shareholders.

The Company has not declared a dividend payable for the past year.

The Board of Directors is in the process of determining the future direction of your Company. Given the positive franking credits position and the carried forward tax losses, it would be ideal for shareholders if a profitable way forward could be charted. The Board's first priority will always be to advance the interests of the Company and its shareholders within appropriate legal and ethical boundaries.

On behalf of the Board and management, I thank you for your support over the past year.

Peter Wood
Chairman

Executive Director's Report

BACKGROUND

Keybridge Capital was established in October 2006 as a listed investment company specialising in long term alternative investment assets focused on the infrastructure, private equity, property, aviation and shipping sectors.

Keybridge's participation in these asset-backed transactions included senior and mezzanine loans as well as equity participation or full ownership. In most of its historical transactions, Keybridge provided mezzanine loans to single purpose entities established to own the physical assets including aircraft, ships, property projects and renewable electricity facilities. These entities generally also borrowed limited recourse asset-specific senior debt, and derived income generated by the lease or use of those assets by third party operators (e.g. shipping companies, airlines etc.).

In late 2008 / early 2009, Keybridge's investment and loan portfolio was severely impacted by the effects of the global financial crisis and the Company's senior lenders forced Keybridge into a prolonged period of asset realisation in order to repay its corporate debt.

We are very pleased that on 1 May 2013, Keybridge repaid its corporate debt in full, leaving the Company with a cash balance of approximately $12.5 million at 30 June 2013 and a portfolio of assets that the management team is in the process of realising or managing to maximise shareholder value.

I do note, that many of the markets in which the Group's remaining investments are involved continued to face challenges during the 2013 financial year. Since 30 June 2012, the Group recognised a further $12.1 million of net impairments against its portfolio, of which, $8.5 million were taken in the second half of the financial year. In particular, these impairments came about as part of the realisation of our aviation and private equity investments and from changed circumstances in one of our larger remaining property investments.

Both of Keybridge's two remaining property investments experienced significant operating issues over the last six months, and the Company has taken the view that the recoverable value of one of these investments has been totally impacted by development delays and changes to the senior financing arrangements that have occurred since the end of June 2013.

The other remaining property investment is a portfolio of first ranking mortgage loans over commercial properties. The previous senior lender was repaid in full in January 2013, and Keybridge is now the sole lender to the remaining portfolio. During the past 12 months, Keybridge received $2.1 million in repayments from these loans. Future recovery of the remaining loans is expected as the properties are refinanced or sold. Over the last six months a number of these loans have underperformed and the Company has recognised an impairment provision for the year ended June 2013 to account for this.

THE ACQUISITION OF PR FINANCE GROUP LIMITED

On 25 June 2013, Keybridge became the effective owner of PR Finance Group Limited (PRFG), by way of Scheme of Arrangement (Scheme). Although the Scheme reached financial close on 16 August 2013, the Federal Court ordered the implementation date to be 28 June 2013.

PRFG owns and operates two key businesses:

- Motor Finance Wizard (MFW) and;
- AMX Money (AMX).

Details of these businesses were provided to shareholders in the Scheme documentation earlier this year.

Keybridge is currently in the process of divesting PRFG of MFW to a foreign domiciled investment company in order to repay senior debt at PRFG, and expects this to reach completion during September 2013 subject to the approval of the senior lender. This sale, should it complete, would result in the full repayment of PRFG's outstanding senior debt facility, and an $11.7 million repayment of its mezzanine loan from Keybridge, which was initially made to PRFG in 2007.

Keybridge is currently developing plans for its residual business AMX, a short-term consumer-lending business. According to management accounts this business generated an EBIT of $2.8 million for the full year ending 30 June 2013, and represents an opportunity for the Company.

PROFITABILITY

The Group's net loss after tax attributable to ordinary shareholders for the year to 30 June 2013 was $3.8 million, compared with a loss of $3.2 million in the prior year. Therefore basic and diluted loss in the last 12 months was 2.21 cents per share (1.87 cents per share loss in 2012).

The profit performance of the Group continues to be negatively impacted by the need to take prudent provisions on the realisable value of certain of the Group's investments. Keybridge, however, had a net operating profit from normal activities and pre-impairments (but post foreign exchange (FX) adjustments) of $4.0 million ($8.2 million in 2012).

	2013 $ million	2012 $ million
Income	5.9	13.6
Borrowing costs	(1.3)	(2.8)
Operating costs	(2.6)	(2.8)
Operating profit before FX adjustments	2.0	8.0
Foreign exchange	2.0	0.2
Operating profit after FX adjustments	4.0	8.2
Net impairments	(12.1)	(11.4)
Income tax benefit	4.3	–
Net (loss) after tax	(3.8)	(3.2)

Overall revenue decreased from 2012 as a result of the realisation of a large aircraft investment and income from the lending portfolio not being recognised as the remaining loan is now impaired. Income included an unrealised gain of $1.4 million on the investment of shares held in PTB Group Limited (PTB), which included $0.3 million of dividends that were reinvested into shares in PTB.

The average cost of borrowings in 2013 was 5.6% per annum (versus 4.4% per annum in 2012) however the level of debt outstanding was significantly lower in 2013 than in 2012.

Savings in operating costs were due to reductions in employee costs that were partially offset by an increase in professional costs as a result of the Scheme to acquire PRFG.

Impairments

Impairment losses for the year continued to come from legacy investments in Property, Aviation and Lending assets.

Total impairments of $7.4 million in the Property segment mainly resulted from delays in construction, and changes to the senior lending arrangements in our largest asset in the property portfolio.

In Aviation, the Company disposed of four aircraft into a challenging market. One of the aircraft required immediate sale by its senior lender, and the remaining three were sold to create liquidity to meet Keybridge's corporate debt repayment. In total a USD4.3 million provision was required, and this was raised in the 31 December 2012 accounts.

In addition, as previously discussed, PRFG entered into an agreement to sell MFW, and Keybridge is expected to receive $11.7 million of its historical mezzanine loan during September 2013. This is $1.1 million less than the carrying value as at 30 June 2013 and a provision for this amount has been recognised in the financial statements.

Foreign Exchange

Of the Group's total assets as at 30 June 2013, approximately 32% were denominated in either US Dollars or Euros, which are unhedged against movement in the value of the Australian Dollar.

The unrealised gain from foreign exchange in 2013 reflects the depreciation of the Australian Dollar across the year by approximately 9% against the US Dollar and 12% against the Euro.

Taxation

During the year Keybridge, with the assistance of its tax adviser, undertook a review of the previously lodged ITRs for financial years 2008 to 2010. The scope of the review was to determine whether the treatment of recognition of foreign exchange (FX) movements was correctly recorded for both investments and borrowings.

The review found that in 2008, after writing-off all seven of its investments in US Securitisation (USSEC) investments to nil, the Company claimed bad debt deductions for five of its USSEC investments. Two investments were incorrectly excluded as deductions in the 2008 ITR, and accordingly in December 2012, Keybridge submitted an amended 2008 ITR, which included the previously excluded USSEC bad debt deductions, as well as an adjustment to realised FX gains and losses made on an asset by asset basis.

As a result, Keybridge received a payment from the ATO of $5.13 million on 26 March 2013, being a refund entitlement of $4.35 million plus $0.78 million interest.

FINANCIAL POSITION

As at 30 June 2013, the Group's balance sheet can be simplified as follows:

	$ million
Investments	29.81
Cash-on-hand and other assets	12.67
Liabilities	(0.44)
Shareholders' funds	42.04

Shareholders' funds equates to net tangible assets of approximately 24.4 cents per ordinary share.

As at 30 June 2013 the written-down value of the Company's investments by asset class was as follows:

	$ million	% of total
Lending	12	39%
Infrastructure	8	27%
Private Equity	5	17%
Aviation	3	9%
Property	2	8%
Shipping	–	–
	30	100%

Looking at each asset class in turn:

Lending

Keybridge has one remaining investment in the Lending asset segment.

Keybridge holds a mezzanine loan to PRFG and on 16 August 2013, Keybridge acquired 100% of the shares in PRFG (via a Scheme of Arrangement).

Selected background information on Keybridge's involvement with PRFG over the past 12 months is as follows:

- In July 2012, Keybridge syndicated $2 million of its mezzanine loan at par to a third-party. At this time the loan was performing.
- In January 2013, the mezzanine loan went into default due to a covenant breach under PRFG's senior loan. Since this time, interest payments have not been made on the mezzanine loan (however payments have remained current for the senior lender).
- In April 2013, Keybridge and PRFG entered into a Scheme Implementation Agreement whereby Keybridge would acquire 100% of the shares in PRFG via a Scheme of Arrangement (Scheme) with an implementation date of 28 June 2013.
- In May 2013, Keybridge re-purchased the mezzanine loan that it had syndicated, at a small discount to face value.
- In June 2013, Keybridge shareholders at a general meeting approved a change in the nature and scale of Keybridge's operations to enable the Scheme to be implemented. Also during June 2013, PRFG shareholders approved the Scheme (such approval was further ratified in August 2013).
- The legal entitlement of the mezzanine loan as at 30 June 2013 was $15.0 million. The carrying value of the loan was $12.8 million at this time however was reduced by a further $1.1 million to $11.7 million based on the expected proceeds to be received under an asset sale being progressed (see below).
- On 14 August 2013, the Federal Court approved the Scheme with an implementation date of 28 June 2013.
- On 16 August 2013, Keybridge completed the acquisition of 100% of the shares in PRFG for consideration of $1.5 million cash and 2.5 million Keybridge shares (issued at $0.20 per share or $0.5 million in total).
- Keybridge is in the process of divesting the motor vehicle division within PRFG in order to repay senior debt at PRFG and expects this to reach completion during September 2013 subject to approval by the senior lender. This sale, if completed, would result in the full repayment of PRFG's outstanding senior debt facility, and an $11.7 million repayment of its mezzanine loan from Keybridge.
- Post acquisition of PRFG, and should the sale of the motor vehicle division proceed, Keybridge would hold 100% of the equity in PRFG and a mezzanine loan with a legal entitlement of $3.4 million. PRFG's remaining asset is AMX, a short-term consumer lending business.

Infrastructure

The Group has one remaining infrastructure investment, being a loan to, and an equity accounted investment in, a 1 MW solar electricity facility in Spain. The Company has advised previously that there have been some production issues at this plant as a result of sub-standard solar panels having been installed during the construction process in late 2008. All such issues have now been rectified under warranty. The plant is now functioning in accordance with the original contract. The Spanish Government however introduced legislation in December 2010 to place a cap on the production able to receive the original 2007 Spanish legislated feed-in tariff. This cap remains in place until 31 December 2013.

On 12 July 2013, the Spanish Government indicated plans to introduce as law a profitability cap on solar farms equal to 3.0% per annum above the 10 year Spanish Government Bond rate. Whilst it is unclear exactly the terms upon which this will be implemented, or whether it will be implemented at all, Keybridge has determined to take an impairment against its solar asset of approximately $1.4 million for the 2014 financial year (under relevant accounting standards, we are not permitted to raise an impairment in 2013 as the potential change in legislation was commended after 30 June 2013). We will review this impairment as the proposed law develops.

Private Equity

As part of the arrangements to exit the Company's aviation investments, Keybridge restructured its participation in a closed-end private equity fund based in the United States, which was managed by the same party as the aviation investment. As a result of the restructure, Keybridge now holds a limited recourse loan directly to the fund manager supported by the units previously held by the Company. Interest on the loan is being accrued and will be paid upon realisation of any of the underlying investments in the fund, in a manner consistent with how cash flow would have previously been applied under the direct holding of the units in the fund.

Property

As previously discussed, Keybridge's two remaining property-backed investments have experienced valuation pressures over the last six months. In particular, one of the investment's value has deteriorated quickly as a result of changed circumstances since June 2013. There is now a very real prospect that development of this property will not be able to progress, principally as a result of changed senior lending arrangements under which significant additional fees would need to be paid for the necessary consents to proceed with the development. These new fees and increases in interest, if accepted by Keybridge and the developer, are likely to seriously impact the Company's carrying value of this investment. Accordingly, we have taken a prudent decision to impair this asset to a nil carrying value.

The other property investment is a portfolio of first ranking mortgage loans over commercial properties. Keybridge is the sole lender to this portfolio and during the past 12 months, Keybridge received $2.1 million in repayments from these loans. Income is being generated and future recovery of the loans is expected as the properties are refinanced or sold. We currently anticipate that it may take up to two years for Keybridge to be repaid the remainder of these loans. Over the last six months some of the loans ceased performing and the Company recognised impairment provisions to account for this.

Aviation

During the year to 30 June 2013, Keybridge realised its largest remaining aviation investment, which involved the sale of four A330 aircraft and resulted in a material repayment to the Group. Keybridge's only other remaining aviation investment is an 18.5% holding in ASX-listed PTB Group Limited (PTB) shares. This investment is marked-to-market at each balance date, which, as at 30 June 2013, resulted in a $0.5 million uplift from 31 December 2012 due to an increase in the PTB share price. Strategies for unlocking value in this investment remain under development.

Shipping

Shipping continues to be a volatile and challenged asset class for Keybridge. Keybridge assigns no value to the remaining four vessels in which it holds junior loans (managed by our partner and co-investor Tufton Oceanic Limited of London, UK). This is due to the independent market value of the ships being at or below the outstanding balance on the each of the respective vessel's senior debt. The Company however continues to maintain an active dialogue with Tufton, with the aim to recover some value in the future, should markets improve. Any realisation of value is dependent on the senior lenders on each asset being willing to ride out current market conditions.

FUTURE

Keybridge is looking forward to a positive future now that it has successfully completed its debt repayment program. The Company will continue to run off its legacy assets with a view to maximising shareholder value, a program that has been underway for some time and that will continue for three to five years.

The Company is currently considering the best applications for its cash reserves and new opportunities as they become available. Shareholders will be kept informed as this strategy develops.

Nicholas Bolton
Executive Director

Board of Directors

PETER WOOD
Chairman

Appointed Independent Non-executive Director of Keybridge Capital Limited in October 2010 and became Chairman in April 2012.

Peter Wood has extensive experience in aircraft leasing and general aviation. Previously Peter was Executive Vice President and a Board member of Ansett Worldwide Aviation Services (AWAS), one of the largest aircraft lessors in the world.

Peter currently holds an executive position with ASX-listed aviation company, PTB Group Limited, and is a member of the Investment Committee of the Investec Global Aircraft Fund.

Originally Peter worked as a lawyer with a Sydney firm before spending two years with Norton Rose in London.

NICHOLAS BOLTON
Executive Director

Appointed Non-executive Director of Keybridge Capital Limited in December 2011, resigned on 9 October 2012, reappointed Non-executive Director on 2 January 2013 and appointed Executive Director on 22 February 2013.

Nicholas Bolton is the sole director of Australian Style Group Pty Ltd, a 19% shareholder of Keybridge. Over the past 12 years, Nicholas has managed operational investments in the IT sector, invested in and led activist investments in a number of ASX-listed entities, as well as a number of risk arbitrage transactions focused on share class arbitrage, relative value and sum of parts analysis.

Nicholas is focused on delivering superior risk adjusted returns through active management and innovative solutions to challenging issues.

BILL BROWN
Non-executive Director

Appointed Independent Non-executive Director of Keybridge Capital Limited on 9 October 2012.

Bill Brown has over 30 years' experience as a commercial lawyer and senior executive in both private practice and in-house legal and management roles. Bill's areas of expertise include mergers and acquisitions, corporate governance and regulated industries.

Bill is currently a principal with Rockwell Olivier and the independent member of Crown Limited's Gaming Compliance Committee. In prior roles, he was a partner in a Melbourne/Sydney law firm and the group legal and regulatory manager in one of Australia's largest ASX listed gaming companies.

