



**EVENT DATES FOR FINANCIAL YEAR 2010**

Annual General Meeting.....	Wednesday 4 November 2009
Financial year 2010 half year results announced.....	Thursday 4 February 2010
Financial year 2010 annual results announced.....	Thursday 5 August 2010
Annual general meeting.....	Thursday 30 September 2010

*The Company reserves the right to change these dates.*

This Annual Report (including the Financial Report) is for the Company up to 30 June 2009.

**THE REGISTERED OFFICE OF KEYBRIDGE CAPITAL LIMITED IS:**

Level 26, 259 George Street  
Sydney NSW 2000

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On behalf of our Directors, I present the Keybridge Capital Limited Annual Report for the 12 month period ended 30 June 2009.

The global financial downturn over the past 12 months, particularly in the asset markets in which the Company operates, coupled with considerable volatility in exchange rates, has impacted significantly on the financial health of Keybridge Capital. After recognising significant impairments across the investments portfolio toward the end of the financial year, the Company reported a net loss after tax of \$129 million. As a result, the Company now has shareholders' funds of \$122 million, equating to 71 cents per share.

Your Board continues to operate within the core principles of simplicity, transparency and accountability to all stakeholders. In keeping with these principles, your Company implemented a range of strategies to manage and navigate through the uncertain and difficult market conditions. These strategies included the decision not to make new investments, acceleration of return of investment capital, the inclusion of foreign currency borrowings and reductions in operating expenses. These strategies were implemented to better manage debt reduction which in turn should ultimately return value to shareholders.

Your Company recently gained the support of its lenders, to amend the terms of its corporate borrowings, which will allow Mark Phillips and his team to continue an orderly realisation of investments. This will assist the Company to optimise investment values and, in particular, will enable the Company's ships and aviation investments to be realised over the medium term as market conditions improve.

Earlier this year your Board proposed appointing two additional independent Non-Executive Directors. The Board is well progressed with the selection process and with the release of the 2009 financial statements, will now proceed initially with one of those appointments. Concurrently, I will become a Non-Executive Chairman and over time, an Independent Chairman, in accordance with best practice corporate governance. Additionally, over the next three months, your Board will review the composition of the Company's committees and its policies and charters to reflect the new Director appointments and the decision to progressively divest investments. This review is likely to result in changes to some of the corporate governance policies and charters of the Group, which will be announced once approved.

For the foreseeable future, the focus of your Board is on guiding the Company to realise investments in a timely manner in order to repay its corporate borrowings. Until this occurs, dividend payments are unlikely to resume. We will, throughout this period, continue to provide regular and transparent communication to stakeholders on the financial position of the Company.

Looking forward, whilst there is considerable uncertainty as to the timing of improvement in the asset classes of ships and aviation, these sectors, in the past, have tended to normalise over time and should provide potential for the higher future realisable values.

On behalf of your Board and management, I thank you for your support and interest in Keybridge Capital as we seek to position the Company to return capital to shareholders.



**Irene Lee**  
Chairman

## BACKGROUND

Keybridge Capital has a portfolio of investments which focus on the asset classes of property, aviation, shipping and infrastructure. It also has a small number of diversified lending transactions.

Some of Keybridge's investments are senior loans, ranking in priority ahead of other creditors and equity; some are equity, with Keybridge being the owner, or co-owner, of the relevant asset. The majority of the Company's investments, though, are either mezzanine loans, or preference equity, ranking ahead of equity, but behind senior debt.

In most transactions, Keybridge has invested in physical assets, be they property projects, aircraft, ships or renewable electricity facilities.

In many of its investments, Keybridge has worked with a local industry partner to structure the transaction, with that partner remaining involved to manage the transaction until its realisation.

## REVIEW OF RECENT HISTORY

The 2008 and 2009 financial years have been very testing for the Company. In 2008, the severe downturn in the US housing market caused us to write-off most of the amounts we had invested in US securitisation instruments. This was a poor outcome for the Company but one which we were in a position to overcome, with the remainder of our portfolio performing strongly, including some exceptional early returns from our shipping investments.

As 2009 unfolded, however, the knock-on effects from the US housing downturn affected adversely all the markets in which Keybridge had participated. This ultimately resulted in us incurring impairment provisions during the year of \$151 million, equal to about 30% of our assets. This was not only disappointing but it also put at risk the survival of the Company, as it gave rise to a breach of our banking covenants. We have now overcome this by agreeing new loan terms with our bankers.

The repayment obligations within these loan terms will still be challenging, given the continuing low level of liquidity and depressed trading conditions in Keybridge's markets.

The Company's Board and management, in the knowledge that the problems in global debt markets brought on by the US housing crisis were significant, had forecast that there would be challenging

conditions throughout 2008 and 2009. We did not, however, predict the magnitude of dislocation and retrenchment that actually occurred in asset markets.

In anticipation of difficult conditions, in the first half of calendar 2008, we negotiated an extension of the maturity of our corporate debt facility from December 2009 to June 2011. In August 2008, we ceased making new investment commitments and, in September 2008, we were to begin a program of extending the maturity of our foreign exchange hedges.

As is now clear, the failure of Lehman Brothers in September 2008 began a domino effect that was to have material implications for the health of Keybridge's business:

- Confidence within financial markets was eroded, ultimately contributing to a material tightening in the supply of credit to asset markets and to a substantial increase in the pricing of risk.
- There was a flight to quality, giving rise to an almost 30% fall in the value of the Australian Dollar against the US Dollar from its high to its low between September and November 2008. This occurred before Keybridge was able to extend the term of its foreign exchange hedges. As a result, rollovers of these hedges between October 2008 and January 2009 utilised almost \$50 million of the Company's available liquidity in order to rebalance the hedges to the new level of the Australian Dollar.
- There was an emergence of negative sentiment around the world. Coupled with the tightening in liquidity and the negative wealth effects from the fall in equity markets (with the Dow Jones Industrial Index falling 35% from its high to its low between September and November 2008), this led to a significant curtailment of world trade in the December quarter of 2008. The Baltic Dry Index, a measure of charter rates for ships that carry dry bulk cargoes, fell 85% between September and November 2008.
- These same factors also caused global aviation volumes (both passenger travel and freight), as well as sales activity and prices in real estate markets, to fall materially.

By the end of the 2009 financial year, these various impacts were still being felt across Keybridge's asset classes and this necessitated the material additional impairment provisions that were taken in the end-of-year accounts.

## PROFITABILITY

Keybridge's net profit after tax for the year to 30 June 2009 was a loss of \$129 million, with an operating profit of \$35 million being offset by impairment provisions of \$151 million. Of these provisions, \$126 million were new as at 30 June.

	2009 \$ million	2008 \$ million
Income	59.0	69.5
Borrowing Costs	(18.4)	(10.5)
Operating Costs	(5.4)	(8.2)
<b>Operating Profit</b>	35.2	50.8
Foreign Exchange Profit/Loss	(14.3)	6.4
Impairment Provisions	(151.6)	(33.9)
Income Tax	1.6	(2.5)
<b>Net Profit After Tax</b>	(129.1)	20.8

Operating profits were lower in 2009 than in 2008 due to:

- Some investments being treated in 2009 as non-income accruing due to their impairment;
- The 2008 result being boosted by approximately \$12 million of capital gains from ship sales; and
- There being greater borrowing costs in 2009 as a result of average borrowings being \$206 million, compared with \$123 million in 2008.

The treatment of some investments as non-income accruing lowered the average return on investments in the second half of 2009 to 9% per annum, compared with approximately 17% per annum in the first half of the year, and 19% per annum in 2008.

The average cost of borrowings in 2009 was relatively stable at just under 9% per annum.

The foreign exchange loss in 2009 reflects the fact that, in May 2009, Keybridge closed-out its remaining foreign exchange hedging contracts. Of the Company's total assets, approximately 79% are denominated in either US Dollars or Euro. Of these foreign currency assets, approximately 68% are hedged by corporate borrowings in the same currency. For the remaining, unhedged component of foreign currency assets, Keybridge's profitability is subject to variability from changes in the value of the Australian Dollar against the US Dollar and Euro. Since closing out the foreign exchange contracts, the

Australian Dollar has appreciated against those two currencies, leading to a loss in value of the unhedged foreign currency assets.

The Company has booked only a small tax credit in 2009, despite the large accounting loss, because of the uncertainty of being able to utilise the substantial tax benefits that would be available should the impairment provisions be crystallised as real losses in due course.

## BALANCE SHEET POSITION

As at 30 June 2009, following the additional impairment provisions, the Company's balance sheet could be simplified as follows:

	\$ million
Investments	324
Plus Net Other Assets, Including Cash	13
Less Borrowings	(215)
<b>Shareholders' Funds</b>	122

This level of shareholders' funds equated to net assets of \$0.71 per share.

The composition of our investments by asset class was as follows:

	\$ million	% of Total
Property	37	11%
Aviation	148	46%
Shipping	47	15%
Infrastructure	45	14%
Lending	47	14%
	324	100%

Looking at each asset class in turn:

### Property

Keybridge's property investments consist mainly of mezzanine loans secured by development projects in eastern Australia and the United States. These investments have become impaired due principally to the slowdown in sales activity and the fall in prices in residential markets in these locations. Keybridge has raised a collective provision against its property investments equal to 62% of original asset values.

### Aviation

The Company's aviation transactions predominantly involve preferred equity and mezzanine loan investments in passenger jet aircraft. The aviation industry has been impacted by reduced airline profitability and falls in the secondary market prices of aircraft. The airlines underpinning Keybridge's investments have, in the main, performed soundly. Only one aircraft within the portfolio has been repossessed due to the default of the lessee airline. Keybridge has raised provisions equal to 5% of the aggregate aviation portfolio.

### Shipping

Keybridge's shipping transactions are ordinary and preferred equity investments in vessels that carry wet or dry cargoes. Short-term charter rates and secondary market prices of vessels have fallen over the past 12 months. The shipping transactions in the Company's portfolio have senior debt facilities with loan-to-valuation covenants that have already been, or may in the future be, breached. Thus, the continuing support of the non-recourse senior lenders is important. A factor that provides confidence that this should occur is that all the charterparties in Keybridge's portfolio continue to meet their payment obligations on time. Reflecting the depressed conditions in shipping markets, the Company has raised provisions equal to 45% of the aggregate shipping portfolio.

### Infrastructure

The Company has five infrastructure investments: Two loans which should be repaid during 2010 and three equity investments in renewable electricity facilities in Europe. The secondary market prices for renewable investments have fallen due to a reduction in the number of buyers and an increase in the required return that is being sought. The Company intends to progress sales of its renewable investments and, as a result, has raised provisions against these transactions equal to 28% of the aggregate infrastructure portfolio.

### Lending

These investments consist of six senior and subordinated loans to entities in a variety of industries. Three of these loans are up-to-date with their interest payments. The other three transactions have stopped paying interest to Keybridge at the present time. The Company has initiated actions in two of these transactions to have the loans repaid. Provisions equal to 15% of total lending assets have been raised.

### WAY FORWARD

For the time being, we are not looking to make new investments. Our priority is to achieve realisations of investments to repay our debt facility. It is only after we have been able to reduce our outstanding borrowings significantly that we can contemplate resuming distributions to shareholders.

In the meantime, our strategies will revolve around:

- Keeping our operating costs as low as practicable;
- Bringing forward investment repayments wherever possible; and
- In those transactions where market liquidity and pricing do not permit a realisation in the short to medium term, pursuing strategies to preserve as much value for Keybridge as possible.

This last point is particularly relevant for the Company's aviation and shipping investments. In these asset classes, realisations are impractical in current market conditions due to the unavailability of reasonably priced senior debt and the generally subdued trading conditions.

Beyond these strategies, which address the current investment portfolio, there remains a challenge for the Company in how to respond to, and take advantage of, some of the opportunities that will be available in the market as a result of the changes brought on by the events of the past two years. To address this challenge, we are exploring a variety of options that can be implemented as the Company's debt repayment program gains momentum.



