Keybridge Capital Limited
ABN 16 088 267 190

2008 Annual General Meeting

10.00 am Thursday, 16 October 2008

Teale/Buchanan Room, Four Seasons Hotel Sydney
199 George Street, Sydney NSW 2000

Chairman's Address

Good Morning Ladies and Gentlemen, my name is Irene Lee.

As Chairman of Keybridge Capital Limited it is my pleasure to welcome you to the Annual General Meeting of the Company for 2008.

The Company Secretary has advised that we have complied with the relevant requirements for convening this meeting and that a quorum is present.

And as the time set for the Meeting has arrived I now declare the Meeting open.

Firstly I would like to introduce the other Members of the Board:

Mark Phillips – our Managing Director

And our three Independent Non-Executive Directors – Ian Ingram, Philip Lewis and Michael Perry.

I would also like to introduce Karen Penrose our CFO and Company Secretary and Andrew Dickinson, who is representing our Auditors – KPMG.

At this time, I would like to acknowledge Ian Ingram who has given notice that he will be retiring from the Board on 30th November 2008.

Ian joined the Board in early 2005 when the Company was named Mariner Wealth Management Limited and continued as a Director following the adoption of the Company's new business strategy in October 2006. Ian now lives in the UK.

My sincere appreciation goes to Ian for his dedicated service to the Board and his contribution to the development of the Company.

With Ian retiring, we acknowledge that the Board will not have a majority of non executive directors. Over time, it is our intention to appoint a new non-executive director who is independent and appropriately qualified. In the current environment, however, the Board is comfortable with the size of the board and for me to remain as an Executive Chairman adding support to the management team.

As the Notice of Meeting has been sent to all shareholders in accordance with the Company Constitution, I propose to take the Notice of Meeting and the accompanying Explanatory Memorandum as read.

Before moving to the formal business of the meeting, I would like to comment briefly on Keybridge's performance for the 12 months to June 2008 and then share with you the Board's views on Keybridge's approach in the current financial environment to delivering an optimal outcome for shareholders.

Once we have concluded the formal business of the meeting, there will be ample time for shareholders to raise questions for the Board or for our Managing Director. Thus I would ask you to hold your questions until then.

2008 Year in Review

Over the year to 30 June 2008, Keybridge's investments grew from $264 million to $418 million, diversified by asset class, counterparty, maturity and location.

For the year, the Company reported:

- net profit after tax of $20.8 million;
- dividends of 11.6 cents per share which were fully franked; and
- total investment income of $42 million, representing an average return on investments of almost 20% per annum.

Your Board was broadly satisfied with the 2008 profit result, given the headwinds that Keybridge faced during the financial year.

In making investments, Keybridge has targeted transactions that deliver a base level of return even in downside market conditions. The environment over the current financial year is expected to challenge these assumptions. Despite this, we believe that Keybridge has a well diversified investment portfolio which should continue to deliver returns to shareholders.

Our investments in our core industry sectors of property, aviation, shipping and infrastructure are supported by a range of positive features:

- The assets are of high quality.
- Their income profiles, in the main, are underpinned by charters, leases or electricity purchase agreements that run for medium to longer terms or, in the case of property, by levels of presales.
- For shipping, aviation and infrastructure, the senior debt in the transactions is fixed rate and amortising over medium to longer terms.
- In property, aviation and some shipping transactions, Keybridge's investment is mezzanine debt, with equity sitting below it.

In addition to investment in our core asset classes, we extended some corporate loans in our early growth period. These were structured to be supported by assets and/or cashflow and, in the majority, have been senior ranking. The performance of a corporate loan can be impacted by activities of the borrower outside of the areas we initially lent against. This is in contrast with our core asset classes where it is the performance of individual assets that determines the performance of our investment. We had previously decided to focus on our core asset classes and not originate new corporate loans and we remain committed to this course of action.

The corporate loan category presently comprises 6 investments with book values ranging in size from $3 million to $17 million, with an average size of $11 million. The investments are across a range of industries from small equipment IT leasing to consumer and food retailing and one loan in resources. The contracted maturities range from six months to three years.

At the end of September, we announced that the performance of our one corporate loan in the resources sector had deteriorated such that an impairment provision has now been recorded in our accounts. This is a senior, secured loan to a copper producing company. Keybridge management is working hard to minimize the impact on the Company's earnings.

We expect that around $20 million of total repayments due by June 2009 will be in corporate loans, reducing this category of our investments to less than $50 million.

Way Forward

Let us move now to the current market and the Board's initiatives to position Keybridge to deliver an optimal outcome for shareholders.

It is widely recognised that markets are experiencing unprecedented downturns and volatility. In these circumstances, we are conscious to make decisions concerning the future of the Company with an eye for the longer term rather than risk a shorter term knee jerk reaction.

We firmly believe there will be a continuing role, if not a greater one, for an investor such as Keybridge in the future. Our overall investment portfolio is diversified and producing an ongoing earnings stream. Our investments are generally of medium to longer term nature with an average life of around four years. We have four banking relationships and we maintain close dialogue with each. The banks have been very supportive of Keybridge. Our debt facility matures in June 2011 and we continue to comfortably meet the financial covenants that underpin that facility. It is also noteworthy that the banks increased the Company's corporate debt facility and extended its term during this year.

The state of the markets, for most assets and commodities, has deteriorated further over the past few weeks. We acknowledge that we are all today experiencing unchartered territory of a global financial and credit crisis which has affected all sectors of the market, but in particular, the financial services sector. This notwithstanding, the Board also acknowledges that the large gap between the Company's net asset value of $1.52 per share and the current share price is unsatisfactory.

The Board has taken advice and considered the means to minimise the gap between share price and net asset value, including capital management initiatives. The capital management options considered have included share buy backs, delisting, capital returns and winding up. Market experience, particularly in the current environment, demonstrates that there is no simple solution to this issue. Clearly, given our Company's current share price, a return of capital would be an optimal outcome for shareholders today. This option, however, is not practically available to Keybridge in the shorter term because of the maturity profile of our investments and the necessity to work within the terms of our corporate debt facility. We estimate that a full realisation of the Keybridge's portfolio could take in excess of five years.

We are conscious though of the need to review our model and capital management in light of the external conditions. Given this, the Board has decided to limit new investments and bring existing investments back to cash on their expected maturities or earlier as opportunities arise. As surplus cash is returned from investments, it will be used to pay down the Company's debt facilities. Over time, this will put the Company in a position to optimise the delivery of value to shareholders. The Board will also continue to examine opportunities for, and the effectiveness of, capital management initiatives in light of changing market conditions.

Given our intent to limit new origination the Board will also look to reduce operating costs, accordingly, over time.

To date, Keybridge has paid six monthly dividends equal to 100% of its net profit after tax. In the current market conditions, the Board should retain some flexibility with respect to the payout ratio. The Board does, though, intend to continue paying a significant percentage of profits as a dividend on a six monthly basis.

Our earnings in 2009 may be affected by continued uncertainty in global markets and the reduced origination of new investments. We estimate currently, though, in the absence of significant further deterioration in financial and economic conditions, that the Company's earnings per share in 2009 should remain within our previous guidance range of around 10 cents per share.

In conclusion, the Board is focussed on supporting management to deliver earnings performance and dividend distribution to shareholders. In the first instance, it is the Company's performance that will underpin share price recovery.

On behalf of the Board, I thank you for your attendance here today and for your continuing support of the Company. We will now move to the formal business of the meeting.