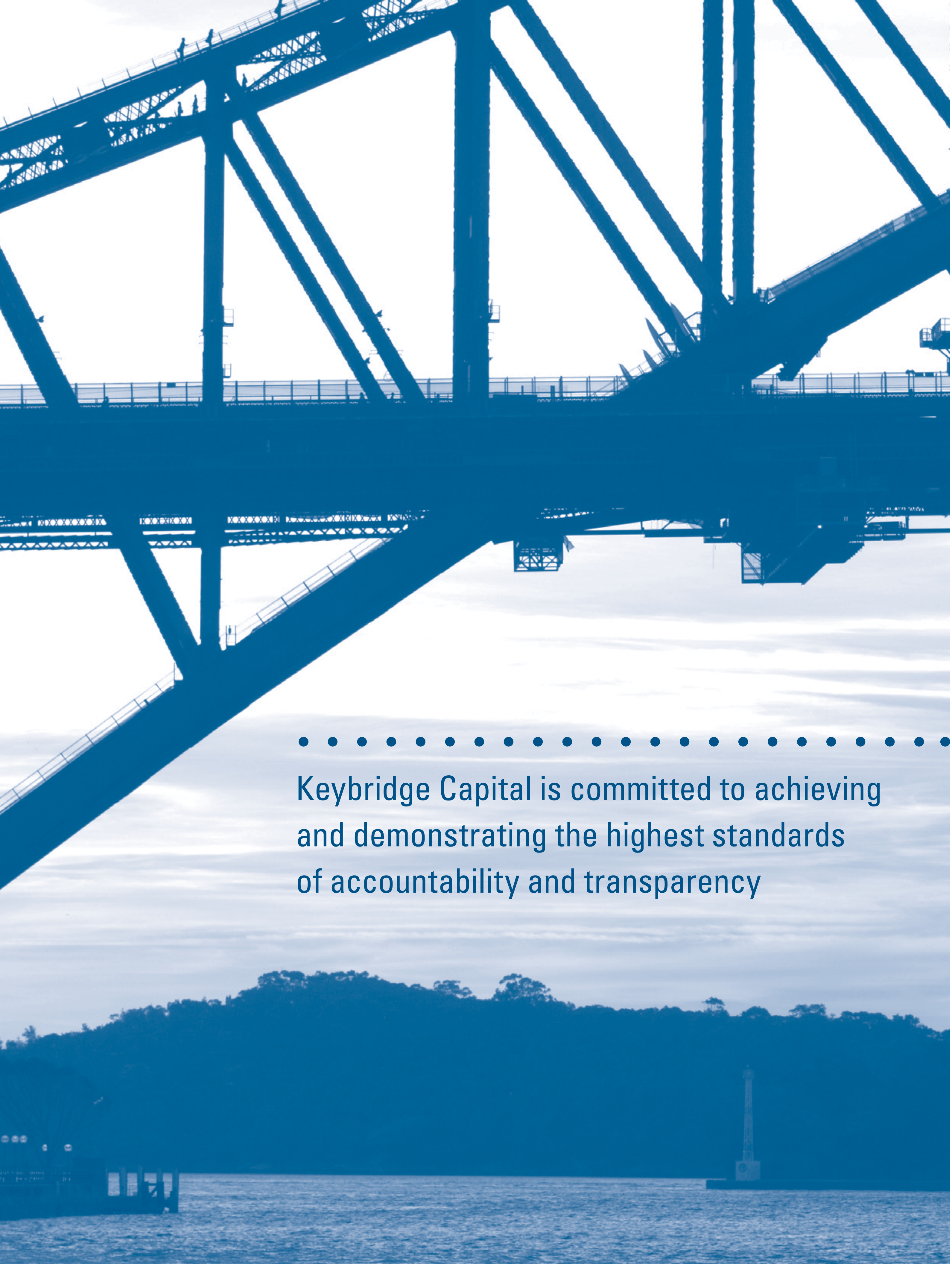
ROBERT MORAN
Non-executive Director

Appointed Non-executive Director of Keybridge Capital Limited on 2 January 2013.

Robert is the Managing Director of Oceania Capital Partners Limited, an ASX-listed principal investor and a substantial shareholder in the Company.

Robert is experienced in investment banking activities, including financings, capital raisings, structured finance, mergers and acquisitions and has practiced corporate and commercial law at a senior level.

Robert has extensive experience as a company director, having acted as both director and chairman of a number of companies, both listed and unlisted. He has served as chairman and member of audit and compliance committees, risk committees and remuneration committees.



Keybridge Capital is committed to achieving and demonstrating the highest standards of accountability and transparency

Corporate Governance

The markets in which the Company has invested remained, on the whole, volatile for the majority of the 2013 financial year. The continued focus of the Company over the 2013 financial year was managing its investments portfolio with the aim of bringing forward realisations where they could be achieved at acceptable prices, so as to repay the Company's debt (which was achieved in May 2013), and protecting the value of remaining investments as much as possible.

During the 2013 financial year the following changes to the composition of the Board took place:

- Nicholas Bolton resigned as a Non-executive Director in October 2012, was reappointed as a Non-executive Director in January 2013 and appointed Executive Director in February 2013.
- Bill Brown was appointed as a Non-executive Director in October 2012.
- Robert Moran was appointed as a Non-executive Director in January 2013.
- Mark Worrall resigned as Managing Director in February 2013.

Keybridge Capital's existing corporate governance 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 Corporate Governance Principles and Recommendations (ASX Principles).

If there are instances where the Company is unable to comply with the ASX Principles, the Company has provided information as to the reasons it has been unable to comply and is contained within this Report.

Keybridge Capital and its Board of Directors are committed to achieving and demonstrating the highest standards of accountability and transparency and see the maintenance of a cohesive set of corporate governance policies and practices as fundamental to the success of the Company.

The following table sets out relevant ASX Principles and where in this Report they are discussed:

Principle Number	Description	Discussion in Report
1	Lay solid foundations for management and oversight	pages 12 to 13
2	Structure the Board to add value	pages 13 to 15
3	Promote ethical and responsible decision-making	pages 16 to 17
4	Safeguard integrity in financial reporting	pages 18 to 19
5	Make timely and balanced disclosure	page 20
6	Respect the rights of shareholders	page 20
7	Recognise and manage risk	pages 20 to 22
8	Remunerate fairly and responsibly	page 23

Each of the Company's policies and charters referred to below are 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:

- approving management's corporate strategy and performance objectives;
- overseeing the Company, including its control and accountability systems;
- appointing, monitoring and, where appropriate, removing the Executive Director and senior executives;
- approving and monitoring the progress of major investments, capital expenditure, capital management, acquisitions and divestments;
- 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 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.

The Executive 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.

As outlined above, Nicholas Bolton was reappointed a Non-executive Director in January 2013. Nicholas represents the interests of Australian Style Group Pty Ltd, the Company's second largest shareholder. Robert Moran was appointed Non-executive Director in January 2013 and represents the interests of Oceania Capital Partners Limited (OCP), the Company's largest shareholder. The Board Charter was amended in the 2012 financial year to set out the role and responsibilities of directors associated with a significant shareholder, which include to:

- act in the best interests of the Company;
- avoid conflicts of interest; and
- recognise and maintain the confidentiality of Company information and, in particular, information that is or may be price sensitive.

Robert Moran, with specific approval from the Chairman of Keybridge, is authorised to discuss company information with the OCP Board.

Directors, senior executives and other employees have received training to ensure they are aware of the Company's key governance policies.

The Board has in place procedures to assess the performance of executives, including the Executive Director. For the Executive Director, this process involves the Remuneration Committee and the Board reviewing the performance of the Executive Director across a range of key areas including profitability, debt reduction, business planning, stakeholder management and team leadership. The review is discussed with the Executive

Director and a recommendation developed for Board approval covering base pay, incentive awards, equity awards and terms of engagement. For other executives, the Executive 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. Further details regarding the performance review process and outcome for senior executives for the 2013 financial year are contained in the Remuneration Report at pages 32 to 38.

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 four directors with an appropriate range of skills, experience and expertise to understand and deal competently with the Company's current and emerging business issues. The Board seeks to achieve the appropriate mix of skills and diversity in its membership by assessing existing and potential directors' skills to ensure they have appropriate and demonstrated industry expertise in the Company's operating segments. The Board also assesses individual competencies and attributes that contribute to an effective Board which includes strategic thinking and good communication skills, high levels of personal and professional integrity and sound judgement.

The names of Keybridge Capital's Directors during the financial year, including their respective skills, experience, relevant expertise and term of office, and whether they are considered by the Board to be independent, are set out on pages 8 to 9.

The Company's director tenure policy, which applies to all directors except the Executive Director, specifies that no director may hold office for more than three 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 13 times during the 2013 financial year. Full details of Directors' attendance at Board and committee meetings are set out in the Directors' Report on pages 31 to 32.

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.

The Board committees are:

- Audit, Finance and Risk Committee (AFRC);
- Nomination Committee; and
- Remuneration 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
Peter Wood *(Chairman of the Committee until resignation as Chairman of the Committee on 14 February 2013)* Bill Brown *(appointed 7 November 2012; appointed Chairman of the Committee 14 February 2013)* Robert Moran *(appointed 14 February 2013)* Nicholas Bolton *(resigned 9 October 2012)* Mark Worrall *(resigned 22 February 2013)*	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: • 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 Executive 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. The terms of engagement of new non-executive directors are set out in a formal letter of appointment.

Since 22 February 2013, the Company has complied with Recommendation 2.4 of the ASX Principles, which requires the Nomination Committee to have at least three members with the majority of them being independent.

Board performance review

A performance review of the Board and AFRC was completed in June 2013, and included the following assessments:

- whether 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 AFRC 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, and recommendations 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 director's 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;
  - employed in an executive capacity by the Company; or
  - in a material contractual relationship with the Company other than as a director.

  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*, 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 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.

As at the close of the 2013 financial year, the number of directors on the Board is four. Recommendation 2.1 of the ASX Principles states that 'a majority of the Board should be independent directors'. The Company did not comply with Recommendation 2.1 during the 2013 financial year other than in the period from October 2012 to January 2013 when the Board was comprised only of Peter Wood, Mark Worrall and Bill Brown. The composition of the Board has been reflective of the small size of the Company and the changes occurring during the year.

Chairman

The Chairman is selected by the Board and is a Non-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.

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:

- executive management, to seek explanations and information; and
- external auditors, to seek explanations and information without executive 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 31 of this Annual Report.

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
- Diversity 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 and Company policies.

The Company's over-arching policy is its Corporate Code of Conduct. This Corporate Code of Conduct supports the Code of Conduct for Directors and Senior Executives which articulates the high standards of honesty, integrity and ethical and law-abiding behaviour expected of people in positions of influence.

Key issues addressed in these Codes of Conduct include:

Corporate mission	The Company's present mission is to preserve value for its shareholders as it manages and, over time, realises its investments portfolio. Key elements in achieving this mission include: • protecting the value of investments; • managing risk; • maintaining strong relationships with key stakeholders and financiers; • ensuring ongoing financial stability; and • retaining a high quality team.
Responsibility to shareholders and investors	The Company seeks to: • 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.
Responsibilities to the community	The Company will engage in support for community activities, including donations and sponsorship activities that are reasonable for a company of its size and financial resources.
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 or the Code of Conduct for Directors and Senior Executives and encourage others to do the same. The latter 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.

Steps are taken to ensure that employees remain aware of the Company's policies and practices and of 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 one month periods following the release of half-yearly and annual financial results and following the Annual General Meeting, where there is a product disclosure statement or a prospectus on issue in respect of the securities, or where specifically determined by the directors to be an appropriate time in which securities can be traded. The Company's Share Trading Policy requires directors to advise the ASX on the day of trading of any Company 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 Executive Director or, in the case of the Executive Director, the Chairman.

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 Company has complied with its policies on ethical standards, including trading in securities during the past year.

Diversity

Keybridge Capital has a Diversity Policy to promote diversity in the workplace.

The Company's objective is to promote a culture that draws on the diverse and relevant experience, skills, expertise, backgrounds and perspectives of its directors and employees. It recognises the importance of gender diversity within its Board and management team.

The Diversity Policy provides for the Board, in consultation with the Nomination Committee:

- to set measurable objectives to promote gender diversity and review the objectives on an annual basis;
- to evaluate the Company's performance against the set measurable objectives as part of the annual review of the effectiveness of this Policy; and
- to review the proportion of women employed within the Company at least annually.

In the 2013 financial year, the Company did not set any measurable objectives and therefore has not complied with Recommendation 3.3 of the ASX Principles. As and when the Company moves back into an active investment phase, it will be appropriate to set measurable objectives and focus on improving diversity across the Company.

Recommendation 3.4 of the ASX Principles is to disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive position and women on the board. Given the current size of the Company there is one woman employee in the organisation.

It is the responsibility of all employees to understand and comply with the Diversity Policy.

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
Peter Wood *(Chairman of the Committee until resignation as Chairman of the Committee on 14 February 2013)* Bill Brown *(appointed 7 November 2012; appointed Chairman of the Committee 14 February 2013)* Robert Moran *(appointed 14 February 2013)* Nicholas Bolton *(resigned 9 October 2012)* Mark Worrall *(resigned 22 February 2013)*	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 • 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 auditor; • reviewing the independence and performance of the external auditor and providing them with confidential access to the non-executive members of the Board and an ability to attend AFRC meetings; and • recommending to the Board the appointment, removal and remuneration of the external auditor, and reviewing the terms of their 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.

Recommendation 4.2 of the ASX Principles states that an Audit Committee should have at least three members, all of whom are non-executive directors and a majority independent, and that the committee is chaired by an independent director (who is not chair of the board). With the appointment of Bill Brown and Robert Moran, the resignation of the Chairman of the Board as Chairman of the AFRC and the resignation of Mark Worrall, since 22 February 2013, the Company has been compliant with Recommendation 4.2 and the composition requirements of the AFRC Charter.

Further information on the qualifications of the members of the AFRC is set out in the Directors' Report on page 29 and 30 of this Annual Report. The number of meetings held during the year is contained in the Directors' Report on page 31 of this Annual Report.

Management sign-off on financial reports

Consistent with their obligations under section 295A of the Corporations Act, the Executive 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 (see page 22 of this Corporate Governance Statement for details of the sign-off provided for the financial year ended 30 June 2013).

External auditor

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

KPMG has been the Company's 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 acceptable 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 complies with auditor rotation requirements. The previous lead partner of KPMG for the Company's audit rotated 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 28 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 policy to ensure compliance with the continuous disclosure requirements of the ASX Listing Rules and the *Corporations Act 2001*. The policy requires timely disclosure of any information concerning the Company 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 Executive 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, media and the public.

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

PRINCIPLE 6 – RESPECT THE RIGHTS OF SHAREHOLDERS

Relevant policies and charters

- 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 Company Announcements Platform;
- reporting through a quarterly market update, half-yearly financial report and the Annual Report;
- releasing 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

The identification, assessment and management of risks are core components of the Company's ability to manage existing and to make any new investments. As previously discussed, the continued flat state of the markets in which the Company operates has resulted in continuous and extensive review and monitoring by Keybridge Capital's management and reporting to the Board and AFRC.

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, capital management, 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. 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. Currently the Company's Transactional Risk Management Policy is suspended.

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 of the Group and disclosing any material change;
c) assessing the adequacy of the internal risk control system with management and the external auditor;
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.

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.

The Board receives regular reports from management on the status of the Company's investments portfolio. Management also provides the Board with assessments of the Company's strategic transaction partners, as well as risk management updates addressing the material business risks facing the Company and the extent to which these are being managed effectively. Management reported to the Board on this basis throughout the financial year ended 30 June 2013.

The Board also receives written certifications from the Executive Director and Chief Financial Officer which specifically addresses the Company's financial reporting processes. For the 2013 financial year, the Executive 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 2013 is founded on a sound system of risk management and internal control and the system is operating efficiently and effectively in all material respects in relation to financial reporting risks."

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 open and productive relationships with stakeholders, including transaction originators; and • recognition that the Company 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	Investments previously undertaken and currently being managed were undertaken via a structured approach to assessing and monitoring credit risk. This approach remains consistent in light of the Company's present activities. The Board has primary approval discretion over each investment made by the Company and receives regular reports on the quality of the Company's investments portfolio and also receives assessments of the Company's strategic transaction partners.
Market risk	The Company no longer maintains foreign currency liabilities which partially hedged its foreign currency exposure on its assets. The Company previously hedged, in part, interest rate risk in its borrowings via the use of interest rate swaps. Management maintains a clearly defined process for approving, recording and documenting all hedging transactions.
Liquidity risk	Cash flow forecasts, including anticipated asset sales are maintained for a minimum forecast period of 12 months and are reported to the AFRC. As at the date of this report the Company has available cash-on-hand to meet its operating expenses over the next 12 months.
Financial reporting	A three year financial outlook is reviewed annually by the Board and actual financial results are collated monthly and reported regularly to the Board. In addition, the Company undertakes an annual audit and semi-annual review by an external and independent auditor prior to the release of the Company's reports.

Further details of the Company's risk management framework are set out in Note 21 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
- enable the Company to retain key staff with the requisite skills and experience to deliver the Company's strategy.