**Mark Phillips**  
Managing Director



## Board of Directors



### IRENE LEE

Appointed Executive Chairman of Keybridge Capital Limited in October 2006.

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

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



### MARK PHILLIPS

Appointed Managing Director of Keybridge Capital Limited in August 2006.

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

Prior to joining Keybridge Capital Limited, Mark had been Managing Director of Record Investments Limited for over four years where he played a key role in building the company's market capitalisation from under \$200 million to over \$1.5 billion. Prior to this, Mark was employed by Commonwealth Bank of Australia for 20 years in various roles, including Chief Dealer – Interest Rate Swaps, Head of Long End Trading, Head of Quantitative Analysis, Head of Equity Finance, Head of Property Finance and Head of Government Finance.

He has been a director of Interlink Roads Pty Limited (operator of the M5 Motorway in Sydney) and a director of ASB Bank Limited in New Zealand. Mark joined the Mariner Financial group in March 2006 and was appointed Managing Director of Keybridge Capital on the restructure of the group in October 2006.



### MICHAEL PERRY

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

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

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

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



# Property.....



As Shareholders will know through commentary in this Annual Report and Market Updates to the Australian Securities Exchange (ASX) during the past 12 months, the significant global financial downturn, particularly in the asset markets in which the Company operates, has impacted significantly on the financial health of Keybridge Capital. In May 2009 the Company announced that it may recognise impairments at a level that would breach the financial undertakings of its corporate borrowings. In August 2009 the Company's lenders agreed to amend the terms and conditions of the Company's corporate borrowings to facilitate an orderly realisation of its existing investments portfolio.

Earlier this year the Board proposed appointing two additional independent Non-Executive Directors post release of the Company's 2009 Annual Report. The Board will now proceed with those appointments and is well progressed in the selection process. Concurrently, and no later than the Company's 2009 Annual General Meeting, Irene Lee will become a Non-Executive Chairman. Additionally, over the next 3 months, the Board will review the composition of the Company's committees and its policies and charters to reflect the new Director appointments and the decision to progressively divest the Company's investments in order to repay corporate borrowings and ultimately to return capital to shareholders. This review is likely to result in changes to some of the corporate governance policies and charters of the Group, which would be announced once approved.

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 ASX. In formulating its policies, the Company has endeavoured, as far as practicable, to be consistent with the ASX Principles of Good Corporate Governance and Best Practice Recommendations (ASX Principles). Whilst review of the Company's governance framework is appropriate to reflect the Company's change in strategic direction, Keybridge Capital and its Board of Directors are committed to achieving and demonstrating the highest standards of accountability and transparency and see the continued development of a cohesive set of corporate governance policies and practices as fundamental to the success of the Company.

The following table sets out the relevant ASX Principles:

Principle number	Description	Discussion in Report
1	Lay solid foundations for management and oversight	page 9
2	Structure the Board to add value	pages 10 to 14
3	Promote ethical and responsible decision making	pages 15 to 16
4	Safeguard integrity in financial reporting	pages 17 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 24
8	Remunerate fairly and responsibly	page 24

Each of the Company's policies and charters referred to below are publicly available on the Company's website at [www.keybridge.com.au](http://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 Managing Director and senior executives;
- approving and monitoring the progress of major investments, capital expenditure, capital management, acquisitions and divestitures;
- approving and monitoring financial and other reporting, including the review and approval of the annual and half-yearly financial reports;
- reviewing and ratifying systems of risk management, internal compliance and control and legal compliance to ensure appropriate compliance frameworks and controls are in place; and
- monitoring and ensuring compliance with legal and regulatory requirements, ethical standards and policies and best practice corporate governance requirements.

#### The Board has delegated to management the responsibility for:

- developing, and upon approval, implementing 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 Managing Director is responsible for ensuring the responsibilities delegated by the Board are properly discharged by management and for keeping the Board informed on these matters.

Directors, senior executives and other employees receive induction training which includes an introduction to the Company's key governance policies. In addition, the Company conducts periodic training sessions to ensure that employees remain aware of their ongoing responsibilities based on the Company's policies and practices from time to time.

The Board has in place procedures to assess the performance of Senior Executives, including the Managing Director. For the Managing Director, this process involves the Remuneration Committee, as well as the Board, reviewing the performance of the Managing Director across a range of key areas including profitability, transaction origination, risk management, financial stability, stakeholder management and team leadership. The review is discussed with the Managing Director and a recommendation developed for Board approval covering base pay, incentive awards, equity awards and terms of engagement. For other Senior Executives, the Managing Director reviews each executive's performance across the same key areas, discusses the review with the executive and recommends any change in remuneration to the Remuneration Committee for approval. A performance review of Senior Executives was completed for the period to 30 June 2009 in accordance with this process. Further details regarding the performance review process and outcome for Senior Executives are contained in the Remuneration Report at pages 32-40.

## 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 three directors with an appropriate range of skills, experience and expertise to understand and deal competently with current and emerging business issues. The names of Keybridge Capital's Directors during the financial year, including their respective skills, experience, relevant expertise and term of office are set out on page 30-31.

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

The Board met 21 times during the year. Full details of Directors' attendance at Board and Committee meetings are set out in the Directors' Report on page 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);
- Remuneration Committee; and
- Nomination Committee.

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

Details regarding the Nomination Committee are as follows:

Members and composition	Role
Irene Lee (Chairman) Michael Perry Mark Phillips	<p>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.</p> <p>The Nomination Committee is responsible for:</p> <ul style="list-style-type: none"> <li>• annually reviewing the Board's role, the processes of the Board and Board Committees, the Board's performance and each Director's performance;</li> <li>• identifying, and recommending to the Board, nominees for membership of the Board (including the Managing Director) and re-election of incumbent Directors;</li> <li>• 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;</li> <li>• ensuring succession plans are in place to maintain an appropriate balance of skills on the Board and reviewing those plans; and</li> <li>• if appropriate, recommending the removal of Directors.</li> </ul> <p>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:</p> <ul style="list-style-type: none"> <li>• has the necessary skills, experience and knowledge to perform their duties and responsibilities as a Director;</li> <li>• is able to devote the time necessary to perform their duties and responsibilities;</li> <li>• is sufficiently independent; and</li> <li>• is able to work with the other members of the Board.</li> </ul> <p>The terms of engagement of new Non-Executive Directors are set out in a formal letter of appointment.</p>

The appointment of an Executive Director as Chairman of the Nomination Committee, which occurred in October 2006, does not comply with Recommendation 2.4 of the ASX Principles which state that the Nomination Committee "should be chaired by an independent director".

Prior to the Company's 2009 Annual General Meeting Irene Lee will become a Non-Executive Chairman. The Board acknowledges that at the time of her Non-Executive appointment to the Chair, she may not be viewed as independent. However, the Board remains of the view that it is in the best interests of the Company that Irene Lee be Chairman of the Nomination Committee given her skills, expertise and reputation, the small size of the Company's Board and the principal role of the Committee in ensuring that the Board, which she chairs, has an appropriate and effective membership. If actual or perceived matters of conflict arise or are likely to arise, any Committee Member may request that Michael Perry, an Independent Non-Executive Director, assumes the role of Chair.

### Board Performance Review

A performance review of the Board, individual Directors and the Board Committees was not completed during the 2009 financial year in view of the small Board size and the need to focus on critical business issues. The last review was completed in May 2008. It is envisaged that the next review of the Board, individual Directors and the Board Committees will be completed in the second half of the 2010 financial year when newly appointed Independent Non-Executive Directors have settled into their Board roles.

### Director Independence

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

- Being free from any business or other relationship which could, or could reasonably be perceived to, interfere materially with the Directors ability to act in the best interests of the Company. Such interference could arise as a result of a Director having been, within the last three years, directly or indirectly:
  - a material supplier or customer of the Company;
  - a principal of a material professional adviser or material consultant to the Company;
  - 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 (Cth)* definition which generally sets 'substantial' as a holding of 5% or more of a company's voting shares.

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

As at the date of this Report, it is the Board's view that its Non-Executive Director is independent in his role of overseeing the general operations of the Company. Due to the changes in Board composition during the year, the Board currently does not comply with Recommendation 2.1 of the ASX Principles which state that "a majority of the Board should be independent directors." However, the Board is well progressed with the selection of new Independent Non-Executive Directors whose appointments will result in the Company being compliant again with Recommendation 2.1 of the ASX Principles.



# Aviation



### Chairman

The Chairman is selected by the Board and since October 2006 has been an Executive Chairman.

The Chairman's role includes:

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

The executive responsibilities of the Chairman have included originating, developing and monitoring strategic partnerships and taking a leadership role in developing specific transactions for investment by the Company. Given the change in strategic direction of the Group during the 2009 financial year, these responsibilities no longer include origination or development. Instead the focus is on maintenance and guidance of strategic partnerships and transactions to support the orderly realisation of investments.

The appointment of an Executive Chairman does not comply with Recommendation 2.2 of the ASX Principles which state that 'the chairperson should be an independent director'. Prior to the Company's 2009 Annual General Meeting, the Chairman will become Non-Executive. However, she may not be viewed as independent at that time and as a result the Company will continue not to comply with Recommendation 2.2 of the ASX Principles. The Board believes that its non-compliance with this recommendation is in the best interests of the Company given Irene Lee's skills, expertise, reputation and business relationships with transaction partners. In addition the Board has been structured to ensure it can exercise independent judgement in relation to business dealings through:

- adopting and implementing processes to manage any conflicts of interest that may arise through the Code of Corporate Conduct and Board Charter; and
- until 30 November 2008, ensuring the majority of Directors were Independent Non-Executive Directors.

From 30 November 2008, as a result of Director resignations, the Company did not have a majority of Independent Non-Executive Directors. The appointment of new Independent Non-Executive Directors is well progressed and will proceed now that the Company's 2009 Annual Report has been released.

In addition, it is the Company's practice to allow for the appointment of a "lead independent director" to monitor and report to them on issues falling within the normal purview of a non-executive chairman. The lead Independent Director will chair any Board meeting or parts of Board meetings where the Executive Chairman is absent or where she has absented herself due to a conflict of interest. During the 12 month period to 30 June 2009, there was no occasion when a lead independent director was sought.

### Indemnity, access to information and independent professional advice

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

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

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

Information in relation to indemnity and insurance arrangements for Directors and Officers of the Company is contained in the Directors' Report 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

### Code of Conduct

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

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

Elements of the Corporate Code of Conduct are expected to be amended following the Board's review of policies and charters to ensure they reflect the Company's strategic direction not to make new investments and to manage existing investments and realise these over the medium term. Any changes will be announced to shareholders once approved.

Key issues addressed in the Corporate Code of Conduct include:

Corporate mission	<p>The Company's 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:</p> <ul style="list-style-type: none"> <li>• protecting the value of investments;</li> <li>• managing risk;</li> <li>• maintaining strong relationships with key stakeholders;</li> <li>• ensuring ongoing financial stability; and</li> <li>• attracting and retaining a high quality team.</li> </ul>
Responsibility to shareholders and investors	<p>The Company seeks to:</p> <ul style="list-style-type: none"> <li>• return capital to shareholders after repaying existing corporate borrowings;</li> <li>• serve and protect the long term interests of its shareholders and investors;</li> <li>• communicate openly, honestly and on a timely basis with its shareholders and the financial markets generally; and</li> <li>• ensure that financial disclosure to shareholders and other investors is based on best practice and complies with all relevant laws, regulations and rules.</li> </ul>
Honesty and fairness	<p>The Company will act honestly and fairly in all of its dealings. This includes:</p> <ul style="list-style-type: none"> <li>• honouring contractual commitments;</li> <li>• avoiding profiting from situations in which it has a conflict of interest; and</li> <li>• where conflicts of interest arise, the Company using its best endeavours to ensure disclosure to all relevant parties; and</li> <li>• the Company and its employees not offering or accepting bribes or secret commissions.</li> </ul>

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: <ul style="list-style-type: none"> <li>• employment practices are consistent with market practice and all relevant employment laws, regulations and rules; and</li> <li>• privacy of employees is respected and any confidential or privileged employee information in its possession is not misused.</li> </ul>
Compliance	It is expected that Senior Executives and other employees will report promptly, and in good faith, any actual or suspected violation of the standards, requirements or expectations set out in the Corporate Code of Conduct and encourage others to do the same. The Code requires that all reports of any violation or unethical behaviour must be investigated thoroughly, the rules of natural justice are observed and appropriate disciplinary action is taken if an allegation is substantiated.