The Company's Remuneration Policy was reviewed by the Board in the 2013 financial year to ensure alignment between the remuneration strategy, the Company's ability to pay and its intent to manage existing investments and realise those investments over the medium term. Remuneration arrangements are outlined in the Remuneration Report on pages 32 to 38.

The members, composition and role of the Remuneration Committee are as follows:

Members and composition	Role
Peter Wood *(Chairman of the Committee until resignation as Chairman of the Committee on 14 February 2013)* Bill Brown *(appointed 7 November 2012; appointed Chairman of the Committee on 14 February 2013)* Robert Moran *(appointed 14 February 2013)* Nicholas Bolton *(resigned 9 October 2012)*	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 the Executive Director and senior executives; and • remuneration and retirement policies for directors.

Recommendation 8.2 of the ASX Principles states that the Remuneration Committee should be structured so that it has at least three members, it consists of a majority of independent directors and that the committee is chaired by an independent director. With the appointment of Bill Brown and Robert Moran, since 14 February 2013, the Company has been compliant with Recommendation 8.2 and the composition requirements of the Remuneration Committee charter.

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 32 to 38 of this Annual Report and Note 23 to the Financial Statements on pages 77 to 80 of this Annual Report.

Directors' Report

The Directors present their Report together with the Financial Statements of the Group comprising Keybridge Capital Limited (the Company) and its subsidiaries, and the Group's interest in associates for the financial year ended 30 June 2013 and the Auditor's Report thereon.

DIRECTORS

The Directors of the Company during the year to 30 June 2013 and up to the date of this Report were as follows:

Non-executive Directors
Peter Wood (Chairman)
Bill Brown (appointed 9 October 2012)
Nicholas Bolton (resigned 9 October 2012) (reappointed 2 January 2013) (appointed Executive Director on 22 February 2013)
Robert Moran (appointed 2 January 2013)

Executive Directors
Mark Worrall (Managing Director) (resigned 22 February 2013)
Nicholas Bolton (appointed as Executive Director 22 February 2013)

PRINCIPAL ACTIVITIES

Keybridge Capital Limited is a financial services company that has invested in, or lent to, transactions backed by real assets, financial assets or cash flow. Its major asset classes are currently lending, property, private equity, infrastructure and shipping.

DIVIDENDS – KEYBRIDGE CAPITAL LIMITED

For the period to 30 June 2013, the Directors determined not to declare any dividends payable to shareholders. The Directors will review the Group's capacity to recommence payment of dividends in future periods.

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

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

On 1 May 2013, Keybridge repaid in full its corporate debt facility, which previously required all free cash flow to be applied to reduce debt outstanding.

Subsequent to year end, the acquisition of PR Finance Group Limited (PRFG) pursuant to a Scheme of Arrangement (Scheme) reached financial close with the payment of $1.5 million in cash and the issue of 2.5 million shares to PRFG shareholders on 16 August 2013. The transaction has an implementation date of 28 June 2013 as per orders of the Federal Court. Keybridge is in the process of divesting the motor vehicle division within PRFG in order to repay senior debt at PRFG, and expects this to reach completion during September 2013 subject to approval by the senior lender. This sale, should it complete, would result in the full repayment of PRFG's outstanding senior debt facility, and an $11.7 million repayment of its mezzanine loan from Keybridge.

Other than these matters, there were no other significant changes in the state of affairs of the Group during the financial year that are not covered elsewhere in this Annual Report and the Financial Statements.

REVIEW OF OPERATIONS AND RESULTS

The markets in which the Group has invested, on the whole, remained volatile for the majority of the 2013 financial year. The Group was, however, able to realise a number of significant repayments, including sale of the remaining four aircraft underpinning the Company's aviation investments, which in turn allowed the Group to repay in full its corporate debt facility (from $38.8 million as at 1 July 2012).

The focus of the Group continues to be to manage its portfolio of loans and investments with the aim of protecting the value of remaining assets as much as possible.

For the purposes of this review, results for the Group are compared with the prior year to 30 June 2012.

The Group's net loss after tax attributable to ordinary equity holders for the year to 30 June 2013 was $3.8 million, compared with a loss of $3.2 million in the prior year. Basic and diluted loss in the last 12 months was 2.21 cents per share compared with 1.87 cents in the prior year. The Group had a profit from operating activities of $2.0 million, compared with a profit to 30 June 2012 of $8.0 million.

Since 30 June 2012, the Group has recognised a further $12.1 million of net impairments across its portfolio, of which $8.5 million net impairments occurred in the second half of the financial year. Details of the impairments and other matters relevant to the state of affairs of the Group are set out below and in Note 21 of the Financial Statements.

	2013 $ millions	2012 $ millions
Investment and interest income*	5.9	13.6
Operating expenses	(2.6)	(2.8)
Borrowing costs	(1.3)	(2.8)
Operating profit	2.0	8.0
Net FX translation on Loans and Receivables, investments and borrowings	2.0	0.2
Impairment provision	(12.1)	(11.4)
Loss before tax	(8.1)	(3.2)
Income tax (expense)/benefit	4.3	–
Net loss after tax	(3.8)	(3.2)

** Includes fee income, loss on sale of trading asset and unrealised gain on other investments.*

Investment and interest income was much lower in 2013 than in 2012 as a result of asset sales, non-performing loans and realised losses on disposal of the Company's aircraft investments.

Of the Group's total assets as at 30 June 2013, approximately 32% were denominated in either US Dollars or Euros which are unhedged against the Australian Dollar. The Group's profitability will be subject to variability from changes in the value of the Australian Dollar against the US Dollar and Euro.

The Australian Dollar depreciated by approximately 9% against the US Dollar and by 12% against the Euro in the 2013 financial year. This led to a unrealised gain in the value of the Group's unhedged foreign currency assets. For the 12 months to 30 June 2013, the net impact of this exposure was a gain of $2.0 million (2012: $0.2 million).

Operating expenses (excluding financing costs) were lower in 2013 at $2.6 million compared with $2.8 million in 2012.

Borrowing costs were 52.6% lower in 2013 as compared with the prior year due to a lower level of borrowings. The average interest rate paid on borrowings during the 2013 financial year was 5.6% per annum, compared with 4.4% per annum in the prior year.

The Group continues to not recognise its deferred tax benefits as an asset due to the uncertainty of being able to utilise the benefits over time. Any movement in deferred tax benefits is recognised directly in the profit and loss and not on the balance sheet.

Over the past financial year, the Group satisfied all required corporate debt repayment obligations, including full repayment of the corporate debt facility in May 2013.

As confirmed in the Directors' Declaration on page 83 in this Annual Report, the Directors have reached the conclusion that based on all relevant facts, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable and is a going concern.

Investments

Over the year to 30 June 2013, the value of Keybridge Capital's portfolio of loans and investments decreased from $82 million to $30 million. The $52 million reduction was comprised of:

	$ millions
Portfolio at 30 June 2012	82
Repayments	(44)
Accrued income	1
Increase in investments	2
Unrealised foreign currency gain	2
Realised foreign currency losses	(1)
Realised loss on disposal of investments	(1)
Mark-to-market on other investments valued at fair value through profit and loss	1
Net impairment expense	(12)
Portfolio at 30 June 2013	30

The apportionment of loans and investments by asset class as at 30 June 2013 was as follows:

	2012* $ millions	2013 $ millions	2013 % of total
Lending	13	12	39%
Infrastructure	7	8	27%
Private Equity	12	5	17%
Aviation	38	3	9%
Property	12	2	8%
Shipping	1	0	–
	82	30	100%

In the 12 months to 30 June 2013, repayments were received from five transactions. The majority of the repayments came from the Company's Aviation assets with the remainder from Private Equity and to a lesser extent, Lending segments.

As at 30 June 2013, the Group's net investments and loans totalled $30 million, split across the following asset classes:

Lending: Keybridge has one remaining investment in the Lending asset segment.

Keybridge holds a mezzanine loan to PRFG, and on 16 August 2013, Keybridge acquired 100% of the shares in PRFG.

Selected background information on Keybridge's involvement with PRFG over the past 12 months is as follows:

- In July 2012, Keybridge syndicated $2 million of its mezzanine loan at par to a third-party. At this time the loan was performing.
- In January 2013, the mezzanine loan went into default due to a covenant breach under PRFG's senior loan. Since this time, interest payments have not been made on the mezzanine loan (however payments have remained current for the senior lender).

- In April 2013, Keybridge and PRFG entered into a Scheme Implementation Agreement whereby Keybridge would acquire 100% of the shares in PRFG via a Scheme of Arrangement (Scheme) with an implementation date of 28 June 2013.
- In May 2013, Keybridge re-purchased the mezzanine loan that it had syndicated, at a small discount to face value.
- In June 2013, Keybridge shareholders at a general meeting approved a change in the nature and scale of Keybridge's operations to enable the Scheme to be implemented. Also during June 2013, PRFG shareholders approved the Scheme (such approval was further ratified in August 2013).
- The legal entitlement of the mezzanine loan as at 30 June 2013 was $15.0 million. The carrying value of the loan was $12.8 million at this time however was reduced by a further $1.1 million to $11.7 million based on the expected proceeds to be received under an asset sale being progressed (see below).
- On 14 August 2013, the Federal Court approved the Scheme with an implementation date of 28 June 2013.
- On 16 August 2013, Keybridge completed the acquisition of 100% of the shares in PRFG for consideration of $1.5 million cash and 2.5 million Keybridge shares (issued at $0.20 per share or $0.5 million in total).
- Keybridge is in the process of divesting the motor vehicle division within PRFG in order to repay senior debt at PRFG and expects this to reach completion during September 2013 subject to the approval of the senior lender. This sale, if completed, would result in the full repayment of PRFG's outstanding senior debt facility, and an $11.7 million repayment of its mezzanine loan from Keybridge.
- Post acquisition of PRFG, and should the sale of the motor vehicle division proceed, Keybridge would hold 100% of the equity in PRFG and a mezzanine loan with a legal entitlement of $3.4 million. PRFG's remaining asset is AMX, a short-term consumer lending business.

Infrastructure: The Group has one remaining infrastructure investment, being a loan to, and an equity accounted investment in, a 1 MW solar electricity facility in Spain. The Company has advised previously that there have been some production issues at this plant as a result of sub-standard solar panels having been installed during the construction process in late 2008. All such issues have now been rectified under warranty. The plant is now functioning in accordance with the original contract. The Spanish Government however introduced legislation in December 2010 to place a cap on the production able to receive the original 2007 Spanish legislated feed-in tariff. This cap remains in place until 31 December 2013.

On 12 July 2013, the Spanish Government indicated plans to introduce as law a profitability cap on solar farms equal to 3.0% per annum above the 10 year Spanish Government Bond rate. Whilst it is unclear exactly the terms upon which this will be implemented, or whether it will be implemented at all, Keybridge has determined to take an impairment against its solar asset of approximately $1.4 million for the 2014 financial year (under relevant accounting standards, we are not permitted to raise an impairment in 2013 as the potential change in legislation was commended after 30 June 2013). We will review this impairment as the proposed law develops.

In the 12 months to June 2013, the Group received $0.2 million principal repayments from the solar facility and received income as expected.

Private Equity: As part of the arrangements to exit the Company's aviation investments, Keybridge restructured its participation in a closed-end private equity fund based in the United States, which was managed by the same party as the aviation investment. As a result of the restructure, Keybridge now holds a limited recourse loan directly to the fund manager supported by the units previously held by the Company. Interest on the loan is being accrued and will be paid upon realisation of any of the underlying investments in the fund, in a manner consistent with how cash flow would have previously been applied under the direct holding of the units in the fund.

Keybridge received $7.0 million in repayments from its Private Equity investments during the period to 30 June 2013.

Property: Keybridge's two remaining property backed investments have experienced valuation pressures over the last six months. In particular, one of the investments value has deteriorated quickly as a result of changed circumstances since June 2013. There is now a very real prospect that development of this property will not be able to progress, principally as a result of changed senior lending arrangements under which significant additional fees would need to be paid for the necessary consents to proceed with the development. These new fees and increases in interest, if accepted by Keybridge and the developer, are likely to seriously impact the Company's carrying value of this investment. Accordingly, we have taken a prudent decision to impair this asset to a nil carrying value.

The other property investment is a portfolio of first ranking mortgage loans over commercial properties. Keybridge is the sole lender to this portfolio and during the past 12 months, Keybridge received $2.1 million in repayments from these loans. Income is being generated and future recovery of the loans is expected as the properties are refinanced or sold. We currently anticipate that it may take up to two years for Keybridge to be repaid the remainder of these loans. Over the last six months some of the loans were not performing and the Company recognised impairment provisions to account for this. In total, Keybridge recognised impairments of $7.4 million against its property investments in 2013.

Aviation: During the year to 30 June 2013, Keybridge realised its remaining aviation investments that were directly secured by commercial aircraft. The transactions involved the sale of four A330 aircraft resulting in a material repayment to the Group and an exit from the underlying transactions by Keybridge. The Group's remaining aviation investment is an 18.5% holding in ASX-listed PTB Group Limited shares (PTB). This investment is marked-to-market at each balance date, which, as at 30 June 2013, resulted in a $0.5 million uplift from 31 December 2012 due to an increase in the PTB share price. Strategies for unlocking value in this investment remain under development. Keybridge received $31.2 million of realisations from its aviation investments during the year to 30 June 2013.

Shipping: Shipping continues to be a volatile and challenged asset class for Keybridge. Keybridge assigns no value to the remaining four vessels in which it holds mezzanine loans (managed by our partner and co-investor Tufton Oceanic Limited of London, UK). This is due to the independent market value of the being at or below the outstanding balance on the each of the respective vessel's senior debt. The Company however continues to maintain an active dialogue with Tufton, with the aim to seek to recover some future value, should markets improve. Any realisation of value is however dependent on the patience of the assets' respective senior lender to also ride out current depressed market conditions. In the 12 months to June 2013, the Group received $0.5 million of repayments from its shipping transactions and recognised a nil profit on the equity-accounted investments.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Subsequent to year end, the acquisition of PR Finance Group Limited (PRFG) via a Scheme of Arrangement (Scheme) reached financial close with the payment of $1.5 million in cash and the issue of 2.5 million Keybridge shares to PRFG shareholders on 16 August 2013. The transaction has an implementation date of 28 June 2013 as per orders of the Federal Court. Keybridge is in the process of divesting the motor vehicle division within PRFG in order to repay senior debt at PRFG and expects this to reach completion during September 2013 subject to the approval of the senior lender. This sale, should it complete, would result in the full repayment of PRFG's outstanding senior debt facility, and an $11.7 million repayment of its mezzanine loan from Keybridge.

The above transactions occurred after 30 June 2013 and do not affect the amounts recognised in the financial statements at 30 June 2013. Therefore the financial impact of these transactions has not been recognised in the financial statements as at 30 June 2013 apart from inclusion of franking credits in the value of $8.15 million as of 28 June 2013.

On 12 July 2013, the Spanish Government indicated plans to introduce as law a profitability cap on solar farms equal to 3.0% per annum above the 10 year Spanish Government Bond rate. Whilst it is unclear the exact terms upon which this will be implemented, or whether it will be implemented at all, Keybridge has determined to take an impairment against its solar asset of approximately $1.4 million for the 2014 financial year (being unable to raise an impairment in 2013 due to relevant accounting standards). We will review this impairment as the proposed law develops.

There are no other matters which significantly affected or may significantly affect the operations of the Group, the results of the operations, or the state of affairs of the Group in future financial periods, other than that included in this report under the review 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

Peter Wood

BEc, LLB, University of Sydney

Experience and expertise

Peter Wood has extensive experience in aircraft leasing and general aviation industry. Over the past 27 years he has held senior positions in major aircraft leasing businesses.

Other current directorships in publicly listed companies

Nil

Former directorships in last three years in publicly listed companies

Nil

Special responsibilities

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

Interests in shares and options

Nil

Nicholas Bolton

Experience and expertise

Nicholas Bolton is the sole director of the Company's second largest shareholder, Australian Style Group Pty Ltd (ASG). Nicholas established the ASG group of companies in 2004 and is an active investor in various ASX-listed entities and private companies.

Other current directorships in publicly listed companies

Nil

Former directorships in last three years in publicly listed companies

Nil

Special responsibilities

Executive Director of Keybridge Capital Limited

Interests in shares and options

33,853,398 Indirect

Bill Brown

B.Ec., LLB, University of Melbourne

Experience and expertise

Bill Brown has over 30 years' experience as a commercial lawyer and senior executive in both private practice and in-house legal and management roles. Bill's areas of expertise include mergers and acquisitions, corporate governance and regulated industries.

Other current directorships in publicly listed companies

Nil

Former directorships in last three years in publicly listed companies

Nil

Special responsibilities

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

Interests in shares and options

Nil

Robert Moran

B.Ec, LLB (Hons) University of Sydney, MAICD

Experience and expertise

Robert has been involved as a principal investor for 15 years and has been active at a board and strategic level in a variety of businesses and sectors, being known for taking an active involvement in the underlying businesses. He is experienced in investment banking activities, including financings, capital raisings, structured finance, mergers and acquisitions and has practiced corporate and commercial law at a senior level.

Other current directorships in publicly listed companies

Oceania Capital Partners Limited

Tag Pacific Limited

Former directorships in last three years in publicly listed companies

iSoft Group 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

Nil*

** Represents the interests of Oceania Capital Partners Limited.*

COMPANY SECRETARY

The Company Secretary is Adrian Martin. Adrian is a Certified Practicing Accountant and holds a BComm from University of Western Sydney and a Masters of Business Administration from Deakin University. Adrian was appointed to the position of Company Secretary on 1 April 2010. He also holds the position of Chief Financial Officer. Before joining Keybridge Capital Limited in 2007, Adrian was employed by Allco Finance Group as a Senior Finance Manager, working initially with Record Investments and later in the Funds Management Division.

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, a Remuneration Committee and a Nomination Committee. The numbers of meetings of the Board of Directors and of each Committee held during the year ended 30 June 2013, and the numbers of meetings attended by each Director were as follows:

	Number of meetings attended	Number of meetings held during the time the Directors held office during the financial year
Board		
Peter Wood – Chairman	13	13
Bill Brown*	10	10
Nicholas Bolton**	10	10
Robert Moran***	8	8
Mark Worrall+	8	8

** From 9 October 2012. ** To 9 October 2012 and from 2 January 2013. *** From 2 January 2013. + To 22 February 2013.*

	Number of meetings attended	Number of meetings held during the time the Directors held office during the financial year
Audit, Finance and Risk Committee		
Peter Wood* – Chairman	4	4
Bill Brown** – Chairman	3	3
Robert Moran***	2	2
Nicholas Bolton+	1	1

** Chairman to 14 February 2013. ** From 7 November 2012 and Chairman from 14 February 2013. *** From 14 February 2013.*
+ To 9 October 2012.

	Number of meetings attended	Number of meetings held during the time the Directors held office during the financial year
Remuneration Committee		
Peter Wood* – Chairman	2	2
Bill Brown** – Chairman	1	1
Robert Moran***	0	0
Nicholas Bolton+	1	1

** Chairman to 14 February 2013. ** From 7 November 2012 and Chairman from 14 February 2013. *** From 14 February 2013.*
+ To 9 October 2012.

	Number of meetings attended	Number of meetings held during the time the Directors held office during the financial year
Nomination Committee		
Peter Wood*	3	3
Bill Brown – Chairman**	2	2
Robert Moran***	0	0
Nicholas Bolton+	0	0
Mark Worrall++	1	2

** Chairman to 14 February 2013. ** From 7 November 2012 and Chairman from 14 February 2013. *** From 14 February 2013.*
+ To 9 October 2012. ++ To 22 February 2013.

REMUNERATION REPORT (AUDITED)

This Remuneration Report comprises five sections as follows:

1. Organisational context.
2. Summary of Directors and senior executives.
3. Principles of Keybridge's approach to remuneration.
4. Trading in Company securities.
5. Details of Directors' and senior executives' remuneration.

This Remuneration Report has been prepared for the Group for the year ended 30 June 2013 in accordance with section 300A of the Corporations Act, and associated regulations. The Remuneration Report has been audited by the Group's auditor as required by section 308(3C) of the Corporations Act.

1. Organisational context – Audited

1.1 Business performance

A summary of the Group's business performance, as measured by a range of financial indicators, is outlined in the table below. For further discussion on financial performance, refer to the Executive Director's Report and Review of Operations and Results in the Directors' Report.

In considering the Group's performance and benefits for shareholder value, the Remuneration Committee has regard to the following indices in respect of the current financial year and the previous five financial years:

	2013	2012	2011	2010	2009
Profit/(loss) before net financing cost/income impairment, depreciation and amortisation and income tax (A$'000)	4.5	15.9	(31.5)	(7.8)	39.2
Profit/(loss) after impairment expenses before net financing cost /income and income tax (A$'000)	(7.6)	4.4	(47.6)	(33.3)	(112.3)
(Loss)/profit for the year attributable to members of Keybridge Capital Limited (A$'000)	(3.8)	(3.2)	(34.0)	(49.9)	(129.1)
Share price at year end (A$)	0.14	0.12	0.075	0.084	0.088
Basic (loss)/earnings per share (cents)	(2.21)	(1.87)	(19.78)	(29.02)	(75.05)
Dividends paid per share (cents)	–	–	–	–	–
Debt facility repayments	38.8	65.7	25.6	58.7	N/A

As a consequence of the difficult market conditions experienced by the Group for the financial years 2009–2013 the Group revised its measurement requirements for key management personnel. Compensation encapsulates not only performance, but also reductions in, and management of, outstanding corporate borrowings. Over this period, management met all mandatory debt repayment milestones required by its banks, including full repayment of corporate borrowings on 1 May 2013.

1.2 Remuneration at Keybridge Capital

The Group implemented remuneration arrangements for executives comprising fixed remuneration, short-term discretionary incentives and a Director and Employee Share Scheme, which was to act as an equity-based incentive scheme.

The Company's current remuneration policy is that all staff are remunerated on a market-based Base Salary and any STI or LTI is solely at the discretion of the Board. The Company is reviewing this policy in context of considering a future strategy for the Company. This may necessitate new remuneration arrangements for key management personnel.

2. Summary of Directors and senior executives – Audited

2.1 Directors

As at 30 June 2013 the Directors of the Company were:

- Peter Wood, Chairman.
- Nicholas Bolton, Executive Director.
- Bill Brown, Non-executive Director.
- Robert Moran, Non-executive Director.

There have been no appointments to the Board between the balance date and the date of this Report.

2.2 Senior executives

The following persons were senior executives of the Group during the 2013 financial year:

- Mark Worrall, Managing Director (to 22 February 2013).
- Nicholas Bolton, Executive Director (from 22 February 2013).
- Adrian Martin, Company Secretary.

3. Principles of Keybridge's approach to remuneration – Audited

3.1 Overview of strategy and remuneration policy

Keybridge Capital's approach to remuneration reflects a balance between the need to motivate, attract and retain key employees and the need to be economical in managing operating expenses.

The Group's Remuneration Policy for the year to 30 June 2013 was structured to incorporate fixed fees for the Chairman and Non-executive Directors and fixed and discretionary potential bonus elements for executives, including the Executive Director. Any bonuses are solely at the discretion of the Board.

	Chairman and Non-executive Directors	Senior executives, including the Executive Director
Fixed remuneration		
Fees	Yes	No
Salary	No	Yes
Superannuation	Yes [a]	Yes
Other benefits	Yes [b]	Yes [b]
Performance-based remuneration		
Short-term incentive and retention payments	No	No [c]
Long-term incentive and retention share-based payments	No	No [c]
Termination benefits	No	Yes

(a) The Chairman and Non-executive Directors have the right to elect to salary sacrifice a portion of their fees towards superannuation payments.

(b) Other benefits include car parking and travel costs and costs associated with services related to employment (inclusive of applicable Fringe Benefits Tax).

(c) Not active at present.

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

3.2 Chairman and Non-executive Directors

Fees and other benefits

The Chairman's fee is $80,000 per annum (plus statutory superannuation) and the Non-executive Directors' annual fee is $60,000 (plus statutory superannuation or GST). There are no additional fees for chairing or being a member of a committee. The fees to the Chairman and Non-executive Directors were recommended by the Remuneration Committee and set by the Board within a maximum aggregate annual amount of $525,000 (being the amount approved at the Annual General Meeting on 28 November 2007). The aggregate amount of fees paid in the 2013 financial year was $199,480.

Board members are also 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 Group, in accordance with the Company's Constitution.

The Chairman and Non-executive Directors do not receive retirement allowances, bonuses or other performance-based incentive payments, and are not participants in any employee share scheme.

The structure and quantum of fees are reviewed annually and determined by the Board, after taking into account market practices for appropriate comparable roles. The Board also considers the time commitments being devoted by Keybridge Capital's relatively small board, as well as the level of remuneration required to attract and retain directors of an appropriate calibre.

3.3 Executive remuneration

Keybridge Capital's remuneration has been structured to be market competitive and to retain and motivate a small team of employees capable of delivering the Group's business objectives. Total remuneration for executives has historically consisted of a mix of 'fixed' and 'performance-based' elements however for the 2013 financial year there were no 'performance-based' elements of remuneration.

3.3.1 Fixed remuneration

The fixed element provides a regular base remuneration that reflects the applied professional competence of each executive according to his/her knowledge, experience and accountabilities. Executives' fixed remuneration comprises salary and may comprise other benefits (including statutory superannuation contributions) that may be taken in an agreed form, including cash, leased motor vehicles and additional superannuation, provided no extra cost is incurred by the Group.

3.3.2 Performance-based reward

The Company presently has no formal performance-linked incentive arrangements. Any bonus in addition to base remuneration is determined solely at the discretion of the Board.

Employment conditions, including basic remuneration entitlements, for the Group'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*
Executive Director, Nicholas Bolton	No fixed term	3 months by employee 2 months by Company	3 months of current base annual salary
Company Secretary, Adrian Martin	No fixed term	3 months	3 months of current base annual salary

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

4. Trading in Company securities – Audited

4.1 Share Trading Policy

Keybridge Capital's Share Trading Policy sets out the Company's position regarding dealing in the Group's securities. The Policy states:

- Directors, senior executives and other employees may deal in Company Securities only during the nominated periods set out in the Policy;
- clearance must be obtained from an approving officer prior to trading in the Company's securities; and
- notification of any share trading must be made in accordance with the Policy.

4.2 Hedging of Company securities

Keybridge Capital's Share Trading Policy sets out the Group'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 Audit, Finance and Risk Committee 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 law.

The Company Secretary or approving officer notifies all Directors and employees when a nominated period is available for dealing in the Company's securities and, when doing so, underlines the need for Directors and employees to refer to the terms of the Share Trading Policy before undertaking any such dealings.

Further details are included on page 17 of this Annual Report.

5. Details of Directors' and senior executives' remuneration – Audited

5.1 Total remuneration paid or payable to Non-executive Directors

Total remuneration received by the Chairman and Non-executive Directors in the 2013 financial year was $199,480 (2012: $191,250). 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	
	Cash fees $	Company contributions to superannuation $	Total $
Chairman			
Peter Wood [(a)]			
2013	80,000	7,200	87,200
2012	65,000	5,850	70,850
Irene Lee [(b)]			
2012	85,000	2,700	87,700
Non-executive Directors			
Nicholas Bolton [(c)]			
2013	31,808	2,863	34,671
2012	30,000	2,700	32,700
Bill Brown [(d)]			
2013	43,644	3,965	47,609
Robert Moran [(e)]			
2013	30,000	–	30,000
Total Chairman and Non-executive Directors			
2013	185,452	14,028	199,480
2012	180,000	11,250	191,250

(a) Appointed Chairman 4 April 2012. (b) Resigned 4 April 2012. (c) Resigned 9 October 2012; reappointed 2 January 2013.

(d) Appointed 9 October 2012. (e) Appointed 2 January 2013 (fees paid to Robert Moran's employer).

5.1.1 Share-based payments to Non-executive Directors

No shares have been granted to the Chairman and Non-executive Directors for the 2013 financial year. Neither the Chairman nor any Non-executive Directors are a participant in any share scheme conducted by Keybridge Capital.

5.2 Total remuneration paid or payable to senior executives

The following table itemises the total remuneration cost recorded for senior executives, including for both the former Managing Directors and current Executive Director:

	Short-term employee benefits			Post-employment benefits				
	Cash salary $	Incentive and retention payments $	Non-monetary $	Company contributions to superannuation $	Share-based payments $	Total $	Proportion of remuneration performance related %	Value of shares as a proportion remuneration %
Senior executives								
*Nicholas Bolton, Executive Director**								
2013	155,648	–	–	8,580	–	164,228	–	–
*Mark Worrall, former Managing Director***								
2013	291,560	–	–	12,353	–	303,913	–	–
2012	409,841	–	–	15,775	–	425,616	–	–
*Mark Phillips, former Managing Director****								
2012	281,011	–	–	6,152	–	287,163	–	–
Adrian Martin, Company Secretary								
2013	203,530	–	–	16,470	–	220,000	–	–
2012	182,386	–	–	15,775	–	198,161	–	–
Totals								
2013	650,738	–	–	37,403	–	688,141	–	–
2012	873,238	–	–	37,702	–	910,940	–	–

** Appointed 22 February 2013. ** Resigned 22 February 2013. *** Resigned 18 November 2011.*

Employee Equity Plan for 2012 financial year

A Plan was initiated in December 2009 which covered the years ended 30 June 2010 and 30 June 2011. This Plan has ceased and there was no equity plan for the year ended 30 June 2012.

Subsequent to the release of the 2011 Annual Report, actual remuneration paid under the Plan to senior executives for the 2011 financial year was determined to be lower than that recorded in the financial accounts.

The Board determined that the following adjustments be made to the amounts awarded as incentive, retention and share-based payments for each senior executive for the year ended 30 June 2011:

- 75% of each entitlement to be paid;
- No shares to be allocated in satisfaction of the share-based payments; and
- In lieu of shares, cash to be paid at an equivalent of approximately 6.5 cents per share.

Details of the performance rights granted to senior executives during the 2012 financial year under the Employee Equity Plan are set out in the table below.

Senior executives	Number of performance rights granted[(a)]	Fair value per performance right[(b)]	Maximum value of grant[(c)]
Current			
Mark Phillips, former Managing Director*	4,033,333	$0.10	$403,333

** Resigned as Managing Director 18 November 2011.*

(a) In respect of the former Managing Director, the performance rights were granted on 8 October 2010 following an amendment to his service agreement.

(b) The fair value was calculated on the price of the Company's shares at the grant date.

(c) The maximum value of the grant has been estimated based on the fair value per right. The minimum total value of the grant, if the applicable performance conditions are not met, is nil.

Movement of performance rights

	Date of grant	Number of rights granted prior periods	Number of rights granted 2012	Total number of rights granted[1]	Vesting date[2]	Number of rights vested in 2012	Value ($) of rights vested[3]	Number of rights vested in 2011
Current								
Mark Phillips, former Managing Director	8 Oct 2010	4,033,333	–	4,033,333	31 Aug 2011	3,025,000	196,625	–
Mark Worrall, former Managing Director	29 May 2010	1,200,000	–	1,200,000	31 Aug 2011	900,000	58,500	175,000
Adrian Martin, Company Secretary	26 Mar 2010	250,000	–	250,000	31 Aug 2011	187,500	12,188	175,000
Total		5,483,000	–	5,483,000		4,112,500	267,313	350,000

1 No grants were forfeited during the 2012 financial year.

2 Performance rights vest subject to performance over the period from 1 July 2010 through to 31 August 2011 in respect of Year 2. Performance rights lapse where the service and performance conditions are not satisfied.

3 Shares were not issued 75% of performance rights vested, at an average share price of 6.5 cents and were issued in satisfaction of the vesting.

Employee Equity Plan for 2013 financial year

There was no equity plan for the year ended 30 June 2013.

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 Group 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 Lead Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 40 and forms part of this Report.

During the year to 30 June 2013 the following fees were paid to the auditor of the Group, its related practices and non-related audit firms:

	2013 $	2012 $
KPMG		
Audit and review of financial reports	132,000	170,000
Regulatory audits	5,000	5,000
Tax services	100,901	39,000
Other non-audit services	–	–
	237,901	214,000

Rounding off

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, amounts in the Financial Report and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

This Report is made in accordance with a Resolution of Directors.

Peter Wood
Chairman

Sydney, 29 August 2013

KPMG

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

To: the directors of Keybridge Capital Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2013 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

Madeleine Mattera

Madeleine Mattera
Partner

Sydney

29 August 2013

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.