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

### Trading in Company Securities

The purchase and sale of Keybridge Capital securities by Directors, Senior Executives and employees is only permitted during the one month period following the release of the half-yearly and annual financial results to the market 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 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 Managing Director or, in the case of the Chairman, the Chair of the AFRC.

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

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

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

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

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

## 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
<p>Michael Perry (Chairman) Ian Ingram <i>(until his resignation on 30 November 2008)</i></p> <p>Philip Lewis <i>(until his resignation on 25 May 2009)</i></p>	<p>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.</p> <p>The Committee is required to consist of:</p> <ul style="list-style-type: none"> <li>• members who have appropriate financial expertise; and</li> <li>• members who have a working knowledge of the financial services industry in which the Company operates.</li> </ul> <p>The Chairman of the Board is precluded from being the chairman of the AFRC. Specifically, the role of the AFRC includes:</p> <ul style="list-style-type: none"> <li>• maintaining and improving the quality, credibility and objectivity of the financial reporting process;</li> <li>• assessing the appropriateness and application of the Company's accounting policies and principles so that they accord with the applicable financial reporting framework;</li> <li>• monitoring the Company's financial management, including management of the Company's funding, hedging, liquidity and insurance coverage;</li> <li>• reviewing the framework for management of the Company's transactional risks, including concentration exposures and the manner in which transaction-based decisions are made;</li> <li>• providing a forum for communication between the Board, external auditor and senior executives;</li> <li>• ensuring effective communication between the Board and the external auditors;</li> <li>• reviewing the independence and performance of the external auditor and providing them with confidential access to the Non-Executive members of the Board and to attend AFRC meetings; and</li> <li>• recommending to the Board the appointment, removal and remuneration of the external auditor, and reviewing the terms of its engagement, and the scope and quality of the audit.</li> </ul>

# Shipping





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.

Following the resignation of Independent Non-Executive Directors during the 2009 financial year, the Company did not comply with the composition requirements of the AFRC (which reflects ASX Principle 4.2). It is anticipated that the additional Independent Non-Executive Directors, expected to be appointed to the Board, will also become members of the AFRC, at which time Keybridge Capital will comply with the composition requirements of the AFRC and ASX Principle 4.2.

Further information on the qualifications of the Chairman of the AFRC is set out 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 Managing Director and Chief Financial Officer provide formal statements to the Board confirming that Keybridge Capital's financial reports present a true and fair view, in all material aspects, of the Company's financial position and performance and have been prepared in accordance with all relevant accounting standards (see page 22 of this Corporate Governance Statement for details of the sign-off provided for the financial year ended 30 June 2009).

#### **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 top tier audit firms to submit proposals for the provision of statutory audit, taxation and GST services to the Company. The AFRC will assess proposals on the basis of the firms' understanding of the Company's business and its needs, their capacity for proactive and positive contribution to the efficiency and effectiveness of Keybridge Capital's business operations and the demonstrated knowledge and teamwork of the audit team.

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

An analysis of fees paid to the external auditor, including a breakdown of fees for non-audit services, is provided in Note 32 to the financial statements. It is the policy of the external auditor to provide to the AFRC an annual declaration of its independence. The external auditor will also attend the Annual General Meeting and will be available to answer shareholder questions about the conduct of the audit and the preparation and content of the Auditor's Report.

## PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE

### Relevant policies and charters

- Communications and Continuous Disclosure Policy

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

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

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

## PRINCIPLE 6 – RESPECT THE RIGHTS OF SHAREHOLDERS

### Relevant policies 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 companies' announcements platform;
- reporting through a quarterly market update, half yearly financial reports 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 investments and realise those investments over the medium term. As previously stated, the financial environment over the past 12 months has been challenging for the Company and resulted in continuous and extensive review and monitoring by Keybridge Capital's management and reporting to its AFRC and Board.

During the course of the 2009 financial year the Board changed its policy on foreign exchange hedging and noted that aspects of its Financial Risk Management Policy, such as a minimum liquidity buffer, and its Transaction Risk Management Policy, such as portfolio concentration guidelines, were anticipated to be breached as a result of the Company's financial position and its strategic direction. As mentioned earlier in this Annual Report, over the next 3 months, the Board will review the composition of the Company's committees and its policies and charters to reflect the new Director appointments and the decision to progressively divest the Company's investments in order to repay corporate borrowings and ultimately to return capital to shareholders. This review is likely to result in changes to some of the corporate governance policies and charters of the Group, notably the Transaction Risk Management Policy, which would be announced once approved.

### 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. During the course of the 2009 financial year, changes were made to the Financial Risk Management Policy and potential breaches of policy outlined in the Financial Risk Management Policy and the Transactional Risk Management Policy, as a result of the weaker financial position of the Company, were noted by the Board and AFRC.

#### Audit, Finance and Risk Committee (AFRC)

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

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

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

### Management reporting on risk

Management reporting on risk operates on a number of levels.

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

All reports to the Board on strategic, operational and investment issues include an assessment by management of the material risks, to ensure that the Board is in a position to make fully-informed business judgements.

In addition, the Board receives regular reports from management on the quality of the Company's investment portfolio. Management also provides the Board with assessments of the Company's strategic transaction partners, as well as dedicated risk management updates addressing the material business risks facing the Company and the extent to which these are being managed effectively. Management reported to the Board on this basis throughout the financial year ended 30 June 2009.

The Board also receives written certifications from the Managing Director and the Chief Financial Officer which specifically addresses the Company's financial reporting processes. For the 2009 financial year, the Managing Director and Chief Financial Officer certified that:

"The declaration provided in accordance with section 295A of the Corporations Act in respect of the Consolidated Financial Report for the year ended 30 June 2009 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."

### Examples of business risks

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

Type of risk	Method of management
Strategic Risk	<p>Strategic risk is managed through:</p> <ul style="list-style-type: none"> <li>• the Board retaining final approval for all strategic investments, new business activities and most transactional exposures;</li> <li>• 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;</li> <li>• Management ensuring open and productive relationships with stakeholders, including transaction originators; and</li> <li>• 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.</li> </ul>
Credit Risk	<p>The Company is not pursuing new investments. Investments previously undertaken and currently being managed were undertaken via a structured and disciplined approach to assessing and monitoring credit risk. This investment framework is outlined in detail in the Company's transactional risk management policy and includes guidelines for:</p> <ul style="list-style-type: none"> <li>• Investment timeframe;</li> <li>• Portfolio concentration (by asset class, counterparty, industry sector and location);</li> <li>• Approval authorities;</li> <li>• Risk identification, analysis and evaluation;</li> <li>• Due diligence; and</li> <li>• Transaction monitoring and review.</li> </ul> <p>The Board has primary approval discretion over each investment made by the Company and receives regular reports on the quality of the Company's investment portfolio and also receives assessments of the Company's strategic transaction partners.</p>

# Infrastructure



Market Risk	The Company changed its policy in relation to foreign currency exposure during the 2009 financial year and no longer hedges against currency risk. The Company does continue to hedge, where practicable, all material interest rate risk and Management maintains a clearly defined process for approving, recording and documenting all hedging transactions.
Liquidity Risk	<ul style="list-style-type: none"> <li>• Cashflow forecasts, including anticipated asset sales are maintained for a minimum forecast period of 12 months and reported to the AFRC.</li> <li>• The Company seeks to maintain liquidity of around \$2 million to cover unexpected contingencies. The Company is not expected to have undrawn available credit lines.</li> </ul>
Financial Reporting	<ul style="list-style-type: none"> <li>• A 12 month budget and three year financial outlook are approved annually by the Board; and</li> <li>• Actual financial results are collated monthly, compared to the approved budget and report regularly to the Board.</li> </ul>

Further details of the Company's risk management framework are set out in note 26 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 Remuneration Charter will be reviewed by the Board as part of its broader governance review in order for the charter to reflect 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.

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

Members and composition	Role
Michael Perry (Chairman) <i>(from 25 May 2009)</i> Philip Lewis (Chairman) <i>(until his resignation on 25 May 2009)</i> Ian Ingram <i>(until his resignation on 30 November 2008)</i>	The primary objective of the Remuneration Committee is to advise the Board on remuneration policies and practices of the Company including the: <ul style="list-style-type: none"> <li>• remuneration packages and other terms of employment for Senior Executives; and</li> <li>• remuneration and retirement policies for Non-Executive Directors.</li> </ul>

Following the resignation of Independent Non-Executive Directors during the 2009 financial year, the Company did not comply with the composition requirements of the Remuneration Committee Charter (which reflects ASX Principle 8.1). It is anticipated that the additional Independent Non-Executive Directors, expected to be appointed to the Board will also become members of the Remuneration Committee, at which time Keybridge Capital will again comply with the composition requirements for the Remuneration Committee and ASX Principle 8.1.

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 40 of this Annual Report and note 27 to the financial statements on pages 91 to 96 of this Annual Report.



# Financial Statements



Your Directors present their report together with the Financial Statements on the Group consisting of Keybridge Capital Limited (the Company) and controlled entities for the year ended 30 June 2009 and the independent auditor's report thereon.

## DIRECTORS

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

### Executive Directors

Irene Lee (Chairman)  
Mark Phillips (Managing Director)

### Non-Executive Directors

Michael Perry  
Ian Ingram was a Director from the beginning of the financial year until his resignation on 30 November 2008.  
Philip Lewis was a Director from the beginning of the financial year until his resignation on 25 May 2009.

## PRINCIPAL ACTIVITIES

Keybridge Capital Limited has invested in, or lent to, transactions which are principally in the asset classes of property, aviation, shipping and renewable energy. Since October 2008, the Company has elected not to make new investments.

## DIVIDENDS – KEYBRIDGE CAPITAL LIMITED

Dividends paid to shareholders since the end of the previous financial year were as follows:

Paid during the year 2009	Cents per share	Total amount \$'000	Franked/unfranked	Date of payment
Final ordinary dividend for the year ended 30 June 2008	7.6 cents	13,185	Franked	25 Sept 2008

Franked dividends declared as paid during the year were franked at the rate of 30 per cent.

For the six months to 31 December 2008, the Directors determined, given prevailing market conditions and the low level of profitability in that period, to declare no interim dividend.

As well, no final dividend was declared due to the loss incurred in the six months to 30 June 2009.

The Company does not expect to declare dividends in future periods until such time as its corporate debt is repaid.

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

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Notwithstanding the steps taken by Keybridge Capital in the previous financial year to counter anticipated difficulties in both capital and the economic environment, the extent of the deterioration in conditions during the 2009 financial year in the asset markets in which the Company operates, has impacted significantly on the financial health of the business.

In October 2008, the Company announced that it would not be making new investments and would manage the existing investments portfolio with a view to realising those investments as quickly as practicable in order to repay corporate borrowings and ultimately to return capital to shareholders. The Directors noted that, in order to optimise value in prevailing market conditions, the realisation of investments will occur over the medium term as markets stabilise and, in the case of industries such as aviation and shipping, as markets improve from cyclical lows.