Financial Statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2013

	Note	2013 $'000	2012 $'000
Revenue and income			
Fees		111	280
Interest income	6	3,740	10,219
Net unrealised gain/(loss) on other investments		1,064	(116)
Net realised gain/(loss) on disposal of investments		(528)	2,272
Franked dividend received		297	–
Other income	7	1,295	918
Operating income		5,978	13,573
Expenses			
Net impairment expenses	13	(12,138)	(11,446)
Unrealised gain on revaluation of foreign currency assets		1,685	2,503
Realised net foreign currency gain/(loss) on foreign currency assets		(528)	2,594
Administration expenses		(335)	(638)
Employment costs	8	(828)	(1,471)
Legal and professional fees		(1,192)	(480)
Other expenses		(288)	(217)
Results from operating activities		(7,647)	4,418
Unrealised foreign exchange gain/(loss) on foreign currency borrowings		808	(4,860)
Finance costs		(1,313)	(2,770)
Net finance (costs)		(505)	(7,630)
Loss before income tax		(8,152)	(3,211)
Income tax (expense)/benefit	9	4,357	–
Loss for the period		(3,794)	(3,211)
Other comprehensive income, net of income tax			
Other comprehensive income for the period, net of income tax		–	–
Total comprehensive loss for the period, net of income tax		(3,794)	(3,211)
		Cents	Cents
Basic loss (cents per share)	20	(2.21)	(1.87)
Diluted loss (cents per share)	20	(2.21)	(1.87)

The Consolidated Statement of Comprehensive Income is to be read in conjunction with the Notes to the Financial Statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2013

	Share capital	Share-based payment reserve $'000	Treasury share reserve $'000	Cash flow hedge reserve $'000	Retained earnings/ (losses) $'000	Total $'000
Balance at 1 July 2012	260,651	–	–	–	(214,816)	45,835
Total comprehensive income for the period						
Loss for the period	–	–	–	–	(3,794)	(3,794)
Other comprehensive income						
Effective portion of changes in fair value of cash flow hedges, net of tax	–	–	–	–	–	–
Net change in fair value of cash flow hedges transferred to profit and loss, net of tax	–	–	–	–	–	–
Total other comprehensive income	–	–	–	–	–	–
Total comprehensive income for the period	–	–	–	–	(3,794)	(3,794)
Transactions with owners, recorded directly in equity						
Contributions by and distributions to owners						
Share-based payments	–	–	–	–	–	–
Unearned share based payments transferred to profit and loss	–	–	–	–	–	–
Reserves transferred	–	–	–	–	–	–
Balance at 30 June 2013	260,651	–	–	–	(218,609)	42,042

The Consolidated Statement of Changes in Equity is to be read in conjunction with the Notes to the Financial Statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(continued)*

For the year ended 30 June 2012

	Share capital	Share-based payment reserve $'000	Treasury share reserve $'000	Cash flow hedge reserve $'000	Retained earnings/ (losses) $'000	Total $'000
Balance at 1 July 2011	260,651	1,557	–	–	(212,761)	49,447
Total comprehensive income for the period						
Loss for the period	–	–	–	–	(3,211)	(3,211)
Other comprehensive income						
Effective portion of changes in fair value of cash flow hedges, net of tax	–	–	–	–	–	–
Net change in fair value of cash flow hedges transferred to profit and loss, net of tax	–	–	–	–	–	–
Total other comprehensive income	–	–	–	–	–	–
Total comprehensive income for the period	–	–	–	–	(3,211)	(3,211)
Transactions with owners, recorded directly in equity						
Contributions by and distributions to owners						
Share-based payments	–	(313)	–	–	–	(313)
Unearned share based payments transferred to profit and loss	–	(88)	–	–	–	(88)
Reserves transferred	–	(1,156)	–	–	1,156	–
Balance at 30 June 2012	260,651	–	–	–	(214,816)	45,835

The Consolidated Statement of Changes in Equity is to be read in conjunction with the Notes to the Financial Statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 30 June 2013

	Note	2013 $'000	2012 $'000
Cash and cash equivalents	11(a)	12,551	2,522
Trading and other receivables		31	851
Loans and Receivables – net	13	11,874	32,181
Other investments	14	2,700	1,339
Other assets		62	230
Total current assets		27,218	37,123
Loans and Receivables – net	13	15,238	47,874
Property, plant and equipment	12	29	131
Total non-current assets		15,267	48,004
Total assets		42,485	85,127
Payables	16	443	479
Loans and borrowings	17	–	38,813
Total current liabilities		443	39,292
Total liabilities		443	39,292
Net assets		42,042	45,835
Equity			
Share capital	18	260,651	260,651
Reserves		–	–
Retained earnings/(losses)		(218,609)	(214,816)
Total equity attributable to equity holders of the Company		42,042	45,835

The Consolidated Statement of Financial Position is to be read in conjunction with the Notes to the Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2013

	Note	2013 $'000	2012 $'000
Cash flows from operating activities			
Fees received		26	84
Interest received		3,450	5,747
Payments to suppliers and employees		(2,351)	(4,249)
Interest payment on loan facility		(1,309)	(2,675)
Income tax refund received		4,357	–
Other income		1,219	2,935
Net cash used in operating activities	11(b)	5,392	1,841
Cash flows from investing activities			
Loans and Receivables, advances and acquisitions of other instruments		(1,715)	(600)
Proceeds from sale/repayments of loan and receivables		43,710	62,036
Net cash from investing activities		41,995	61,437
Cash flows from financing activities			
Repayment of loans and borrowings		(38,005)	(65,757)
Net cash from/(used) in financing activities		(38,005)	(65,757)
Net increase/(decrease) in cash and cash equivalents		9,383	(2,478)
Cash and cash equivalents at 1 July		2,522	5,040
Effect of exchange rate fluctuations on cash held		647	(40)
Cash and cash equivalents at 30 June	11(a)	12,551	2,522

The Consolidated Statement of Cash Flows is to be read in conjunction with the Notes to the Financial Statements.

For the year ended 30 June 2013

1. REPORTING ENTITY

Keybridge Capital Limited (referred to as "Keybridge Capital" or the "Company" is a company incorporated and domiciled in Australia. The Consolidated Financial Statements of the Company as at and for the year ended 30 June 2013 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interests in associates and jointly controlled entities. The Company is a for-profit entity and primarily involved as a financial services company that has invested in, or lent to, transactions backed by real assets, financial assets or cash flow.

The consolidated annual Financial Statements as at and for the year ended 30 June 2013 are 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 Consolidated Financial Statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The Consolidated Financial Statements comply with International Financial Reporting Standards (IFRSs) adopted by the International Accounting Standards Board (IASB).

The Consolidated Financial Statements were approved by the Board of Directors on 29 August 2013.

(b) Basis of measurement

The Consolidated Financial Statements have been prepared on the historical cost basis except for 'other investments' which is measured at fair value. 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 for the entire 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 Consolidated Financial Statements in conformity with IFRS 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 estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainties 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 10: Deferred tax assets and liabilities.
- Note 13: Loans and receivables.
- Note 14: Other investments.
- Note 21: Financial risk management – impairment losses.
- For further detail on estimates refer to Notes 10, 13, 14 and 21.

(e) Changes in accounting policies

From 1 July 2012 the Group applied amendments to AASB 101 Presentation of Financial Statements outlined in AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income. The change in accounting policy only relates to disclosures and has had no impact on consolidated earnings per share or net income. The changes have been applied retrospectively and require the Group to separately present those items of other comprehensive income that may be reclassified to profit or loss in the future from those that will never be reclassified to profit or loss. These changes are included in the statement of profit or loss and other comprehensive income.

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, except as explained in Note 2(e), which address changes in accounting policies.

(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.

(ii) Associates (equity-accounted investees)

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 per cent of the voting power of another entity.

Investments in associates are accounted for using the equity method (equity-accounted investees) and are initially recognised at cost. The cost of the investment includes transaction costs.

The Consolidated Financial Statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence 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 zero, 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.

(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.

(b) Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated 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.

Foreign currency losses on foreign assets are recognised as an expense in the Consolidated Statement of Comprehensive Income.

(c) Financial instruments

(i) Non-derivative financial instruments

The Group initially recognises Loans and Receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial assets: Financial assets at fair value through profit or loss and Loans and Receivables.

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

Accounting for interest income and borrowings costs is discussed in Notes 3(g) and 3(h).

Financial assets at fair value through profit or loss

A financial asset is classified as at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Attributable transaction costs are recognised in profit or loss when incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Financial assets designated at fair value through profit or loss comprise equity securities that otherwise would have been classified as available-for-sale.

Changes in the fair value of financial assets at fair value through profit and loss are recognised in revenue.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition Loans and Receivables are measured 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 or on a collective basis for a portfolio of loans considered collectively impaired. Refer to Note 3(d).

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

The Group initially recognises other financial liabilities on the date that they are originated, which is the date the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The Group classified non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method.

Other financial liabilities comprise loans and borrowings and trade payables.

(ii) Derivative financial instruments

The Group may hold 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; and 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

Hedge effectiveness testing

To qualify for hedge accounting the Group 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 Group 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. This method is currently only performed for foreign currency hedges. Hedges used for interest rate swaps are tested for effectiveness using the Hypothetical Derivative Method.

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

Separable embedded derivatives

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

(iii) Share capital

Ordinary shares

Ordinary shares are classified as equity. 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 effects.

Dividends

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

Repurchase, disposal and reissue of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the reserve for treasury shares net of any tax effects.

When the Group repurchases shares to provide shares to employees under the Employee Equity Plan, when the shares are assigned to employees the cost of these shares are transferred to the share-based payment reserve.

(d) Impairment of financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. 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 asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

The Group considers evidence of impairment for Loans and Receivables at a specific asset level. All Loans and Receivables are assessed for specific impairment.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Future cash flows for Loans and Receivables in the shipping and infrastructure segments have taken into account longer term market indicators, such as future shipping charter rates and future energy prices. The reason for the longer term market indicators being used is due to the fact that financial assets are not expected to be realised over the short term. Individually significant financial assets are tested for impairment on an individual basis.

All impairment losses are recognised in 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, the reversal is recognised in profit or loss.

(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 superannuation workers' compensation insurance and payroll tax.

A provision is recognised for the amount expected to be paid under short-term cash retention 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) Retirement benefit obligations

Contributions to a defined contribution fund are recognised as an expense as they become payable. These are paid into a separate entity and the Group has no legal or constructive obligation to pay further amounts. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iii) Share-based payment transactions

The fair value of performance rights granted to employees in relation to the Employee Equity Plan is measured at grant date and is recognised as an employee expense, with a corresponding increase in equity, over the period in which the performance rights vest. The grant date is defined as the date when the Company and employee have a shared understanding of the terms and conditions.

The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do not meet the related service and non-market performance conditions at the vesting date.

(g) Fees and interest income

Interest income is recognised in profit or loss using the effective interest method. The effective interest rate is the rate that discounts the estimated future cash payments and receipts through the expected life of the financial asset to the carrying amount of the financial asset. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

The Group receives fees for such services as loan extensions or debt facility management. Fees that are integrated in the effective yield of the financial assets are included in the measurement of the effective interest rate.

(h) Finance income and finance costs

Finance expenses comprise interest expense on borrowings and accrual of deferred establishment fees over the term of each loan. Foreign currency gain or losses on borrowings are disclosed separately. All borrowing costs are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

Dividend income is recognised in profit or loss 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.

(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 or in other comprehensive income.

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.

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 or 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 June 2013.

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 Group 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(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 inter-company 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

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

(l) Segment reporting

Determination and presentation of operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are regularly reviewed by the Group's Executive Director to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Executive Director include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly, head office expenses, and income tax assets and liabilities.

The Group comprises the following main operating segments:

- Lending.
- Infrastructure.
- Private Equity.
- Property.
- Aviation.
- Shipping.

(m) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2012, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) AASB 9 Financial Instruments (2010), AASB 9 Financial Instruments (2009)

AASB 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under AASB 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. AASB 9 (2010) introduces additions relating to financial liabilities. The IASB currently has an active project that may result in limited amendments to the classification and measurement requirements of AASB 9 and add new requirements to address the impairment of financial assets and hedge accounting.

AASB 9 (2010 and 2009) is effective for annual periods beginning on or after 1 January 2015 with early adoption permitted. The adoption of AASB 9 (2010) is expected to have an impact on the Group's financial assets, but no impact on the Group's financial liabilities.

(ii) AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities (2011)

AASB 10 introduces a single control model to determine whether an investee should be consolidated. As a result, the Group may need to change its consolidation conclusion in respect of its investees, which may lead to changes in the current accounting for these investees (see Note 3(a)(i)).

Under AASB 11, the structure of the joint arrangement, although still an important consideration, is no longer the main factor in determining the type of joint arrangement and therefore the subsequent accounting.

The Group's interest in a joint operation, which is an arrangement in which the parties have rights to the assets and obligations for the liabilities, will be accounted for on the basis of the Group's interest in those assets and liabilities.

The Group's interest in a joint venture, which is an arrangement in which the parties have rights to the net assets, will be equity accounted.

The Group may need to reclassify its joint arrangements, which may lead to changes in current accounting for these interests (see Notes 3(a)(ii)).

AASB 12 brings together into a single standard all the disclosure requirements about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The Group is currently assessing the disclosure requirements for interests in subsidiaries, interests in joint arrangements and associates and unconsolidated structured entities in comparison with the existing disclosures. AASB 12 requires the disclosure of information about the nature, risks and financial effects of these interests.

These standards are effective for annual periods beginning on or after 1 January 2013 with early adoption permitted.

(iii) AASB 13 Fair Value Measurement (2011)

AASB 13 provides a single source of guidance on how fair value is measured, and replaces the fair value measurement guidance that is currently dispersed throughout Australian Accounting Standards. Subject to limited exceptions, AASB 13 is applied when fair value measurements or disclosures are required or permitted by other AASBs. The Group is currently reviewing its methodologies in determining fair values (see Note 4). AASB 13 is effective for annual periods beginning on or after 1 January 2013 with early adoption permitted.

(iv) AASB 119 Employee Benefits (2011)

AASB 119 (2011) changes the definition of short-term and other long-term employee benefits to clarify the distinction between the two. For defined benefit plans, removal of the accounting policy choice for recognition of actuarial gains and losses is not expected to have any impact on the Group. However, the Group may need to assess the impact of the change in measurement principles of expected return on plan assets. AASB 119 (2011) is effective for annual periods beginning on or after 1 January 2013 with early adoption permitted.

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 is based on their listed market price, if available. If a listed market price is not available, then fair value 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 (based on government bonds).

4. DETERMINATION OF FAIR VALUES *(continued)*

The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and counterparty when appropriate.

(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) Loans and receivables

The fair value of Loans and Receivables, 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.

(iv) Embedded derivatives

The fair value of embedded derivatives 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) Equity securities

The fair value of equity securities is determined by reference to their quoted closing bid price at the reporting date.

(vi) Share-based payment transactions

The fair value of Performance Rights granted, relating to shares issued under the Employee Equity Plan is valued at the closing share price of a Keybridge Capital ordinary share on each grant date.

The fair value of options relating to shares issued under the Director and Employee Share Scheme was 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. OPERATING SEGMENTS

The Group has six reportable segments, as described below, which are the Group's strategic business segments. The Group's Executive Director reviews internal management reports on at least a monthly basis for each of the Group's strategic business segments. The following summary describes the operations in each of the Group's reportable segments:

- *Lending:* Subordinated loan to a motor vehicle leasing business.
- *Infrastructure:* Loan and equity investment in a renewable energy project.
- *Private Equity:* A loan into a US based Private Equity Fund which has investments in a range of industries.
- *Property:* Includes a loan to a property developer that is supported by a development and construction project and other property-related investments. The property projects underlying the Group's loans are predominantly residential and commercial projects located in Australia.
- *Aviation:* Comprises an investment in an ASX-listed aviation business.
- *Shipping:* Loans to shipping companies and equity investments in ships chartered for varying terms to shipping companies.

There is no integration between any of the reportable segments.

Information regarding the results of each reportable segment is included in this note. Performance is measured based on operating income less net impairment expense, unrealised losses on embedded derivatives and other assets and foreign exchange losses as included in the internal management reports that are reviewed by the Group's Executive Director. Segment results are used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other segments within the Group's loans and investments. This allows management to determine where to best allocate the Group's resources as well as enabling the evaluation of the results to other lenders in the different industries.