Concurrent with the global economic downturn, the Australian dollar fell in value significantly in October 2008 and continued to be volatile in the months following. This impacted the Company's available liquidity through the utilisation of approximately \$77 million of funding to rebalance forward foreign exchange hedging contracts. In March 2009, the Company amended the denomination of its corporate borrowings to include US dollar and Euro loans. This was designed to reduce the Company's reliance on forward foreign exchange hedges. The Company subsequently unwound all its remaining forward foreign exchange contracts in May 2009. Whilst this removed the cashflow impact of foreign currency movements, it has left the Company's profit and loss exposed to the translation impact of reporting in Australian dollars for around 30% of its foreign currency denominated investments.

In the 2009 Financial Statements, the Group has recognised significant impairments across its investment portfolio. Details of the impairments and other matters relevant to the state of affairs of the Group are set out in the Review of Operations and Results and Notes 3, 5, 20 and 26 of the Financial Statements.

Prior to the end of the financial year, the Group's lenders waived potential breaches of the Group's financial covenants under its corporate borrowing arrangements pending receipt of an investigating accountant's report.

Subsequent to the end of the financial year, the Group's lenders amended the terms of the Group's corporate borrowings to facilitate the Group continuing an orderly realisation of investments and repayment of debt.

The Directors acknowledge that the repayment milestones will be challenging given the current uncertain and difficult market conditions, especially should there be a further and significant downturn in the market segments in which the Group operates. However, having had regard to, amongst other things, cashflow forecasts over the term of the Group's corporate borrowings, the Directors have formed a view there is a reasonable expectation that the anticipated realisation of investments, based on information available to the Company, would occur in a timeframe sufficient to meet the amended repayment profile in the Group's corporate borrowings.

The Directors acknowledge that the final repayment due on 2 June 2011 is likely to be achieved by extension or refinancing at that time.

As confirmed in the Directors Declaration on page 98 in this Annual Report, the Directors have reached the conclusion that based on all relevant facts, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable and is a going concern.

Other than these matters, there were no other significant changes in the state of affairs of the Company during the financial year.

## REVIEW OF OPERATIONS AND RESULTS

For the purposes of this review, results for the Group are compared to the prior comparable period.

The Group's net loss after tax attributable to ordinary equity holders for the year to 30 June 2009 was \$129.1 million, a decrease of \$149.9 million on the prior corresponding period. Basic and diluted loss was 75.05 cents per share.

A summary of the consolidated revenues and results of the Company for the year ended 30 June 2009 is set out on the following page:

	2009 \$ millions	2008 \$ millions
Investment & Interest Income <sup>1</sup>	42.1	73.1
Net Gain on embedded upsides	2.5	2.8
Impairment provision	(151.5)	(33.9)
<b>Total Income/(Loss)</b>	<b>(106.9)</b>	<b>42.0</b>
Operating Expenses	(5.4)	(8.3)
Earnings before Interest and Tax (EBIT)	(112.3)	33.7
Borrowing Costs	(18.4)	(10.5)
<b>Profit/(Loss) before Tax</b>	<b>(130.7)</b>	<b>23.2</b>
Income Tax (Expense)/Credit	1.6	(2.4)
<b>Net Profit/(Loss) After Tax (h)</b>	<b>(129.1)</b>	<b>20.8</b>

<sup>1</sup> Includes equity accounted profit/(loss), fee income and net FX translation movement.

Investment and interest income for the year ended 30 June 2009 decreased by \$31.0 million over the prior corresponding period to \$42.1 million. The reduction was due primarily to:

- The absence of gains on sale of assets (\$12.2 million); and
- The net non-cash loss incurred due to translating foreign currency exposures back to Australian dollars at balance date (\$20.7 million movement year on year).

During the 2009 financial year, impairment provisions of \$151.5 million were recognised resulting in a loss before expenses and tax of \$106.9m. Details on impairments are provided in the Investments section below.

Operating expenses (excluding financing costs) decreased by \$2.9 million to \$5.4 million compared with the previous corresponding period, mainly due to lower staff costs. Financing costs totalled \$18.4 million, compared with \$10.5 million for the prior corresponding period, reflecting the increased use of the corporate debt facilities, as well as a higher borrowing margin and restructuring fees.

By year end, the Group no longer held derivative financial instruments to hedge its foreign currency exposures. As at 30 June 2009, the Group had a natural hedge through its US Dollar and Euro denominated debt for 71% of its US dollar denominated investments and 51% of its Euro denominated investments. For the unhedged balance of the US dollar and Euro denominated investments, the Group is exposed to movements in the value of the US Dollar and the Euro currency against the Australian dollar. For the 12 months to June 2009, the net impact of that exposure was a loss of \$14.3 million (2008: \$6.4 million gain).

## Investments

Over the year to 30 June 2009 Keybridge Capital's investments portfolio fell from \$418 million to \$324 million. This was a reduction of \$94 million, and was comprised as follows:

	\$ millions
Investments portfolio at 30 June 2008	418
New investments	35
Investment repayments	(41)
Accrued investment income	37
Change in value of embedded derivatives	2
Additional investment due to rollover of hedges for foreign currency transactions, net of non-cash translation losses	24
Impairment provisions	(151)
<b>Investments Portfolio at 30 June 2009</b>	<b>324</b>

Looking at the investments portfolio by asset class, the movement over the year to 30 June 2009 was as follows:

	2008 \$ millions	2009 \$ millions	2009 % of Total
Property	98	37	11%
Aviation	118	148	46%
Shipping	73	47	15%
Infrastructure	54	45	14%
Natural Resources	22	5	1%
Lending	53	42	13%
	418	324	100%

In Property, the Company made one new investment during the year, which was repaid in full before year-end. The majority of Property investments involve mezzanine loans supported by commercial and residential projects, mostly located on the Australian eastern seaboard, with two projects in the United States, in Chicago and Manhattan. A collective impairment representing 62% of the gross Property investments was recognised during the year, reducing the overall value of Property investments to \$37 million. This impairment provision reflected the slow-down in sales activity and the consequent reduction in property prices across the relevant markets.

In Aviation, the Company has five separate investments, involving mezzanine loans secured by in excess of 55 individual aircraft. These aircraft are spread across the narrow body, wide body and turbo prop segments of the aviation market. Impairment provisions totalling \$8.2 million were recognised against three investments, one where the lessee has defaulted on lease payments and recovery action is under way and the other two where independent valuations of aircraft have declined, impacting the carrying value of the Company's investments.

In Shipping, one new investment was made during the year. In total, the Company has five separate shipping investments, supported by 23 vessels in the wet and dry bulk cargo sectors. Impairment provisions have been recognised against two investments. In one, the Group has invested in a ship-owning company that has breached the value maintenance covenants contained in its senior debt facility; in the other, the impairment reflects a loss in value due to anticipated lower charter rates post maturity of the underlying charter in October 2011.

In Infrastructure, the Company has five investments. One investment is a loan to an Australian pipeline company, due to be repaid in full by 31 December 2009. Another investment is a loan to a water business in the United States, which should be repaid during 2010. The other investments are a wind farm and two solar facilities in Europe. The Company has recognised impairments against the wind and solar investments. Impairments against two investments reflect recent indicative offers for their sale. The other impairment is due to the forecast reduction in future cashflows due to production delays.

In Natural Resources, the Company has one remaining investment, being a loan to a copper company. The carrying value of this investment has been written down significantly. The borrower's assets are being sold progressively with sales to date being in line with Keybridge's written down values.

In Lending, the Company has six investments. These investments are senior and subordinated loans and one preferred equity investment across a range of industries. Two investments have been impaired with one being a senior loan secured against a retailing business in China supported by personal guarantees of the principals. Recovery action is proceeding through legal processes. The other impaired investment is a preferred equity investment in a fund with controlling interests in five unlisted US companies, with the impairments reflecting the lower value of the underlying businesses.

## ENVIRONMENTAL REGULATION

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

## INFORMATION ON DIRECTORS

### IRENE LEE

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

#### *Experience and Expertise*

Irene Lee has an extensive background in the finance industry. Over the past 20 years she has held senior positions in investment banking and funds management in the UK, the US and Australia. Previously, Irene was an executive director of Citicorp Investment Bank, Head of Corporate Finance at Commonwealth Bank of Australia and CEO of Sealcorp Holdings Limited.

#### *Other Current Directorships*

QBE Insurance Group Limited  
ING Bank (Australia) Limited  
The Myer Family Company Pty Limited

#### *Former Directorships in Last Three Years*

Mariner Financial Limited  
Ten Network Holdings Limited

#### *Special Responsibilities*

Chairman of Keybridge Capital Limited since 26 October 2006  
Chairman of the Nomination Committee

#### *Interests in Shares and Options*

1,675,414 Direct  
1,075,000 Indirect

### MARK PHILLIPS

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

#### *Experience and Expertise*

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

#### *Other Current Directorships*

Nil

#### *Former Directorships in Last Three Years*

Mariner Financial Limited

***Special Responsibilities***

Managing Director of Keybridge Capital Limited since 29 August 2006

Member of the Nomination Committee

***Interests in Shares and Options***

3,038,000 Direct

415,149 Indirect

**MICHAEL PERRY**

BComm, University of New South Wales

***Experience and Expertise***

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

***Other Current Directorships***

Irrigation Development Board (Tasmanian Government statutory authority)

***Former Directorships in Last Three Years***

Development Australia Fund

***Special Responsibilities***

Chairman Audit, Finance and Risk Committee

Member of the Nomination Committee

Member of the Remuneration Committee

***Interests in Shares and Options***

200,000 Direct

535,715 Indirect

**COMPANY SECRETARY**

The Company Secretary is Karen Penrose, who was appointed to the position on 10 November 2006. Karen is also the Group's Chief Financial Officer and holds a BComm from University of New South Wales. Before joining Keybridge Capital Limited in 2006, Karen worked with Commonwealth Bank of Australia for 10 years and, prior to this, she worked with Leighton Holdings Limited and HSBC.

**INDEMNITIES AND INSURANCE**

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



## MEETINGS OF DIRECTORS

In addition to scheduled meetings of the Board, the Company has an Audit, Finance and Risk Committee, Remuneration Committee and Nomination Committee. The number of meetings of the Board of Directors and of each Committee held during the year ended 30 June 2009, and the number of meetings attended by each Director were:

	Number of Meetings Attended	Number of Meetings Held During the Time the Directors Held Office During the Financial Year
<b>Board</b>		
Irene Lee – Chairman	21	21
Mark Phillips	21	21
Ian Ingram	9	9
Philip Lewis	19	19
Michael Perry	21	21
<b>Audit, Finance and Risk Committee</b>		
Michael Perry – Chairman	4	4
Ian Ingram	2	2
Philip Lewis	4	4
<b>Remuneration Committee</b>		
Philip Lewis – Chairman <sup>†</sup>	2	2
Ian Ingram	1	1
Michael Perry – Chairman <sup>††</sup>	2	2
<b>Nomination Committee</b>		
Irene Lee – Chairman	0	0
Mark Phillips	0	0
Ian Ingram	0	0
Philip Lewis	0	0
Michael Perry	0	0

<sup>†</sup> to 25 May 2009

<sup>††</sup> from 25 May 2009

## REMUNERATION REPORT

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. Share Trading Policy – Hedging of Company Securities
5. Details of Directors' and Senior Executives' remuneration

This Remuneration Report has been prepared for the Company and the Group for the year ended 30 June 2009 in accordance with section 300A of the Corporations Act, associated regulations and Australian Accounting Standard AASB 124 Related Party Disclosures. The Remuneration Report has been audited by the Company's Auditor as required by section 308(3C) of the Corporations Act. The Remuneration Report forms part of the Directors' Report.

## 1. Organisational Context

### 1.1 Business Performance

A summary of Keybridge Capital'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 Managing Director's Report and Review of Operations in the Director's Report.

	2009	2008	2007
(Loss)/Profit before net financing expense/impairment, depreciation and amortisation and income tax (A\$000's)	39.2	67.5	17.7
(Loss)/Profit after impairment expenses before net financing expense/income and income tax (A\$000's)	(112.3)	33.7	7.2
(Loss)/Profit for the year attributable to members of Keybridge Capital Limited (A\$000's)	(129.1)	20.8	4.1
Share price at year end (A\$)	0.088	0.68	2.35
Basic (loss)/earnings per share (cents)	(75.05)	12.2	5.5
Dividends declared per share (cents)	nil	11.6	2.3

### 1.2 Remuneration at Keybridge Capital

Keybridge Capital adopted a new strategy and established a new Board and management in October 2006. At that time, the Company 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 retention scheme.

As a result of the Company's financial performance during the 12 months to 30 June 2009, the Board has supported management's decision for no salary increases from 1 July 2009 and no short term incentives.

Given the difficult financial conditions currently being experienced by the Company, it is appropriate that a new remuneration structure be implemented. This structure will need to balance the ability of the Company to pay, with the important task of retaining and motivating key executives.

## 2. Summary of Directors and Senior Executives

Specific remuneration disclosures for the following personnel are included in this report:

- Directors.
- Senior Executives.

Throughout this Remuneration Report we use the term "Senior Executive" to refer to the three executives with authority and responsibility for planning, controlling and directing the affairs of Keybridge Capital, who are also the most highly remunerated executives in the Group.

## 2.1 Directors

As at 30 June 2009 the Directors of the Company were:

Irene Lee, Executive Chairman of the Board

Michael Perry, Non-Executive Director

Mark Phillips, Managing Director

In addition, Ian Ingram was a Non-Executive Director from 1 July 2008 to 30 November 2008 and Philip Lewis was a Non-Executive Director from 1 July 2008 to 25 May 2009.

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

## 2.2 Senior Executives

In addition to the Managing Director, the following persons are Senior Executives of the Group:

- Chief Investment Officer, Ian Pike.
- Chief Financial Officer and Company Secretary, Karen Penrose.

## 3. Principles of Keybridge Capital's approach to remuneration

### 3.1 Overview of strategy and remuneration policy

In the current business environment, Keybridge Capital's approach to remuneration is underpinned by an understanding that the Company must be responsive to market practice, its financial outlook and the asset markets in which the Company operates.

The remuneration policy is structured around annually-reviewed fixed fees for the Chairman and Non-Executive Directors and fixed and performance-based elements for Senior Executives, including the Managing Director. Both Directors and Senior Executives have also received equity-based retention awards, although no new grants to Directors and Senior Executives have been made since 2006.

The Annual Report for the year ended 20 June 2008 referred to the Company's intention to introduce an additional component of at-risk remuneration, to be delivered in the form of equity. However, this proposal has not been progressed in view of the Company's performance and pending clarification in relation to the laws regarding share-based schemes.

	Executive Chairman and Non-Executive Directors	Senior Executives, including the Managing Director
<b>Fixed remuneration</b>		
Fees	Yes	No
Salary	No	Yes
Superannuation	Yes <sup>(a)</sup>	Yes
Other Benefits	Yes <sup>(b)</sup>	Yes <sup>(b)</sup>
<b>Performance-based remuneration</b>		
Short-term	No	Yes
Long-term	No	No <sup>(d)</sup>
<b>Equity-based retention awards</b>		
	Yes <sup>(c)</sup>	Yes <sup>(c)</sup>
<b>Termination benefits</b>		
Termination payments to former executives	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 costs associated with services related to employment (inclusive of applicable fringe benefits tax).

(c) The Directors and Senior Executives received equity-based retention grants under the Director and Executive Share Scheme in connection with the Company's change of strategy in October 2006. These shares were acquired on the terms outlined on pages 36 to 37 in this Annual Report and are subject to serviced-based vesting restrictions.

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***

For the twelve months to June 2009, the annual fee payable to the Chairman was \$120,000 (plus statutory superannuation) and to each Non-Executive Director was \$60,000 (plus statutory superannuation). These fees are unchanged since October 2006. There are no additional fees payable to Directors 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 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 2009 financial year was \$307,929.

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 Company, in accordance with the Company's Constitution.

Consistent with best practice, the Chairman and Non-Executive Directors do not receive retirement allowances, bonuses or other performance-based incentive payments.

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

#### ***Equity-based retention awards***

The Chairman and Non-Executive Directors were issued shares under the Director and Employee Share Scheme on terms approved by shareholders at the Annual General Meeting on 26 October 2006. The shares were issued at a share price of \$1.25. This is materially above the Company's current share price and its net tangible asset backing. Details of the shares granted to the Chairman and Non-Executive Directors under the Director and Employee Share Scheme (including details of shares vested during the year) are set out in section 5.1.1 of this Remuneration Report.

### **3.3 Executive Remuneration**

Keybridge Capital's remuneration has been structured to be market competitive and retain and motivate a small team of high calibre employees capable of delivering the Company's business objectives. Total remuneration for Senior Executives has consisted of a mix of 'fixed' and 'performance-based' elements. In addition, Senior Executives received equity-based retention grants in 2006 in the form of shares under the Director and Employee Share Scheme. This retention component is no longer effective due to the Employee Shares being issued at a share price of \$1.25 or higher, which is materially above the Company's current share price and its net tangible asset backing.

Remuneration is reviewed annually. In reviewing each executive's salary, consideration is given to external market conditions, position responsibilities and individual skills and experience. In light of the Company's performance during 2009, no adjustment has been made to fixed pay levels and no short-term incentives have been paid.

#### **3.3.1 Fixed Remuneration**

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

### 3.3.2 Performance-Based Reward

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

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

For the 2009 financial year, STI performance targets for Senior Executives were based predominantly on the Group targets of net profit after tax (NPAT), investment levels, risk mitigation, financial stability and stakeholder management and also on position-specific targets. These targets were selected on the basis that Keybridge Capital has a small number of experienced executives and ensuring that employment practices support and encourage continuity of team engagement with sustained and profitable growth of the Company.

These targets have not been met for the 2009 financial year and accordingly no STI payments for the 2009 financial year have been made as noted below:

2009 Total STI		
	Percentage Allocated*	Percentage Forfeited*
<b>Senior Executives (including the Managing Director)</b>		
Mark Phillips	0%	100%
Ian Pike	0%	100%
Karen Penrose	0%	100%

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

STI targets will be reassessed for the 2010 financial year to reflect the Company's updated business objectives.

### 3.3.3 Retention-Based Reward

The Company initiated a Director and Employee Share Scheme, as an equity-based retention incentive, when the Company was establishing its new board and management team in October 2006. The shares issued under the Director and Employee Share Scheme were on terms approved by shareholders at the Annual General Meeting on 26 October 2006. A total of 5,975,000 shares have been issued since 2006. During 2009, following the resignation of two Directors and two executives, 775,000 shares have been surrendered to the Trustee of the Share Scheme.

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

- The majority of shares have an issue price of \$1.25 per share (except for 525,000 shares granted in 2007 which have an issue price of \$2.27 per share). Of the 775,000 shares surrendered to the Trustee during the twelve months to June 2009, 550,000 were issued at \$1.25 per share and 225,000 were issued at \$2.27 per share.
- Limited recourse, interest free loans were provided by the Company to fund the acquisition of the shares by the Senior Executives.
- Between 75% and 100% of the cash value of dividends paid on the Shares during the vesting period will be applied towards part repayment of the loan, with up to 25% of the cash value of dividends being remitted to the participants to assist funding their personal tax liability of the dividends.
- Other than dividends, there is no payment of cash by the Company to participants.

- The limited recourse loan must be repaid within five years from the date of issue (or the shares surrendered in full satisfaction of the loan).
- Shares vest progressively over periods up to three years from date of issue, subject to the Senior Executives remaining employed with the Company.
- Once vested, shares are subject to a non-selling period of 12 months and may only be dealt with where the loan has been repaid.

Given the retention focus of these grants, vesting of the shares is subject only to service conditions and not linked to satisfaction of performance targets. The issue prices of \$1.25 per share and \$2.27 per share are materially above the Company's share price at 30 June 2009 and above the Company's net tangible asset backing. As a result, it is unlikely that participants will realise any value from the grants.

### 3.3.4 Service Agreements for Senior Executives (including the Managing Director)

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

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

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

## 4. Share Trading Policy – Hedging of Company Securities

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

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

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

Further details are included in page 16 of this Annual Report.

## 5. Details of Directors' and Senior Executives' Remuneration

### 5.1 Total remuneration paid or payable to Non-Executive Directors

Total remuneration received by the Chairman and Non-Executive Directors in the 2009 financial year was \$307,929 (2008: \$391,437). Payments and non-monetary benefits received by the Chairman and Non-Executive Directors individually are set out in the following table:

(In AUD)	Short-term employee benefits		Post-employment Benefits	Share-based payments <sup>(a)</sup>	Total
	Cash fees	Company contributions to superannuation			
	\$	\$	\$	\$	\$
<b>Chairman</b>					
Irene Lee					
2009	120,000	10,800	17,831		148,631
2008	120,000	10,800	29,529		160,329
<b>Non-Executive Directors</b>					
Michael Perry					
2009	60,000	5,400	6,698		72,098
2008	60,000	5,400	14,501		79,901
Ian Ingram <sup>(b)</sup>					
2009	27,250	–	–		27,250
2008	65,400	–	5,906		71,306
Philip Lewis <sup>(c)</sup>					
2009	55,000	4,950	–		59,950
2008	60,000	5,400	14,501		79,901
<b>Total (Chairman and Non-Executive Directors)</b>					
2009	262,250	21,150	24,529		307,929
2008	305,400	21,600	64,437		391,437

(a) Relates to shares granted to the Chairman and Non-Executive Directors under the Company's Director and Employee Share Scheme

(b) Resigned 30 November 2008

(c) Resigned 25 May 2009



### 5.1.1 Share Based Payments to Non-Executive Directors

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

	Number of Employee Shares granted	Grant date	Fair value at grant date (\$)	Issue Price per share (\$)	Loan repayment date	Number of Employee Shares vested during 2009	Number of Employee Shares surrendered during 2009	Number of Employee Shares vested as at 30 June 2009
<b>Chairman and Non-Executive Directors</b>								
Irene Lee	1,000,000	25 Aug 2006	82,223	1.25	25 Aug 2011	333,333	–	666,666
Ian Ingram	200,000	25 Aug 2006	16,445	1.25		66,666	(200,000)	–
Philip Lewis	200,000	27 Sept 2006	38,880	1.25		66,666	(200,000)	–
Michael Perry	200,000	27 Sept 2006	38,880	1.25	27 Sept 2011	66,666	–	133,332
	1,600,000		176,428			533,331	(400,000)	799,998

In the twelve months to June 2009 the two Non-Executive Directors who resigned during that period surrendered their entitlement to the Trustee of the Share Scheme.

No new grants of shares occurred during the year ended 30 June 2009.

### 5.2 Total remuneration paid or payable to Senior Executives

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

Short-term employee benefits							
(In AUD)	Cash salary \$	Incentive and bonus payments \$	Non-monetary benefits \$	Company contributions to superannuation \$	Share-based payments \$	Total \$	Value of shares as a proportion remuneration %
<b>Senior Executives</b>							
Mark Phillips, Managing Director							
2009	536,871	–	–	13,129	30,284	580,284	5.2%
2008	499,987	485,000	9,598	15,415	71,435	1,081,435	6.6%
Ian Pike, Chief Investment Officer							
2009	381,871	–	–	13,129	15,347	410,347	3.7%
2008	359,203	382,000*	1,354	14,443	32,152	789,152	4.1%
Karen Penrose, Chief Financial Officer							
2009	343,471	–	3,400	13,129	5,360	365,360	1.5%
2008	323,400	343,000*	–	14,100	11,631	692,131	1.7%

\* including the deferred 2007 financial year STI payment

### 5.2.2 Share based Payments

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

	Number of Employee Shares granted	Grant date	Fair value at grant date (\$)	Issue Price (\$)	Loan repayment date	Number of Employee Shares vested during 2009 financial year	Number of Employee Shares vested as at 30 June 2009
<b>Senior Executives (including the Managing Director)</b>							
Mark Phillips	3,000,000	18 Aug 2006	185,260	1.25	18 Aug 2011	1,000,000	3,000,000
Ian Pike	400,000	5 Oct 2006	83,669	1.25	5 Oct 2011	133,333	266,000
Karen Penrose	150,000	5 Oct 2006	30,745	1.25	5 Oct 2011	50,000	100,000
	3,550,000		299,674			1,183,333	3,366,000

No new grants of shares were made to these Senior Executives during the year ended 30 June 2009.