5. OPERATING SEGMENTS *(continued)*

Business segments	Lending		Infrastructure		Private Equity		Property		Aviation		Shipping		Consolidated	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000	2013 $'000	2012 $'000	2013 $'000	2012 $'000	2013 $'000	2012 $'000	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Operating income														
Fees	85	10	9	8	–	–	–	–	–	–	17	262	111	280
Interest income	1,565	2,743	919	731	166	4,382	–	–	995	2,187	–	13	3,644	10,556
Unrealised gain/(loss) and other investments	–	–	–	–	–	–	–	–	1,064	(116)	–	–	1,064	(116)
Realised gain on disposal of investments	–	2,175	–	–	(315)	–	–	–	(212)	97	–	–	(528)	2,272
Dividends received	–	–	–	–	–	–	–	–	297	–	–	–	297	–
Other income	204	120	–	248	–	–	311	550	–	–	–	–	516	918
Total operating income/(loss)	1,854	5,048	928	987	(149)	4,382	311	550	2,144	2,168	17	275	5,104	13,410
Unrealised profit/(loss) on revaluation of foreign currency assets and realised foreign exchange gain on disposal of investments	–	754	959	(616)	146	365	–	–	(612)	4,116	(7)	519	486	5,138
Add: Reversed impairments	–	–	–	–	–	369	–	2,250	–	–	550	–	550	2,619
Less impairments	(1,159)	–	–	–	–	–	(7,388)	–	(4,141)	(5,011)	–	(9,054)	(12,688)	(14,065)
Reportable segment profit/(loss) before income tax	695	5,802	1,887	371	(3)	5,116	(7,077)	2,800	(2,610)	1,273	560	(8,260)	(6,549)	7,102

5. OPERATING SEGMENTS *(continued)*

Business segments	Lending		Infrastructure		Private Equity		Property		Aviation		Shipping		Consolidated	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000	2013 $'000	2012 $'000	2013 $'000	2012 $'000	2013 $'000	2012 $'000	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Gross segment assets	12,838	13,186	12,662	11,151	4,869	11,809	9,832	13,349	2,700	45,973	16,519	16,115	59,420	111,585
Less impairment provisions	(1,159)	–	(4,542)	(3,992)	–	–	(7,388)	(1,490)	–	(8,352)	(16,519)	(15,540)	(29,608)	(29,374)
Net segment assets	11,679	13,186	8,120	7,160	4,869	11,809	2,444	11,859	2,700	37,621	–	575	29,812	82,211

Geographic segments	Australia		Spain		United States		Cyprus		Consolidated	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000	2013 $'000	2012 $'000	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Operating income	3,492	5,459	928	987	667	6,964	17	–	5,104	13,410
Less: Impairment expense	(8,547)	2,250	–	–	(4,141)	(4,642)	550	(9,054)	(12,138)	(11,446)
Less: Unrealised profit/(loss) on revaluation of foreign currency assets, net changes in fair value of cash flow hedges and realised foreign exchange gain on disposal of investments	–	1,841	959	(616)	(468)	3,393	(6)	519	486	5,138
Segment result	(5,055)	9,550	1,887	371	(3,942)	5,716	561	(8,535)	(6,549)	7,102
Segment assets	16,823	26,385	8,120	7,160	4,869	48,313	–	354	29,812	82,211

Geographic segments are determined by the location, or by the security of the counterparties to the loan and investment, depending on the operating segment of the loan and investment. Lending, Private Equity, Property, Aviation and Shipping loans and investments are allocated to the geographic segments based on the location of the counterparty to the loan or investment. Infrastructure loans and investments are determined by the location of the security of the loan or investment. The location of the remaining infrastructure transaction is Spain. The remaining investment in Aviation is included in ASX-listed shares. For the investment in the Lending operating segment, the entire investment is domiciled in Australia. The Private Equity segment is located in the United States. All Property transactions are located in Australia. In Shipping, the remaining transactions are included in the Cyprus segment, which is the location of the Group's counterparty.

Major customer

Operating income from one customer of the Group's Lending segment represents approximately $1.6 million (Operating income from one customers of the Group's Lending segment 2012: $2.7 million), operating income from one customer of the Group's infrastructure segment represents approximately $0.9 million (2012: $0.7 million) operating income from one customer of the Group's Private Equity segment represents approximately $0.2 million (2012: $4.4 million) and operating income from one customer of the Group's Aviation segment represents approximately $1.0 million (2012: $2.2 million) of the Group's total operating income.

5. OPERATING SEGMENTS *(continued)*

Reconciliations of reportable segment revenues, profit or loss, assets and liabilities

	2013 $'000	2012 $'000
Operating income		
Total operating income for reportable segments	5,104	13,410
Interest received – tax refund	778	–
Bank interest received	96	163
Consolidated operating income	5,978	13,573
Profit or loss		
Total profit or loss for reportable segments	(6,549)	7,102
Other profit or loss	1,546	123
Unallocated amounts: Other corporate expenses	(2,644)	(2,806)
Unallocated amounts: Net finance costs	(505)	(7,631)
Consolidated loss before income tax	(8,152)	(3,211)
Assets		
Total assets for reportable segments	29,812	82,211
Other unallocated amounts	12,673	2,916
Consolidated total assets	42,485	85,127
Liabilities		
Total liabilities for reportable segments	–	–
Other unallocated amounts	433	39,292
Consolidated total liabilities	433	39,292

6. INTEREST INCOME

	2013 $'000	2012 $'000
Interest on bank deposits	96	163
Interest on loans and advances – third parties	3,644	10,056
	3,740	10,219

There is $0.2 million (2012: $4.3 million) of accrued income related to the Private Equity investment which is not impaired and $0.5 million of accrued income related to the Infrastructure investment which is impaired for the year ended 30 June 2013 (2013: $0.1 million).

7. OTHER INCOME

	2013 $'000	2012 $'000
Investment recoveries	517	918
Interest received – tax refund	778	–
	1,295	918

The investment recoveries are amounts received from investments that are carried at a nil value. Other income also includes interest received in relation to a tax refund received during the year.

8. EMPLOYMENT COSTS

	2013 $'000	2012 $'000
Wages and salaries	752	1,389
Superannuation	60	159
Other associated personnel expenses	16	11
Expenses related to the Employee Share Scheme	–	(88)
	828	1,471

9. INCOME TAX EXPENSE

(a) Income tax recognised in profit or loss

	2013 $'000	2012 $'000
Current tax (expense)/benefit		
Current period	(1,305)	3,890
Adjustment for prior periods	5,374	(7,089)
Total current tax	4,069	(3,199)
Deferred tax (expense)/benefit		
Unrealised FX gains and losses	2,373	1,173
Unrealised gain/(loss) on other investments	(319)	35
Loans and receivables	70	(4,179)
Other	9	9
(Decrease)/increase in deferred income tax expense from timing differences	2,133	(2,962)
(Decrease)/increase in deferred income tax expense from tax losses not recognised	(4,069)	3,199
(Decrease)/increase in deferred income tax expense from timing differences not recognised	(2,133)	2,962
Reversal of income tax expense as a result of tax refund	(4,357)	–
Total income tax (benefit)	(4,357)	–

9. INCOME TAX EXPENSE *(continued)*

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

	2013 %	2013 $'000	2012 %	2012 $'000
Loss for the period	–	(3,794)	–	(3,211)
Total income tax (expense)/benefit	–	4,357	–	–
Loss before income tax	–	(8,152)	–	(3,211)
Tax using the Company's domestic tax rate	30	2,445	30	963
Non-assessable income-dividend	(0.7)	(59)	–	–
Current year losses for which no deferred tax asset was recognised	16.0	1,305	(121.1)	(3,890)
Prior year losses for which no deferred tax asset was recognised	(19.1)	(1,558)	–	–
Change in unrecognised temporary differences	(26.2)	(2,133)	92.2	2,962
Non-deductible expenses	–	(2)	(1.1)	(35)
Reversal of income tax expense as a result of tax refund	(53.5)	(4,357)	–	–
Total income tax (benefit)	–	(4,357)	–	–

10. DEFERRED TAX ASSETS AND LIABILITIES

At 30 June 2013, a deferred tax benefit of $49.7 million (2012: $56.2 million) mostly related to prior year impairment expenses now being written-off and recognised as a tax deduction, and temporary differences of $10.7 million (2012: $8.7 million) were not recognised as deferred tax assets. The deferred tax assets will only be realised when sufficient future assessable income is earned.

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	2013 $'000	2012 $'000
Deductible temporary differences	10,728	8,685
Tax losses	49,740	56,186
	60,468	64,870

No amount of tax benefit attributable to any tax losses incurred by PRFG has been included in the above figures.

The deductible temporary differences and tax losses do not expire under current taxation legislation. Deferred tax assets have not been recognised in respect of these items because it is currently not probable that future taxable profits will be available against which the Group can utilise the benefits of these tax losses and deductible temporary differences.

10. DEFERRED TAX ASSETS AND LIABILITIES *(continued)*

Recognised tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2013	2012	2013	2012	2013	2012
Loans and receivables	8,883	8,812	–	–	8,883	8,812
Other investments	–	–	(526)	(117)	(526)	(117)
Derivatives and unrealised foreign exchange	2,270	–	–	(103)	2,270	(103)
Loans and borrowings	–	48	–	–	–	48
Other	102	45	–	–	102	45
Total assets/(liabilities)	11,254	8,905	(526)	(220)	10,728	8,685
Less: Deferred tax asset not recognised	(10,728)	(8,685)	–	–	(10,728)	(8,685)
Less: Set off of tax	(526)	(220)	526	220	–	–
Net tax assets/ (liabilities)	–	–	–	–	–	–

Deferred tax assets have been recognised to the extent that it is probable that taxable temporary differences will be available against which the deductible temporary difference can be utilised. The deferred tax assets and deferred tax liabilities have been offset to the extent that the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority.

Movement in temporary differences during the year

	Balance at 30 June 2011	Recognised in profit or loss	Balance at 30 June 2012	Recognised in profit or loss	Balance at 30 June 2013
Loans and receivables	12,990	(4,178)	8,812	70	8,883
Other investments	(152)	35	(117)	(408)	(526)
Derivatives and unrealised foreign exchange	(1,276)	1,173	(103)	2,373	2,270
Loans and borrowings	55	(6)	48	(48)	–
Capitalised – issuance costs	–	(2)	(2)	–	–
Other items	30	17	47	57	102
Total	11,647	(2,961)	8,685	2,043	10,728

11. CASH AND CASH EQUIVALENT

(a) Cash and cash equivalents

	2013 $'000	2012 $'000
Cash at bank	12,433	230
Term deposits	–	76
Short term deposits	118	2,216
	12,551	2,522

(b) Reconciliation of cash flow

	2013 $'000	2012 $'000
Cash flows from operating activities		
Profit/(loss) for the period	(3,794)	(3,211)
Adjustments for:		
Depreciation	101	128
Change in fees accrued	(469)	(442)
Changes in interest accrued	(786)	(4,610)
Unrealised (gain)/loss on other investments	(1,064)	116
Franked dividend received	(297)	–
Realised loss on disposal of investments	528	–
Foreign exchange (gain)/loss on foreign currency assets	(1,156)	(5,098)
Impairment expenses	12,138	11,446
Net finance costs	505	7,631
Operating cash flow before changes in working capital and provisions	5,706	5,960
Increase/(decrease) in payables	6	(699)
(Increase)/decrease in other assets	168	(167)
(Increase)/decrease in trade and other receivables	821	(578)
	6,701	4,516
Interest paid	(1,309)	(2,675)
Income taxes paid	–	–
Net cash from operating activities	5,392	1,841

12. PROPERTY, PLANT AND EQUIPMENT

	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 2011	318	63	151	147	76	755
Additions	–	–	–	–	–	–
Disposals	–	–	–	–	–	–
Balance at 30 June 2012	318	63	151	147	76	755
Balance at 1 July 2012	318	63	151	147	76	755
Additions	–	–	–	–	–	–
Disposals	–	–	–	–	–	–
Balance at 30 June 2013	318	63	151	147	76	755
Depreciation and impairment losses						
Balance at 1 July 2011	140	62	78	140	76	496
Depreciation for the year	69	1	51	7	–	129
Disposals	–	–	–	–	–	–
Balance at 30 June 2012	209	63	129	147	76	624
Balance at 1 July 2012	209	63	129	147	76	624
Depreciation for the year	80	–	21	7	–	101
Disposals	–	–	–	–	–	–
Balance at 30 June 2013	289	63	151	147	76	726
Carrying amounts						
At 30 June 2012	109	–	22	–	–	131
At 30 June 2013	29	–	–	–	–	29

13. LOANS AND RECEIVABLES

	2013 $'000	2012 $'000
	Carrying amounts	
Individually impaired loans (gross)	51,851	78,073
Less: Allowance for impairment	(29,608)	(29,374)
Carrying amount	22,243	48,699
Loans not individually impaired	4,869	31,355
Carrying amount	4,869	31,355
Total carrying amount of Loans and Receivables	27,112	80,055
Current assets		
Lending	12,838	13,186
Infrastructure	–	–
Private Equity	–	–
Property	195	7,448
Aviation	–	11,546
Shipping	–	–
Less: Allowance for impairment expenses	(1,159)	–
	11,874	32,181
Non-current assets		
Lending	–	–
Infrastructure	12,662	10,903
Private Equity	4,869	11,809
Property	9,637	5,901
Aviation	–	33,088
Shipping	16,519	15,546
Less: Allowance for impairment expenses	(28,449)	(29,374)
	15,238	47,874

	2013 $'000	2012 $'000
	Impairment provisions	
Income statement charge		
Loan impairment expenses		
Reversal of allowances no longer required	(550)	(2,619)
New allowances	12,688	14,065
Total recognised in income statement	12,138	11,446

14. OTHER INVESTMENTS

	2013 $'000	2012 $'000
Shares in ASX-listed company	2,700	1,339
	2,700	1,339

15. EQUITY ACCOUNTED INVESTMENTS IN ASSOCIATES

The Group's share of net gain in its equity accounted investments in associates for the year ended 30 June 2013 was $1.3 million (2012: $1.0 million). The unrealised gain relates to the Group's three equity accounted investments, being Bridge Infrastructure Capital Pty Limited (BIC), Oceanic Shipping Company VIII Limited and Ocean Star Limited. This accounting profit was not recognised in the results for the year ended 30 June 2013, as the investment in associates was reduced to nil in the financial year ended 30 June 2009. In prior years the Group advanced two loans to BIC; a loan to Oceanic Shipping Company VIII Limited and a loan to Ocean Star Limited.

The Group has recognised impairments against one loan in infrastructure and three loans in shipping. As at 30 June 2013, the Group's carrying amount in the loans to associates totals $8.1 million (2012: $7.7 million) and is recognised in Loans and Receivables. The Group has no additional commitments as a result of the associates' equity being negative.

	2013 $'000	2012 $'000
Investments in associates	–	–
Additional investment made by way of loans	29,180	27,266
Less impairments	(21,061)	(19,531)
Carrying amount of loans to associates	8,120	7,735
Impairment expense/(reversal)	(561)	9,054

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
2013							
Associates	56,894	(79,340)	(22,447)	8,103	(3,130)	4,973	1,351
2012							
Associates	115,912	(118,646)	(2,734)	13,880	(15,208)	(1,329)	(986)

The loan to BIC is provided at a lower rate of interest, compared with prevailing market rates for similar type of loans. This loan originally had a 10-year maturity, expiring in 2017 and is a non-secured subordinated loan. The loan is denominated in Euros and is impaired.

Loans to two shipping leasing companies, Oceanic Shipping Company VIII Limited and Ocean Star Limited have an original 5-year maturity which expired in March 2013 and expires in September 2013, respectively. Both unsecured loans are provided at a lower rate of interest, compared with prevailing market rates for similar type of loans. Both loans are denominated in US Dollars and both have been impaired. A repayment of $0.5 million was received during the year for one of the loans.

16. PAYABLES

	2013 $'000	2012 $'000
Employment related expenditure	16	–
Professional fees payable	382	269
Other fees payable	45	50
Bank debt fees payable	–	161
	443	479

17. LOAN AND BORROWINGS

As at 30 June 2013, there are no borrowings outstanding.

For the financial year ended 30 June 2012 loans and borrowings consisted of a loan facility between the Group and the Commonwealth Bank of Australia, Bank of Western Australia Limited, Westpac Bank Limited and National Australia Bank Limited.

Refer to Note 21 for further information about exposure to financial risks and liquidity.

	2013 $'000	2012 $'000
Current liabilities		
Secured bank loans	–	38,813

				30 June 2013		30 June 2012	
	Currency	Nominal interest rate	Year of maturity	Face value $'000	Carrying amount $'000	Face value $'000	Carrying amount $'000
Secured bank loan	–	–	–	–	–	38,813	38,813
Total interest-bearing liabilities				–	–	38,813	38,813

18. CONTRIBUTED EQUITY

(a) Issued and paid-up capital

	2013 $'000	2012 $'000
178,045,564 (30 June 2012: 178,045,564) ordinary shares fully paid	260,651	260,651

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.

The Company does not have par value in respect of its issued shares.

18. CONTRIBUTED EQUITY *(continued)*

(b) Movement in ordinary share capital

	2013 $'000	2012 $'000
Opening balance 1 July	260,651	260,651
Closing balance 30 June	260,651	260,651

(c) Shares issued and paid but not quoted

There are 5,975,000 issued shares which related to the Company's Director and Employee Share Scheme. The Company's Director and Employee Share Scheme is not operational. All shares are held by the Trustee of the Share Scheme.

There are no other shares issued and not quoted.

19. DIVIDENDS

There were no dividends paid or declared during the year by the Company (2012: nil).

After 30 June 2013, the Directors have resolved not to declare a final dividend for the 2013 financial year.

	2013 $'000	2012 $'000
Amount of franking credits available to shareholders of Keybridge Capital for subsequent financial years	8,153	–

These franking credits arose when PRFG entered the tax consolidation group of which the Company is the Head Entity.

20. EARNINGS PER SHARE

Basic loss per share

The calculation of basic loss per share at 30 June 2013 was based on the loss attributable to ordinary shareholders of $3.8 million (2012: $3.2 million) and a weighted average number of ordinary shares outstanding of 172.1 million (2012: 172.1 million) calculated as follows:

	2013 $'000	2012 $'000
Loss attributable to ordinary shareholders		
Net loss attributable to ordinary shareholders	(3,794)	(3,211)

	No. '000	No. '000
Weighted average number of ordinary shares*		
Weighted average number of ordinary shares for the year to 30 June	172,071	172,071

** Does not include 5.975 million shares not quoted.*

20. EARNINGS PER SHARE *(continued)*

Diluted loss per share

The calculation of diluted loss per share at 30 June 2013 was based on loss attributable to ordinary shareholders of $3.8 million (2012: $3.2 million) and a weighted average number of ordinary shares outstanding after adjusting for the effects of all dilutive potential ordinary shares of 172.1 million (2012: 172.1 million) calculated as follows:

	2013 $'000	2012 $'000
Loss attributable to ordinary shareholders		
Net loss attributable to ordinary shareholders	(3,794)	(3,211)

	No. '000	No. '000
Weighted average number of ordinary shares*		
Weighted average number of ordinary shares for the year to 30 June	172,071	172,071

** Does not include 5.975 million shares not quoted.*

21. FINANCIAL RISK MANAGEMENT

The Group seeks to minimise the effects of financial risks arising in the normal course of the Group's business. The markets in which the Group has invested, on the whole, remained volatile for the financial year.

Financial risk management is undertaken by management under policies approved by the Board. During the 12 months to 30 June 2013 management continued to monitor the Group's policies and sought Board approval for any necessary changes to actively manage the financial health of the Group, and to facilitate the Board's objective to achieve an orderly realisation of loans and investments in accordance with the terms of the debt facility. The policies are available on the Company's website at www.keybridge.com.au. The Group's policies are discussed in further detail under Corporate Governance on pages 11 to 23 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 meets quarterly and reports to the Board on its activities.

Impairment losses

Impairment loses for the year ended 30 June 2013 have come from three separate asset classes: Property, Aviation, and Lending.

As previously outlined, as a result of the delay in construction, coupled with a change in the terms required by the senior lender, the largest asset in the property portfolio has been impaired in full. Total impairments for the Property segment are $7.4 million.

In Aviation, the Company disposed of four aircraft into a challenging market. One of the aircraft required immediate sale by its senior lender, and the remaining three were sold to create liquidity to meet Keybridge's corporate debt repayment. In total a USD4.3 million provision was required, and this was raised in the 31 December 2012 accounts.

21. FINANCIAL RISK MANAGEMENT *(continued)*

Subsequent to year end, the acquisition of PR Finance Group Limited (PRFG) via a Scheme of Arrangement (Scheme) reached financial close with the payment of $1.5 million in cash and the issue of 2.5 million Keybridge shares to PRFG shareholders on 16 August 2013. The transaction had an implementation date of 28 June 2013 per orders of the Federal Court. Keybridge is in the process of divesting the motor vehicle division within PRFG in order to repay senior debt at PRFG and expects this to reach completion during September 2013 subject to the approval of the senior lender. This sale, should it complete, would result in the full repayment of PRFG's outstanding senior debt facility, and an $11.7 million repayment of its mezzanine loan from Keybridge.

Due to the timing of the Federal Court's approval of the Scheme, at 30 June 2013, Keybridge did not have power to govern the financial and operating policies of PRFG so as to obtain benefits from its activities pursuant to AASB 3 *Business Combinations.* As such, the financial reports were not required to be prepared on a consolidation basis for the acquisition of PRFG.

In Infrastructure, a specific impairment against the sole remaining transaction has been raised. The impairment relates to a reduction in value of the Company's solar asset in Spain due to past production shortfalls (now rectified) and the possible sustained production cap on the tariff received from the sale of energy as a result of various changes in law expected to be made by the Spanish Government.

In Private Equity, there are no impairments for the year ended 30 June 2013.

In Shipping, specific impairments against two of the remaining shipping transactions have been raised, and both assets are carried at nil.

The Group's has recognised net impairment losses of $12.1 million for the 2013 financial year (2012: $11.4 million).

The ageing of the Loans and Receivables at the reporting date was:

	Gross	Impairment	Gross	Impairment
	2013 $'000	2013 $'000	2012 $'000	2012 $'000
Not past due	29,196	(16,207)	102,437	(27,884)
Past due 91–120	4,854	(4,854)	–	–
Past due 121–365	19,198	(7,519)	–	–
More than one year	3,473	(1,028)	6,990	(1,490)
	56,720	(29,608)	109,428	(29,374)

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

	Loans and receivables	
	2013 $'000	2012 $'000
Balance at 1 July	29,374	43,301
Impairment loss recognised	12,688	14,065
Impairment write-back in income statement	(550)	(2,619)
Foreign exchange movement on impairments	2,079	(557)
Loans realised/(written off)	(13,983)	(24,817)
Balance at 30 June	29,608	29,374

The allocation of impairments by segment is provided in Note 5 – Operating Segments.

For the loans that are not impaired, credit risk is managed by analysing the counterparties' monthly financial reports and regular dialogue is held to discuss any issues that may impact the ability of the counterparty to repay its loan.

21. FINANCIAL RISK MANAGEMENT *(continued)*

Exposure to credit risk

The Group is exposed to credit risk in the event that a counterparty fails to meet its contractual obligations in relation to the Group's investments or deposits with banks and other financial institutions.

The Group manages ongoing credit risk by monitoring closely the performance of investments, the cyclical impact of the underlying asset class, 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.

Having regard to the focus over the past 12 months of realising assets to repay corporate debt, the majority of this policy is not presently deemed relevant. Accordingly, the Board suspended the Transactional Risk Management Policy (TRMP) in 2009 on the basis it be reinstated in the event the Group subsequently determines to recommence transaction origination and investment.

In place of the TRMP, the following interim transactional guidelines apply:

- All loans and investments will be continuously monitored and reviewed by Keybridge management with a formal report provided to the Board on a regular (monthly) basis.
- Primary Approval Authority for transactions lies with the Board. Apart from the following only the Board can approve a new transaction. The exception is that approval of new funds being provided for existing investments is delegated to both the Chairman and Executive Director together provided the amount does not exceed $500,000 each six months and funds are required to protect the value of an existing Keybridge investment. Such approvals are to be reported to the next Board meeting following the date of approval.
- The Board may unanimously decide to make an exception to the transactional guidelines from time to time.

The carrying amount of the Group's financial assets represents its maximum credit exposure. The significant reduction in exposure to credit risk in the 12 months to 30 June 2013 is primarily due to the realisation of assets and further recognition of impairment provisions. The Group's maximum exposure to credit risk at the reporting date was:

		Carrying amount	
	Note	2013 $'000	2012 $'000
Cash and cash equivalents	11	12,551	2,522
Loans and Receivables	13	27,112	80,055
Trade and other receivables		31	857
		39,693	83,434

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

		Carrying amount	
	Note	2013 $'000	2012 $'000
Cash (Australian banks)	11	12,551	2,522
Lending		11,679	13,186
Infrastructure		8,120	7,160
Private Equity		4,869	11,809
Property		2,444	11,859
Aviation		–	36,282
Shipping		–	575
		39,664	83,394

21. FINANCIAL RISK MANAGEMENT *(continued)*

The Group's most significant counterparty exposure relates to one lending investment which represents $11.7 million of Keybridge's Loans and Receivables at 30 June 2013 (2012: Aviation $36.3 million). Subsequent to year end, the acquisition of PR Finance Group Limited (PRFG) via a Scheme of Arrangement (Scheme) reached financial close via the payment of $1.5 million in cash and the issue of 2.5 million Keybridge shares to PRFG shareholders on 16 August 2013. The transaction has an implementation date of 28 June 2013 as per orders of the Federal Court. Keybridge is in the process of divesting the motor vehicle division within PRFG in order to repay senior debt at PRFG and expects this to reach completion during September 2013, subject to the approval of the senior lender. This sale, should it complete, would result in the full repayment of PRFG's outstanding senior debt facility, and an $11.7 million repayment of its mezzanine loan from Keybridge.

In Infrastructure, the Group has one investment. The investment is a loan to an equity position in a solar facility in Spain. There is no senior debt in this transaction.

In Private Equity, the Company has a limited recourse loan which is secured by units in a private equity fund which invests in US-domiciled manufacturing industries. There is no senior debt in the private equity fund, however investments made by the fund may have senior debt at the investment level, and as such, the investment in the private equity fund is indirectly impacted by changes in credit markets that effect investments undertaken by the fund.

Keybridge's two remaining property backed investments have experienced valuation pressures over the last six months. In particular, one of the investment's value has deteriorated quickly as a result of changed circumstances since June 2013 and there is now a very real prospect that development of this property will not be able to progress (principally as a result of changed senior lending arrangements under which significant additional fees would need to be paid for the necessary consents to proceed with the development). These new fees and increases in interest, if accepted, would seriously impact the viability of the underlying project (and accordingly, this asset has been impaired to a nil carrying value).

The other property investment is a portfolio of first ranking mortgage loans over commercial properties where Keybridge is now the sole lender to this portfolio.

In Shipping, current market values for the shipping transactions in the Group's portfolio indicate if the ships are required to be sold at the maturity of each of the senior debt facilities the realisation of each ship would only achieve enough to cover the outstanding liabilities of the senior lender, resulting in no residual value to repay Keybridge's loans.

For loans that are not impaired, credit risk is managed by analysing regular financial reports from the counterparties as well as ensuring there is constant oversight of issues that may impact the ability of the counterparty to repay its loan.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. At 30 June 2013 the Group's secured bank loans were fully repaid.

The Group manages liquidity risk via:

- monitoring forecast and actual cash flows, including asset sales and cash investment income;
- maintaining a minimum cash balance; and
- regular reporting of cash flow forecasts for the next 12 to 18 months to the Board and AFRC.

21. FINANCIAL RISK MANAGEMENT *(continued)*

At 30 June 2013, the Group's financial liabilities maturity profile for the past two financial year ends are as follows:

	Carrying amount $'000	Contractual cash flows $'000	6 mths or less $'000	6–12 mths $'000	1–2 years $'000	2–5 years $'000
30 June 2013						
Financial liabilities						
Trade and other payables	(443)	(443)	(443)	–	–	–
	(443)	(443)	(443)	–	–	–

	Carrying amount $'000	Contractual cash flows $'000	6 mths or less $'000	6–12 mths $'000	1–2 years $'000	2–5 years $'000
30 June 2012						
Non–derivative financial liabilities						
Secured bank loans	(38,813)	(40,285)	(15,220)	(25,065)	–	–
Bank fee payable	(431)	(431)	–	(431)	–	–
Trade and other payables	(297)	(297)	(297)	–	–	–
	(39,541)	(41,013)	(15,517)	(25,496)	–	–

Market risk

Market risk is the risk that changes in market prices, such as interest rates, equities, aircraft, property and ship prices will affect the Group's profitability. The objective of market risk management is to seek to manage and control risk exposures within acceptable parameters, while optimising expected returns.

The Group is exposed to equity risk on shares in an ASX-listed company to the extent of $2.7 million (2012: $1.3 million). The Group currently does not hold any interest rate swaps.

Equity accounted investments are also exposed to movements in currency and asset values for the underlying ships and infrastructure within each of the investments.

Foreign currency risk

Foreign currency 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 has been reduced as a large proportion of investments denominated in both US Dollars were sold. There remains one investment denominated in US Dollars and one denominated in Euros.

The Group no longer has a natural hedge of its US Dollar-denominated investments as it has repaid all of its US Dollar-denominated borrowings and therefore certain investments exposed to translation back to Australian Dollars. Any loss or gain arising on translation is recorded in the profit or loss statement.

21. FINANCIAL RISK MANAGEMENT *(continued)*

Exposure to currency risk

The Group's exposure to foreign currency risk at balance date was as follows:

	30 June 2013		30 June 2012	
AUD equivalents	USD $'000	Euro €'000	USD $'000	Euro €'000
Cash and cash equivalent	825	12	111	8
Loans and Receivables	4,869	8,120	48,121	6,920
Total asset exposure	5,693	8,132	48,232	6,928
Foreign exchange borrowings	–	–	(38,813)	–
Net exposure	5,693	8,132	9,419	6,928

The net exposure relates to assets in foreign currencies that are not naturally hedged with foreign currency borrowings.

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2013	2012	2013	2012
AUD: USD	1.0269	1.0327	0.9265	1.0177
AUD: Euro	0.7944	0.7714	0.7096	0.8075

Sensitivity analysis

The Group is exposed to the translation impact back to Australian Dollars in relation to the US Dollar-denominated and Euro-denominated investments that are not naturally hedged by US Dollar and Euro corporate borrowings. In the case of both US Dollar-denominated and Euro-denominated investments the Group is exposed to 100% of the value of the investments. 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 profit or loss of the Group.

As shown in the table below, if the Australian Dollar were to decrease or increase in value by 10%, against both the US Dollar and the Euro, the Group would recognise a non-cash profit of $1.5 million or loss of $1.2 million, respectively.

$'000 AUD	Profit or loss	
	10% increase	10% decrease
30 June 2013		
USD	(516)	631
Euro	(739)	904
	(1,255)	1,535
30 June 2012		
USD	(856)	1,046
Euro	(629)	769
	(1,485)	1,815

21. FINANCIAL RISK MANAGEMENT *(continued)*

Interest rate risk

The Group is exposed to interest rate risk where committed debt facilities, including non-recourse debt financing and cash, are at a variable rate of interest. All of the Group's Loans and Receivables are at fixed rates and asset specific debt is term matched with fixed interest rates to hedge those specific cash flows.

The Group's policy is to ensure that, where appropriate, all material interest rates in relation to non-recourse financing within an investment are fixed for the term of the non-recourse financing.

Interest rate profile

At reporting dates the Group's assets and liabilities subject to variable interest rates were as follows:

	Carrying amount	
	2013 $'000	2012 $'000
Variable rate instruments		
Cash-on-hand	12,551	2,522
Financial liabilities – corporate borrowings	–	(38,813)
Total variable rate instruments	12,551	(36,291)

The Group is entitled to receive a fixed rate of interest in relation to all of the Group's financial assets. Interest income at fixed rates is received as cash or, where there is a reasonable probability of receipt, as accrued income and recognised in the profit and loss statements.

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 no longer holds derivative liabilities (interest rate swaps).

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates throughout the reporting period 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 2012. As at 30 June 2013 the Group is only exposed to cash-on-hand deposit interest rates. Cash flow sensitivity analysis for variable rate instruments:

	Profit or loss		Equity	
	100bp increase $'000	100bp decrease $'000	100bp increase $'000	100bp decrease $'000
30 June 2013				
Variable rate instruments	126	(126)	–	–
Debt facility	–	–	–	–
Cash flow sensitivity (net)	126	(126)	–	–
30 June 2012				
Variable rate instruments	–	–	–	–
Debt facility	(388)	108	–	–
Cash flow sensitivity (net)	(388)	108	–	–

21. FINANCIAL RISK MANAGEMENT *(continued)*

Fair values versus carrying amounts

For Loans and Receivables, the fair value is determined using an estimate of interest rates that may apply if these assets were refinanced as at 30 June 2013 and using the estimated cash flows as at balance date.