## NON-AUDIT SERVICES

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

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

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

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 42

During the year to 30 June 2009 the following fees were paid to the auditor of the parent entity, its related practices and non-related audit firms:

	Consolidated	
	2009 \$	2008 \$
<b>KPMG</b>		
– audit and review of Financial Statements	145,000	132,336
– tax services	25,600	43,895
– other non audit services	–	–
	170,600	176,231

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



**Irene Lee**  
Chairman  
Sydney, 31 August 2009



*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 2009 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

  
Andrew Dickinson  
Partner

Sydney

31 August 2009



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

### **Report on the financial report**

We have audited the accompanying financial report of Keybridge Capital Limited (the Company), which comprises the balance sheets as at 30 June 2009, and the income statements, statements of changes in equity and cash flow statements for the year ended on that date, a summary of significant accounting policies and other explanatory notes 1 to 32 and the directors' declaration set out on pages 46 to 98 of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

#### *Directors' responsibility for the financial report*

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 2(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

#### *Auditor's responsibility*

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

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

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

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



#### *Independence*

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

#### *Auditor's opinion*

In our opinion the financial report of Keybridge Capital Limited and its controlled entities is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2009 and of its performance for the year ended on that date and complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
- (ii) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a).

#### *Uncertainty regarding continuation as a going concern*

Without qualification to the above conclusion, we draw attention to Note 2(b) to the financial statements which sets out the basis upon which the directors believe the Group will be able to continue as a going concern.

As at 30 June 2009, the consolidated entity has a net current asset deficiency of \$187,711,000, which is mainly due to the current classification of the Group's loan facility. As discussed in Note 2(b) to the financial statements, the loan has been classified as current as at 30 June 2009 due to a breach of the financial undertakings in the Group's \$215,093,000 loan facility which may allow the banking group to require repayment of the facility on demand. Subsequent to balance date, the Group has been advised by the banking group of their intention to approve amendments to the terms and conditions of the loan facility. The amended terms and conditions are set out in Note 20. The loan maturity date remains unchanged at 2 June 2011, with specified repayments required by certain dates ("repayment covenants"), accumulating to \$70,500,000 by 31 March 2011. If the Company breaches the new repayment covenants, it may provide an alternate repayment proposal for acceptance by the Banks within 30 days. This has been proposed to cater for the uncertain environment in which assets are being realised. In the event that the Banks do not accept the alternate repayment proposal they may call an event of default.

At the date of this report, although the Banks have communicated their internal approvals to the amended terms and conditions, amendments to loan documentation have not been executed. As the documentation has not yet been executed, the final outcome cannot presently be determined with certainty, although, as outlined in note 2(b), the directors anticipate that the arrangements, which have been confirmed as approved by the Banks, will be successfully documented in the near term.

Additionally, the Group's ability to settle its amended debt obligations and comply with the repayment covenants outlined above and fund daily operations is largely contingent on their ability to sell assets at expected values and within expected timeframes and the ongoing receipt of investment income. The outcome of these transactions cannot presently be determined with certainty, although, as outlined in note 2(b), the directors expect these transactions to occur in time to meet the above repayment obligations and cashflow needs and accordingly the financial report has been prepared on a going concern basis. The existence of these uncertainties may



cast doubt upon the Group's ability to settle its debts as and when they fall due and to realise its assets at their carrying amounts.

**Report on the remuneration report**

We have audited the Remuneration Report included on pages 34 to 40 of the directors' report for the year ended 30 June 2009. 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 2009, complies with Section 300A of the *Corporations Act 2001*.

KPMG

Andrew Dickinson  
*Partner*

Sydney

31 August 2009



## Keybridge Capital Limited and Controlled Entities

For the year ended 30 June 2009

	Note	Consolidated		The Company	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Revenue and Income</b>					
Fees		3,560	4,513	1,815	2,659
Interest income	6	56,009	42,875	41,777	29,831
Dividend income		–	2,703	8,500	24,413
Net gain (loss) on sale of trading assets		207	12,356	(75)	5,470
Net foreign currency gains/(losses)	8	(14,335)	6,381	(661)	4,691
Share of profit/(loss) in equity accounted investees	17	(3,306)	4,160	(3,395)	–
Net unrealised gain/(loss) on embedded derivatives designated at fair value through profit and loss		2,522	2,810	7,662	(1,635)
Other income		–	86	–	46
Impairment expenses	13	(151,550)	(33,856)	(151,550)	(33,856)
		(106,893)	42,028	(95,927)	31,619
<b>Expenses</b>					
Administration expenses		(698)	(1,032)	(698)	(950)
Borrowing costs		(18,375)	(10,514)	(18,375)	(10,514)
Employment costs	7	(2,815)	(5,943)	(2,815)	(5,943)
Legal and professional fees		(1,618)	(877)	(1,618)	(877)
Other expenses		(302)	(436)	(302)	(815)
		(23,808)	(18,801)	(23,808)	(19,099)
<b>Profit/(Loss) before income tax</b>		(130,701)	23,226	(119,735)	12,520
Income tax expense	9(a)	1,563	(2,469)	(2,055)	(3,120)
<b>Net profit for the period</b>		(129,138)	20,757	(121,790)	9,400
		Cents	Cents		
<b>Basic Earnings cents per share</b>	25	(75.05)	12.16		
<b>Diluted Earnings cents per share</b>	25	(75.05)	12.12		

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

## Keybridge Capital Limited and Controlled Entities

For the year ended 30 June 2009

1 July 2009	Note	Share capital \$'000	Share-based payment reserve \$'000	Cashflow hedge reserve \$'000	Capital profits reserve \$'000	Retained earnings/ (losses) \$'000	Total \$'000
<i>The Company and its consolidated entities</i>							
<b>Balance at 1 July 2008</b>		260,651	877	245	–	13,538	275,311
Effective portion of changes in fair value of cash flow hedges, net of tax	23	–	–	(13,799)	–	–	(13,799)
Net change in fair value of cash flow hedges transferred to profit and loss, net of tax	23	–	–	2,310	–	–	2,310
Share based payments	23	–	92	–	–	–	92
Total income and expense recognised directly in equity		–	92	(11,489)	–	–	(11,397)
Profit/(loss) for the period		–	–	–	–	(129,138)	(129,138)
Total recognised income and expense		–	92	(11,489)	–	(129,138)	(140,535)
Shares issued	22	–	–	–	–	–	–
Offer related costs		–	–	–	–	–	–
Dividends paid	24	–	–	–	–	(13,185)	(13,185)
<b>Balance at 30 June 2009</b>		260,651	969	(11,244)	–	(128,785)	121,592
<i>The Company</i>							
<b>Balance at 1 July 2008</b>		260,651	877	160	–	2,066	263,754
Effective portion of changes in fair value of cash flow hedges, net of tax	23	–	–	(14,136)	–	–	(14,136)
Net change in fair value of cash flow hedges transferred to profit and loss, net of tax	23	–	–	2,820	–	–	2,820
Share based payments	23	–	92	–	–	–	92
Total income and expense recognised directly in equity		–	92	(11,316)	–	–	(11,224)
Profit for the period		–	–	–	–	(121,790)	(121,790)
Total recognised income and expense		–	92	(11,316)	–	(121,790)	(133,014)
Shares issued	22	–	–	–	–	–	–
Offer related costs		–	–	–	–	–	–
Dividends paid	24	–	–	–	–	(13,185)	(13,185)
<b>Balance at 30 June 2009</b>		260,651	969	(11,156)	–	(132,909)	177,555

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

## Keybridge Capital Limited and Controlled Entities

For the year ended 30 June 2009

	Note	Share capital \$'000	Share-based payment reserve \$'000	Cashflow hedge reserve \$'000	Capital profits reserve \$'000	Retained earnings/ (losses) \$'000	Total \$'000
<i>The Company and its consolidated entities</i>							
<b>Balance at 30 June 2007</b>		258,697	226	132	–	3,871	262,926
Effective portion of changes in fair value of cash flow hedges, net of tax	23	–	–	1,700	–	–	1,700
Net change in fair value of cash flow hedges transferred to profit and loss, net of tax	23	–	–	(1,587)	–	–	(1,587)
Share based payments	23	–	651	–	–	–	651
Total income and expense recognised directly in equity		–	651	113	–	–	764
Profit for the period		–	–	–	–	20,757	20,757
Total recognised income and expense		–	651	113	–	20,757	21,521
Shares issued	22	2,032	–	–	–	–	2,032
Offer related costs		(78)	–	–	–	–	(78)
Movement from reserves	24	–	–	–	–	(11,090)	(11,090)
<b>Balance at 30 June 2008</b>		260,651	877	245	–	13,538	275,311
<i>The Company</i>							
<b>Balance at 30 June 2007</b>		258,697	226	132	–	3,756	262,811
Effective portion of changes in fair value of cash flow hedges, net of tax	23	–	–	(869)	–	–	(869)
Net change in fair value of cash flow hedges transferred to profit and loss, net of tax	23	–	–	897	–	–	897
Share based payments	23	–	651	–	–	–	651
Total income and expense recognised directly in equity		–	651	28	–	–	679
Profit for the period		–	–	–	–	9,400	9,400
Total recognised income and expense		–	651	28	–	9,400	10,079
Shares issued	22	2,032	–	–	–	–	2,032
Offer related costs		(78)	–	–	–	–	(78)
Movement from reserves	24	–	–	–	–	(11,090)	(11,090)
<b>Balance at 30 June 2007</b>		260,651	877	160	–	2,066	263,754

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

## Keybridge Capital Limited and Controlled Entities

As at 30 June 2009

	Note	Consolidated		The Company	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Current Assets</b>					
Cash and cash equivalents	10(a)	9,615	25,264	9,615	25,264
Trading and other receivables	11	327	377	327	377
Loans and receivables – net	13	20,124	62,085	14,499	18,291
Available for sale investments	15	132		132	
Derivative assets	16	–	9,454	–	3,621
Other assets	11	80	57	80	57
<b>Total Current Assets</b>		<b>30,278</b>	<b>97,237</b>	<b>24,653</b>	<b>47,610</b>
<b>Non-Current Assets</b>					
Loans and receivables – net	13	294,887	334,296	299,559	377,096
Held-to-maturity investments	14	–	865	–	865
Derivative assets	16	8,927	11,862	9,622	7,760
Deferred tax assets	18	14,967	15,043	10,647	15,607
Property, plant and equipment	12	515	646	515	646
<b>Total Non-Current Assets</b>		<b>319,296</b>	<b>362,712</b>	<b>320,343</b>	<b>401,974</b>
<b>Total Assets</b>		<b>349,574</b>	<b>459,949</b>	<b>344,996</b>	<b>449,584</b>
<b>Current Liabilities</b>					
Payables	19	3,788	5,858	3,247	5,858
Loans and borrowings	20	215,093	–	215,093	–
Current tax liabilities	9(a)	–	8,780	–	9,972
<b>Total Current Liabilities</b>		<b>218,881</b>	<b>14,638</b>	<b>218,340</b>	<b>15,830</b>
<b>Non-Current Liabilities</b>					
Derivative liabilities	21	9,101	–	9,101	–
Loans and borrowings	20	–	170,000	–	170,000
<b>Total Non-Current Liabilities</b>		<b>9,101</b>	<b>170,000</b>	<b>9,101</b>	<b>170,000</b>
<b>Total Liabilities</b>		<b>227,982</b>	<b>184,638</b>	<b>227,441</b>	<b>185,830</b>
<b>Net Assets</b>		<b>121,592</b>	<b>275,311</b>	<b>117,555</b>	<b>263,754</b>
<b>Equity</b>					
Share capital	22	260,651	260,651	260,651	260,651
Reserves	23	(10,274)	1,122	(10,187)	1,037
Retained earnings		(128,785)	13,538	(132,909)	2,066
<b>Total equity attributable to the shareholders of the Company</b>		<b>121,592</b>	<b>275,311</b>	<b>117,555</b>	<b>263,754</b>

The balance sheets are to be read in conjunction with the notes to the Financial Statements.