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

	30 June 2013		30 June 2012	
	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
Other investments	2,700	2,700	1,339	1,339
Loans and Receivables	27,112	27,112	80,055	62,994
Cash and cash equivalents	12,551	12,551	2,522	2,522
Trade and other receivables	92	92	1,081	1,081
Liabilities				
Secured bank loans	–	–	(38,813)	(38,813)
Trade and other payables	(443)	(443)	(479)	(479)
	42,012	42,012	45,705	28,664

The difference between the carrying amount and the fair value of the Loans and Receivables is as a result of discounting the estimated future cash flows of the loan and receivable using prevailing market rates i.e. if the Group were to provide new loans and advances or acquire new borrowing facilities as at 30 June 2013 instead of the original effective interest rate.

Interest rates used for determining fair value

For the purposes of this sensitivity, the interest rates used to discount estimated cash flows are based on the yields required given prevailing market conditions, including historically constrained liquidity and low levels of available senior debt refinancing. The rates were in the following ranges, with the specific discount rate selected based on the characteristics of the underlying investment, including asset class, term and risk profile.

	2013	2012
Interest rates (per annum)	9%–24%	20%–30%

Fair value hierarchy

The following table analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: Inputs for the asset or liability that is not based on observable market data (unobservable inputs).

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
30 June 2013				
Other investments	2,700	–	–	2,700
30 June 2012				
Other investments	1,339	–	–	1,339

21. FINANCIAL RISK MANAGEMENT *(continued)*

In order to determine the fair value of such derivatives, management used a valuation technique in which all significant inputs were based on observable market data or broker quotes for underlying assets.

Capital management

The Group's total capital at 30 June 2013 was $42 million comprising contributed equity (net of retained losses).

During the financial year, the Company did not undertake new investment activity and continued to manage and realise existing investments in order to repay corporate borrowings.

22. SHARE-BASED PAYMENT ARRANGEMENTS

Employee share scheme

A Plan was initiated in December 2009 which covered the years ended 30 June 2010 and 30 June 2011. This Plan ceased in 2012 and there is no equity plan for the year ended 30 June 2013.

Movement in performance rights

	Date of grant	Number of rights granted prior periods	Number of rights granted 2012	Total number of rights granted[1]	Vesting date[2]	Number of rights vested in 2012	Value ($) of rights vested[3]	Number of rights vested in 2011
Current								
Mark Phillips, former Managing Director	8 Oct 2010	4,033,333	–	4,033,333	31 Aug 2011	3,025,000	196,625	–
Mark Worrall, former Managing Director	29 May 2010	1,200,000	–	1,200,000	31 Aug 2011	900,000	58,500	175,000
Adrian Martin, Company Secretary	26 Mar 2010	250,000	–	250,000	31 Aug 2011	187,500	12,188	175,000
Total		5,483,000	–	5,483,000		4,112,500	267,313	350,000

1 No grants were forfeited during the financial year.

2 Performance rights vest subject to performance over the period from 1 July 2010 through to 31 August 2011 in respect of Year 2. Performance rights lapse where the service and performance conditions are not satisfied.

3 Shares were not issued, 75% of performance rights vested, at an average share price of 6.5 cents and were settled in cash as satisfaction of the vesting.

There are no performance rights outstanding at 30 June 2013.

The expense recognised in the net profit/(loss) for the period ended 30 June 2013 was nil (2012: $81,521) and the additional amount recognised in the share-based payment reserve was nil (2012: $81,521).

23. RELATED PARTY DISCLOSURE

Key management personnel compensation

Information regarding individual Directors and senior executives' remuneration and shares held in the Company as required by Corporations Regulations 2M.3.03 is provided in the Remuneration Report on pages 32 to 38 of this Annual Report.

Other than as disclosed in this Note, 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 (including for the former Managing Director and/or Executive Director)

	Short-term employee benefits			Post-employment benefits		
	Cash salary $	Incentive and retention payments $	Non-monetary $	Company contributions to superannuation $	Share-based payments $	Total $
Totals – 2013	650,738	–	–	37,403	–	688,141
Totals – 2012	873,238	–	–	37,702	–	910,940

Chairman and Non-executive Directors

	Short-term employee benefits			Post-employment benefits		
	Cash fees $	Incentive and retention payments $	Non-monetary $	Company contributions to superannuation $	Share-based payments $	Total $
Totals – 2013	185,452	–	–	14,028	–	199,480
Totals – 2012	180,000	–	–	11,250	–	191,250

Directors and key management personnel

The names of persons who were key management personnel of the Group at any time during the financial year are as follows:

Non-executive Directors

Peter Wood (Chairman)
Bill Brown (appointed 9 October 2012)
Nicholas Bolton (resigned 9 October 2012) (reappointed 2 January 2013) (appointed Executive Director on 22 February 2013)
Robert Moran (appointed 2 January 2013)

23. RELATED PARTY DISCLOSURE *(continued)*

Executive Directors

Mark Worrall (Managing Director) (resigned 22 February 2013)
Nicholas Bolton (appointed as Executive Director 22 February 2013)

Other key management

Adrian Martin (Company Secretary)

(a) Details of remuneration

Details of the remuneration of key management personnel are set out in the Remuneration Report on page 32 to 38 and above.

(b) Equity instrument disclosures relating to key management personnel movements in shareholdings including equity instruments granted as compensation via the Employee Equity Plan

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 includes shares provided as remuneration under the Employee Equity Plan.

(c) Key management personnel and director transactions

A director, or their related parties, holds positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

One of these entities transacted with the Company in the reporting period. The terms and conditions of the transactions with management persons and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

The aggregate value of transactions and outstanding balances relating to key management personnel and entities over which they have control or significant influence were as follows:

		Transactions value year ended 30 June		Balance outstanding as at 30 June	
		2013[ii] $'000	2012 $'000	2013 $'000	2012 $'000
Director	*Transaction*				
Nicholas Bolton[i]	Consultant fees	54	25	–	25
Total		54	25	–	25

(i) Nicholas Bolton resigned as a director on 9 October 2012 and was reappointed on 2 January 2013.

(ii) The Company engaged the consultancy services of Australian Style Group Pty Ltd, where Nicholas Bolton is a director, in relation to assistance and input over sale of assets and corporate debt restructuring. Amounts were billed based on market rates for such services and were due and payable under standard payment terms. This arrangement terminated on 22 February 2013 when Nicholas Bolton became Executive Director.

Employee Equity Plan

Performance rights

No performance rights were issued under the Employee Equity Plan in the financial years ended 30 June 2013 and 30 June 2012.

23. RELATED PARTY DISCLOSURE (*continued*)

Movement in performance rights

	Date of grant	Number of rights granted prior periods	Number of rights granted 2012	Total number of rights granted[1]	Vesting date[2]	Number of rights vested in 2012	Value ($) of rights vested[3]	Number of rights vested in 2011
Current								
Mark Phillips, former Managing Director	8 Oct 2010	4,033,333	–	4,033,333	31 Aug 2011	3,025,000	196,625	–
Mark Worrall, former Managing Director	29 May 2010	1,200,000	–	1,200,000	31 Aug 2011	900,000	58,500	175,000
Adrian Martin, Company Secretary	26 Mar 2010	250,000	–	250,000	31 Aug 2011	187,500	12,188	175,000
Total		5,483,000	–	5,483,000		4,112,500	267,313	350,000

1 No grants were forfeited during the financial year.

2 Performance rights vest subject to performance over the period from 1 July 2010 through to 31 August 2011 in respect of Year 2. Performance rights lapse where the service and performance conditions are not satisfied.

3 Shares were not issued, 75% of performance rights vested, at an average share price of 6.5 cents and were settled in cash as satisfaction of the vesting.

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 Keybridge Capital Employee Share Scheme, unless such shares have been exercised.

	Held at 1 July 2012	Purchases	Received on vesting of performance rights	Sales	Other	Held at 30 June 2013
Directors						
Peter Wood	–	–	–	–	–	–
Nicholas Bolton*	32,707,625	1,145,773	–	–	–	33,853,398
Bill Brown**	–	–	–	–	–	–
Robert Moran***	–	–	–	–	–	–
Mark Worrall+	669,260	–	–	–	(669,260)	–
Other key management personnel						
Adrian Martin	180,000	–	–	–	–	180,000
Total	33,556,885	1,145,773	–	–	(669,260)	34,033,398

** Resigned 9 October 2012 and reappointed 2 January 2013. ** Appointed 9 October 2012. *** Appointed 2 January 2013.*
+ Resigned 22 February 2013.

23. RELATED PARTY DISCLOSURE *(continued)*

	Held at 1 July 2011	Purchases	Received on exercise of options	Sales	Other	Held at 30 June 2012
Directors						
Peter Wood	–	–	–	–	–	–
Mark Worrall*	175,000	494,260	–	–	–	669,260
Nicholas Bolton+	–	–	–	–	32,707,635	32,707,635
Mark Phillips++	453,149	–	–	–	(453,149)	–
Irene Lee+++	1,750,414	–	–	–	(1,750,414)	–
Other key management personnel						
Adrian Martin	180,000	–	–	–	–	180,000
Total	2,558,563	494,260	–	–	30,504,072	33,556,885

**Resigned 22 February 2013. + Appointed 30 December 2011. ++ Resigned 18 November 2011. +++ Resigned 4 April 2012.*

24. GROUP ENTITIES

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

		Ownership interest	
Significant subsidiaries	Country of incorporation	2013 %	2012 %
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
Keybridge Funds Management Pty Limited	Australia	100	100
Keybridge Aviation Pty Limited*	Australia	–	100

** Deregistered 29 March 2013.*

25. SUBSEQUENT EVENT

Subsequent to year end, the acquisition of PR Finance Group Limited (PRFG) via a Scheme of Arrangement (Scheme) reached financial close with the payment of $1.5 million in cash and the issue of 2.5 million Keybridge shares to PRFG shareholders on 16 August 2013. The transaction has an implementation date of 28 June 2013 as per orders of the Federal Court. Keybridge is in the process of divesting the motor vehicle division within PRFG in order to repay senior debt at PRFG and expects this to reach completion during September 2013, subject approval of the senior lender. This sale, should it complete, would result in the full repayment of PRFG's outstanding senior debt facility, and an $11.7 million repayment of its mezzanine loan from Keybridge.

The above transactions occurred after 30 June 2013 and do not affect the amounts recognised in the financial statements at 30 June 2013. Therefore the financial impact of these transactions has not been recognised in the financial statements as at 30 June 2013 apart from inclusion of franking credits in the value of $8.15 million as of 28 June 2013.

25. SUBSEQUENT EVENT *(continued)*

On 12 July 2013, the Spanish Government indicated plans to introduce as law a profitability cap on solar farms equal to 3.0% per annum above the 10 year Spanish Government Bond rate. Whilst it is unclear the exact terms upon which this will be implemented, or whether it will be implemented at all, Keybridge has determined to take an impairment against its solar asset of approximately $1.4 million for the 2014 financial year (being unable to raise an impairment in 2013 due to relevant accounting standards). We will review this impairment as the proposed law develops.

There are no other matters which significantly affected or may significantly affect the operations of the Group, the results of the operations, or the state of affairs of the Group in future financial periods, other than that included in this report under the review of operations and results.

26. COMMITMENTS

(i) Loan commitments

There are no undrawn commitments at year end.

(ii) Lease commitments

	2013 $'000	2012 $'000
Less than one year	75	20
Between one and five years	19	–
	94	20

During the financial year the lease payments recognised as an expense totalled $78,363. The Group leases its premises under a lease which is due to expire in September 2014.

(iii) Financial guarantees

The Group does not have any financial guarantees as at 30 June 2013.

27. CONTINGENCIES

There are no contingent assets or liabilities as at 30 June 2013.

28. AUDITOR'S REMUNERATION

	2013 $'000	2012 $'000
Auditors of the Company		
KPMG Australia		
Audit and review of the financial reports	132	170
Other regulatory audit services	5	5
Tax services	100	39
	237	214

29. PARENT ENTITY DISCLOSURES

As at, and throughout the financial year ending 30 June 2013, the parent entity of the Group was Keybridge Capital Limited.

	2013 $'000	2012 $'000
Result of parent entity		
Loss for the period	(2,005)	(11,291)
Other comprehensive income	–	–
Total comprehensive loss for period	(2,005)	(11,291)
Financial position at year end		
Current assets	27,218	30,589
Total assets	40,140	76,302
Current liabilities	443	39,292
Total liabilities	443	39,292
Total equity of the parent entity		
Share capital	260,651	260,651
Share-based payment reserve	–	–
Retailed losses	(220,954)	(223,641)
Total equity	39,697	37,010

The parent entity has no contingencies or any capital commitments for property, plant and equipment. The parent entity has no guarantees over the debt of its subsidiaries.

Directors’ Declaration

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

(a) the Consolidated Financial Statements and Notes that are set out on pages 42 to 82 and the Remuneration Report in the Directors’ Report, set out on pages 32 to 38, are in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group’s financial position as at 30 June 2013 and of its performance for the financial year ended on that date; and

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

(b) 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 Executive Director and the Company Secretary for the financial year ended 30 June 2013.

3 The Directors draw attention to Note 2(a) to the Consolidated Financial Statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a Resolution of Directors:

Peter Wood
Chairman

Sydney, 29 August 2013

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 consolidated statement of financial position as at 30 June 2013, and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 29 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration 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 of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 2(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply 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 of the financial report that gives a true and fair view 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, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

KPMG

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

Independence

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

Auditor's opinion

In our opinion:

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

(i) giving a true and fair view of the Group's financial position as at 30 June 2013 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards 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 32 to 38 of the directors' report for the year ended 30 June 2013. 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 2013, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Madeleine Mattera

Madeleine Mattera
Partner

Sydney

29 August 2013

Shareholder Information

The shareholder information set out below was applicable as at 30 July 2013.

DISTRIBUTION OF EQUITY SECURITIES

Range	Total holders	Shares	% of issued shares
1 to 1,000	173	84,049	0.05
1,001 to 5,000	446	1,290,323	0.72
5,001 to 10,000	260	2,048,868	1.15
10,001 to 100,000	516	18,219,314	10.23
100,001 and over	163	156,403,010	87.85
Total	1,558	178,045,564	100.00

ON-MARKET BUY-BACK

There is no current on-market buy-back.

LARGEST SHAREHOLDERS

The names of the 20 largest holders of ordinary shares as at 30 July 2013 are listed below:

Shareholder	Number held	% of issued shares
Oceania Capital Partners Limited	34,396,358	19.32
Australian Style Group Pty Ltd	31,763,337	17.84
J P Morgan Nominees Australia Limited	9,350,013	5.25
RBC Investor Services Australia Nominees Pty Limited <BKCUST A/C>	8,000,000	4.49
MB Finance Pty Ltd <Mariner Bridge Investments Employee Share Scheme A/C>	5,975,000	3.36
Whitechurch Developments Pty Ltd	4,661,668	2.62
Cherryoak Investments Pty Ltd <C & N Family A/C>	4,000,000	2.25
Armada Trading Pty Limited	3,652,194	2.05
Citicorp Nominees Pty Limited	2,667,517	1.50
Mr Patrick Martin Burroughs	2,000,000	1.12
Mr Donald Gordon Mackenzie + Mrs Gwenneth Edna Mackenzie	1,662,000	0.93
Richard Ewan Mews	1,470,581	0.83
Australian Executor Trustees Limited <No 1 Account>	1,217,872	0.68
Denald Nominees Pty Ltd <Rhayden Super Benefit 1 A/C>	1,200,000	0.67
Mr Stephen Norman Douglas Rowley	1,102,726	0.62
Houvan Pty Ltd	1,000,414	0.56
Appwam Pty Ltd	1,000,000	0.56
Depofo Pty Ltd <Super A/C>	1,000,000	0.56
Mr Philip Harold Lewis	1,000,000	0.56
Lornette Pty Ltd <Lornette Super Fund A/C>	1,000,000	0.56

SUBSTANTIAL HOLDERS

Shareholder	Number of shares	%
Oceania Capital Partners Limited	34,396,358	19.32%
Australian Style Group Pty Ltd	33,853,398	19.01%
Samuel Terry Asset Management Pty Ltd	9,206,711	5.17%

VOLUNTARY ESCROW

There are no shares subject to escrow arrangements.

MARKETABLE PARCELS

The number of security investors holding less than a marketable parcel of 3,704 securities ($.135 on 30 July 2013) is 486 and they hold 774,359 securities.

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.

CHANGED 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.

Notes

Corporate Directory

REGISTERED OFFICE

Level 26
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SHARE REGISTRY

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