## Keybridge Capital Limited and Controlled Entities

For the year ended 30 June 2009

	Note	Consolidated		The Company	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Cash flows from operating activities</b>					
Fees received		1,226	1,158	209	1,158
Interest received		26,399	45,053	13,907	37,431
Cash settlement for FX derivative contracts*		(82,306)	–	(74,481)	–
Payments to suppliers and employees		(8,914)	(6,149)	(8,914)	(6,149)
Establishment fee on loan facility		–	(147)	–	(147)
Interest payment on loan facility		(14,659)	(6,905)	(14,659)	(6,905)
Net income tax refund received (tax paid)		(2,218)	(7,868)	(2,218)	(7,868)
<b>Net cash from/(used in) operating activities</b>	10(b)	<b>(80,472)</b>	<b>25,142</b>	<b>(86,156)</b>	<b>17,520</b>
<b>Cash flows from investing activities</b>					
Dividends received		–	2,703	–	2,703
Purchases of property, plant and equipment		–	(732)	–	(732)
Loans and receivables advanced net of sale or repayment of investments		6,716	(174,215)	6,123	(84,750)
Loans advanced to related parties		–	–	6,560	(76,215)
Proceeds from sale of trading assets		283	11,105	–	5,477
Proceeds from sale of available-for-sale investments (cash distributions received)		291	2,053	291	2,053
<b>Net cash from/(used in) investing activities</b>		<b>7,290</b>	<b>(159,086)</b>	<b>12,975</b>	<b>(151,464)</b>
<b>Cash flows from financing activities</b>					
Proceeds from the issue of ordinary share capital		–	2,362	–	2,362
Net Proceeds from borrowings*		70,990	159,500	70,990	159,500
Dividends paid		(13,184)	(11,090)	(13,184)	(11,090)
<b>Net cash from financing activities</b>		<b>57,806</b>	<b>150,772</b>	<b>57,806</b>	<b>150,772</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(15,376)</b>	<b>16,828</b>	<b>(15,376)</b>	<b>16,828</b>
<b>Cash and cash equivalents at 1 July 2008</b>		<b>25,264</b>	<b>8,436</b>	<b>25,264</b>	<b>8,436</b>
<b>Effect of exchange rate fluctuations on cash held</b>		<b>(273)</b>	<b>–</b>	<b>(273)</b>	<b>–</b>
<b>Cash and cash equivalents at 30 June 2009</b>	10(b)	<b>9,615</b>	<b>25,264</b>	<b>9,615</b>	<b>25,264</b>

\*Proceeds from borrowings includes funding of \$34.8 million to close out foreign exchange contracts on 26 March 2009.

The consolidated statements of cash flows are to be read in conjunction with the notes to the Financial Statements.

## 1. REPORTING ENTITY

Keybridge Capital Limited (referred to as "Keybridge Capital" or the "Company") is a company incorporated and domiciled in Australia. The consolidated Financial Statements of the Company as at and for the year ended 30 June 2009 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interests in associates and jointly controlled entities.

The consolidated annual Financial Statements of the Group as at and for the year ended 30 June 2009 is available upon request from the Company's registered office at Level 26, 259 George Street, Sydney NSW 2000 or at [www.keybridge.com.au](http://www.keybridge.com.au).

## 2. BASIS OF PREPARATION

### (a) Statement of compliance

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

The Financial Statements were approved by the Board of Directors on 31 August 2009.

### (b) Going Concern

The significant global financial downturn experienced in the 12 months to 30 June 2009, has resulted in the asset markets in which the Group operates being characterised by ongoing restrictions in the availability of senior bank debt, low levels of market liquidity inhibiting the ability to sell assets in the short term and greater financial pressure on lessee counterparties. Since October 2008 the Group has elected not to make investments into new transactions and to focus on an orderly realisation of the existing portfolio in order to repay corporate borrowings and ultimately return value to shareholders. The Directors have noted in market disclosures that in order to optimise value in prevailing market conditions the realisation of investments will occur over the medium term as markets stabilise and, in the case of cyclical industries such as aircraft and ships, as markets improve from cyclical lows.

In the 2009 Financial Statements, the Group has recognised significant impairments across its investment portfolio. In anticipation of the impairments causing a breach of financial

undertakings contained in the Group's corporate borrowings, the Group's lenders provided a waiver of a breach of financial undertakings pending receipt of an investigating accountant's report. Subsequent to balance date the lenders have approved amendments to the terms and conditions of the corporate borrowings to facilitate the orderly realisation of the Group's investments. The amendments are expected to be documented in the near term. The maturity date of the corporate borrowings is unchanged at 2 June 2011, with repayments totalling \$70.5 million due by March 2011. In the event that a repayment amount is unable to be met by the due date, there is a 30 day period, during which time the Group's banks may review an alternate repayment profile proposed by the Company. This arrangement has been provided to cater for the uncertain environment in which assets are being realised. If the Group's banks do not accept the alternate repayment profile and the repayment remains unmet, an Event of Default may arise. The Directors acknowledge that on maturity of the corporate borrowings on 2 June 2011, the Company is likely to seek to extend the existing arrangements or refinance outstanding borrowings at that time.

The Directors have acknowledged that the repayment milestones will be challenging given the current uncertain and difficult market conditions, especially should there be a further and significant downturn in the market segments in which the Group operates. However, having had regard to, amongst other things, cashflow forecasts over the term of the Group's corporate borrowings which include the Group's anticipated asset realisation program and which indicate that the Group can satisfy known funding requirements, 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. This is confirmed in the Directors Declaration on page 98 of this Annual Report.

### (c) Basis of measurement

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

- derivative financial instruments through profit and loss
- available-for-sale investments
- embedded derivatives

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

**(d) 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 all the Group.

**(e) Use of estimates and judgements**

The preparation of Financial Statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the Financial Statements are described in the following notes:

- Note 15 – Available-for-sale investments
- Note 18 – Deferred Tax Assets and liabilities
- Note 26 – Financial Risk Management-Impairment Losses

For further detail on estimates refer to the Notes 15, 18 and 26.

**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.

**(a) Basis of consolidation*****(i) Subsidiaries***

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

In the Company's Financial Statements, investments in subsidiaries are carried at cost.

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

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

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

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

***(iii) Transactions eliminated on consolidation***

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

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

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



**(b) Foreign currency*****Foreign currency transactions***

Transactions in foreign currencies 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, except for differences arising on the retranslation of available-for-sale equity instruments or a financial liability designated as a hedge of the net investment in a foreign operation.

**(c) Financial instruments*****(i) Non-derivative financial instruments***

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

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

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

Group's obligations specified in the contract expire or are discharged or cancelled.

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

Accounting for revenue and borrowings costs is discussed in note 3(h) and note 3(i).

***Held-to-maturity investments***

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

***Available-for-sale financial assets***

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

***Financial assets at fair value through profit or loss***

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

***Loans and receivables***

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

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

**(ii) Derivative financial instruments**

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

**Cash flow hedges**

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

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

**Fair value hedge**

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

**Hedge effectiveness testing**

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

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

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

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**

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

**Dividends**

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

**(d) Impairment of financial assets**

A financial asset is 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.

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

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

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

An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value. Future cash flows for financial assets such as ships and aircraft have taken into account longer term market indicators. Individually significant financial assets are tested for impairment on an individual basis.

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

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

## **(e) Property, plant and equipment**

### ***(i) Recognition and measurement***

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

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

### ***(ii) Depreciation***

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

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

- |                          |          |
|--------------------------|----------|
| • Leasehold improvements | 13 years |
| • Furniture and fittings | 5 years  |
| • Computer Equipment     | 3 years  |

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

## **(f) Employee benefits**

### ***(i) Short-term benefits***

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

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

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

**(g) Fees**

Fees are recognised on an accrual basis over the time of the services rendered. Fees that are integrated in the effective yield of the financial assets or liabilities are included in the measurement of the effective interest rate.

**(h) Revenue**

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

**(i) Finance expenses**

Finance expenses comprise interest expense on borrowings, amortisation of establishment fees over the term of each loan, foreign currency losses, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets, and losses on hedging instruments that are recognised in profit or loss. 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.

**(j) Income tax**

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

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

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

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

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

**(i) Tax consolidation**

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

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

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

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

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

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

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

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

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

**(k) 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.

**(l) Earnings per share**

***(i) Basic earnings per share***

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

***(ii) Diluted earnings per share***

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

**(m) Segment reporting**

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



**Business segments**

The Group comprises the following main business segments:

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

**(n) New standards and interpretations not yet adopted**

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2009, but have not been applied in preparing this Financial Statements:

- Revised AASB 127 Consolidated and Separate Financial Statements (2008) requires accounting for changes in ownerships interests by the Group in a subsidiary, while maintaining control, to be recognised as an equity transaction. When the group loses control of subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss. The amendments to AASB 127, which become mandatory for the Group's 30 June 2010 Financial Statements The Group does not expect the potential effect of the revised standard on future earnings to be material
- AASB 8 Operating Segments introduces the "management approach" to segment reporting. AASB 8, which becomes mandatory for the Group's 30 June 2010 Financial Statements, will require the disclosure of segment information based on the internal reports regularly reviewed by the Group's Chief Operating Decision Maker in order to assess each segment's performance and to allocate resources to them. Currently the Group presents segment information in respect of its business and geographical segments (see note 5) which is already in accordance with the management approach in respect of Property, Aviation, Shipping, Infrastructure, Lending and Other.
- Revised AASB 101 Presentation of Financial Statements (2007) introduces as a Financial Statements (formerly "primary" statement) the "statement of comprehensive income". The revised standard does not change the recognition, measurement or disclosure of transactions and events that are required by other AASBs. The revised AASB 101 will become mandatory for the Group's 30 June 2010 Financial Statements. The Group does not expect the potential effect of the revised standard on future earnings to be material.
- Revised AASB 123 Borrowing Costs removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised AASB 123 will become mandatory for the Group's 30 June 2010 Financial Statements but will not constitute a change in accounting policy for the Group. The Group does not expect the potential effect of the revised standard on future earnings to be material.
- AASB 2008-1 Amendments to Australian Accounting Standard — Share-based Payment: Vesting Conditions and Cancellations clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations. The amendments to AASB 2 will be mandatory for the Group's 30 June 2010 Financial Statements, with retrospective application. The Group does not expect the potential effect of the revised standard on future earnings to be material.
- AASB 2008-5 Amendments to Australian Accounting Standards arising from the Annual Improvements Process and 2008-6 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process affect various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments, which become mandatory for the Group's 30 June 2010 Financial Statements, are not expected to have any impact on the Financial Statements.

- AASB 2008-7 Amendments to Accounting Standards — Cost of an Investment in a Subsidiary Jointly Controlled Entity or Associate changes the recognition and measurement of dividend receipts as income and addresses the accounting of a newly formed parent entity in the separate Financial Statements. The amendments become mandatory for the Group's 30 June 2010 Financial Statements. The Group does not expect the potential effect of the revised standard on future earnings to be material.
- AASB 2009-2 Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments introduces a three level fair value hierarchy for determining the amount of information to be disclosed around estimating fair values and further clarifies the quantities disclosures on liquidity risk. The amendments, which become mandatory for the Group's 30 June 2010 Financial Statements, are not expected to have a material impact on the Financial Statements.
- AASB 2009-4 Amendments to Australian Accounting Standards arising from the Annual Improvements Process and AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process affect various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments, which become mandatory for the Group's 30 June 2011 Financial Statements, are not expected to have a material impact on the Financial Statements.

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

##### *(ii) Non-derivative financial liabilities*

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

##### *(iii) Held-to-maturity*

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

##### *(iv) Available-for-Sale*

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

##### *(v) Loans and receivables*

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

##### *(vi) 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.

##### *(vii) Share-based payment transactions*

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

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

## 5. SEGMENT REPORTING

### Business segments

The Group comprises the following main business segments:

- **Property:** Includes loans supported by development and construction projects and other property related investments. The property projects underlying the Company's investments are mainly residential and one industrial project located in Australia and two projects in the United States.
- **Aviation:** Comprise investments in aircraft, leased for medium terms to creditworthy airlines.
- **Shipping:** In the main, investments in ships and shipping portfolios chartered for medium terms to creditworthy shipping companies.
- **Infrastructure:** Investments in renewable energy projects and other infrastructure related projects.
- **Lending:** Predominantly senior secured loans, but also subordinated loans, to entities in a range of industries.
- **Other:** These were investments in US Securitisations which have had a book value of Nil since 30 June 2008.



## 5. SEGMENT REPORTING (continued)

Business segments	Property		Aviation		Shipping		Infrastructure		Lending		Fixed income – US Securitisation		Other operations		Consolidated	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Revenues	6,753	13,417	11,092	15,159	(1,609)	22,100	(378)	5,623	3,024	14,337	–	–	326	1,088	19,208	71,724
Associates profit	–	–	–	–	(3,306)	4,160	–	–	–	–	–	–	–	–	(3,306)	4,160
Less impairments	(57,129)	(3,000)	(8,217)	–	(39,126)	–	(17,665)	–	(29,727)	–	314	(30,856)	–	–	(151,550)	(33,856)
<b>Segment result</b>	(50,376)	10,417	2,875	15,159	(44,041)	26,260	(18,043)	5,623	(26,703)	14,337	314	(30,856)	326	1,088	(135,648)	42,028
Unallocated expenses	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(4,947)	18,802
Results from operating activities	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(130,701)	23,226
<b>Gross Segment assets</b>	96,778	101,410	156,929	118,672	86,297	72,501	62,800	54,005	54,758	74,827	–	30,856	25,392	41,534	482,954	493,804
Less impairments	(60,128)	(3,000)	(8,217)	–	(39,126)	–	(17,665)	–	(8,244)	–	–	(30,856)	–	–	(133,380)	(33,856)
<b>Net Segment assets</b>	36,650	98,410	148,712	118,672	47,171	72,501	45,135	54,005	46,514	74,827	–	–	25,392	41,534	349,574	459,949
<b>Segment liabilities</b>																
Unallocated liabilities	–	–	–	–	–	–	–	–	–	–	–	–	–	–	227,962	184,638
Total liabilities	–	–	–	–	–	–	–	–	–	–	–	–	–	–	227,962	184,638

The impairments for Property and Lending, included in the Net Segment Assets for 2009, include impairment provisions recognised in 2008 for Property and in Lending, and an impairment which was expensed in the current year. During the 12 months to June 2009, \$314,000 income was received from the US Securitisation investments, which reduced the impairment provision against those investments. The book value of the US Securitisation investments remains at Nil (2008: Nil).

## 5. SEGMENT REPORTING (continued)

Geographic segments	Australia		United States		Europe		Other Regions		Consolidated	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Revenues	14,000	25,600	(847)	4,349	(762)	4,515	6,817	37,260	19,208	71,724
Associates profit/(loss)	–	–	–	–	–	–	(3,306)	4,160	(3,306)	4,160
Less impairments	(73,690)	(3,000)	(12,851)	(30,856)	(17,665)	–	(47,344)	–	(151,550)	(33,856)
<b>Segment Result</b>	(59,691)	22,600	(13,698)	(26,507)	(18,427)	4,515	(43,833)	41,420	(135,648)	42,028
<b>Segment Assets</b>	87,232	194,855	34,303	28,055	38,530	45,866	189,509	191,173	349,574	459,949

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

	Consolidated		The Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000

## 6. REVENUE

Interest income on current held-to-maturity investments	–	97	–	97
Interest income on bank deposits	675	897	675	897
Interest on loans and advances – third parties	55,334	41,881	39,008	26,353
Interest on loans and advances – subsidiaries	–	–	2,094	2,484
	56,009	42,875	41,777	29,831

Interest on loans and advances for the year ended 30 June 2009 includes accrued interest of \$45.2m (2008: \$2.1m) on impaired financial assets.

## 7. EMPLOYMENT COSTS

Wages and salaries	2,034	5,062	2,034	5,062
Superannuation	389	318	389	318
Other associated personnel expenses	300	244	300	244
Expenses related to the Director and Employee Share Scheme	92	320	92	320
	2,815	5,943	2,815	5,943

	Consolidated		The Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>8. FOREIGN CURRENCY (GAINS)/LOSSES</b>				
Net foreign exchange losses	43,653	(21,037)	32,490	(15,746)
Net change in fair value of cash flow hedges	2,311	(1,587)	284	(897)
Unrealised gains on foreign currency asset and liabilities	(31,629)	16,243	(34,650)	11,952
	14,335	(6,381)	661	(4,691)

## 9. INCOME TAX EXPENSE

### (a) Recognised in the income statement

#### Current tax (expense) refund

Current period	18,489	(11,274)	16,541	(12,466)
Less tax paid in advance	–	(2,494)	–	(2,494)
<b>Total Current tax</b>	<b>18,489</b>	<b>(8,780)</b>	<b>16,541</b>	<b>(9,972)</b>

#### Deferred tax expense

Offer costs	(464)	(464)	(464)	(464)
Provision for impairment	–	6,590	–	6,590
Deferred income	(384)	(82)	(227)	(210)
Unrealised FX gains and losses	(14,644)	2,470	(14,929)	1,805
Fair value of embedded derivative assets	(756)	(672)	(2,299)	662
Other	(677)	963	(677)	963
<b>Total Deferred tax</b>	<b>(16,927)</b>	<b>8,805</b>	<b>(18,596)</b>	<b>9,346</b>
<b>Total income tax expense</b>	<b>(1,563)</b>	<b>(2,469)</b>	<b>(2,055)</b>	<b>(3,120)</b>

The Group and Company have not yet recognised deferred tax assets in relation to impairment expenses incurred during the six months to June 2009.

**9. INCOME TAX EXPENSE (continued)****(b) Reconciliation between tax expense and pre-tax net profit**

Profit (loss) for the period	(129,138)	20,757	(121,790)	9,400
Total income tax (expense)/benefit	(1,563)	(2,469)	(2,055)	(3,120)
Profit excluding income tax	(130,701)	23,226	(119,734)	12,520
Prima facie income tax calculated at 30% (2007: 30%)	39,210	(6,968)	35,920	(3,759)
Losses not brought to account or not probable of realisation	(39,374)	–	39,374	–
Non-deductible expenses	(305)	(98)	(305)	(213)
Related party transactions	–	–	–	–
Tax exempt income	2,004	2,908	1,703	849
Gain/(loss) on asset sale	27	1,689	–	–
	1,563	(2,469)	(2,055)	(3,120)

	Consolidated		The Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000

**(c) Income tax recognised directly in equity**

Gain/(loss) on cash flow hedging instruments	(4,924)	(105)	(4,851)	(69)
	(4,924)	(105)	(4,851)	(69)

## 10. CASH AND CASH EQUIVALENTS

### (a) Cash and cash equivalents

	Consolidated		The Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Cash at bank	1,563	9,993	1,563	9,993
Term deposits	65	10,000	65	10,000
11am deposits	7,987	5,271	7,987	5,271
	9,615	25,264	9,615	25,264

### (b) Reconciliation of cash flow from operating activities

#### Cash flows from operating activities

Profit for the period	(129,138)	20,757	(121,790)	9,400
Adjustments for:				
Depreciation	133	104	133	104
Amortisation of FX cash flow reserve	1,929	–	1,732	–
Non-cash adjustment – interest accrued	(29,611)	16,114	(25,775)	(10,551)
Non-cash adjustment – net of fees received and accrued	(2,334)	(5,700)	(1,606)	(1,501)
Non-cash adjustment – intercompany interest	–	–	(2,094)	(2,484)
Non-cash adjustment – embedded derivative income	(2,390)	(2,855)	(7,531)	1,488
Non-cash adjustment – tax expense/(benefit)	(1,562)	2,469	2,055	3,120
Non-cash adjustment – employee and other expenses	(254)	2,728	(254)	3,110
Non-cash adjustment – impairment expenses	151,550	33,856	151,550	33,856
Non-cash adjustment on fair value of financial instruments	(69,900)	14,254	(75,552)	16,047
Non-cash adjustment investments in associates	3,306	(4,160)	3,395	–
Cash adjustment – establishment fees on loan facility	–	(147)	–	(147)
Realised (gain) on sale of investment	(339)	(12,310)	(57)	(5,424)
Dividends received	–	(2,749)	(8,500)	(24,459)
<b>Operating profit before changes in working capital and provisions</b>	<b>(78,610)</b>	<b>30,133</b>	<b>(84,294)</b>	<b>22,559</b>
Increase/(decrease) in payables	(3,361)	(732)	(3,361)	(780)
	(81,970)	29,401	(87,655)	21,779
Interest paid	3,717	3,609	3,717	3,609
Income taxes paid	(2,218)	(7,868)	(2,218)	(7,868)
<b>Net cash from operating activities</b>	<b>(80,472)</b>	<b>25,142</b>	<b>(86,156)</b>	<b>17,520</b>

## 11. TRADE AND OTHER RECEIVABLES

	Consolidated		The Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Interest receivables from loans	327	377	327	377
Other receivables	80	57	80	57
	407	434	407	434

## 12. PROPERTY, PLANT AND EQUIPMENT

Consolidated and Company	Leasehold improvements \$'000	Office equipment \$'000	Furniture and fittings \$'000	Computer software \$'000	Computer hardware \$'000	Total \$'000
<b>Cost or deemed cost</b>						
Balance at 1 July 2007	–	7	–	3	11	21
Additions	318	56	151	144	63	732
Disposals	–	–	–	–	–	–
<b>Balance at 30 June 2008</b>	318	63	151	147	74	753
<b>Cost or deemed cost</b>						
Balance at 1 July 2008	318	63	151	147	74	753
Additions	–	–	–	–	–	–
Disposals	–	–	–	–	2	–
<b>Balance at 30 June 2009</b>	318	63	151	147	76	755
<b>Depreciation and impairment losses</b>						
Balance at 1 July 2007	–	2	–	–	1	3
Depreciation for the year	24	18	14	30	18	104
Disposals	–	–	–	–	–	–
<b>Balance at 30 June 2008</b>	24	20	14	30	19	107
Balance at 1 July 2008	24	20	14	30	19	107
Depreciation for the year	36	19	18	37	22	133
Disposals	–	–	–	–	–	–
<b>Balance at 30 June 2009</b>	60	39	32	67	41	240
<b>Carrying amounts</b>						
At 30 June 2008	294	43	137	117	55	646
<b>At 30 June 2009</b>	258	24	119	80	35	515

## 13. LOANS AND RECEIVABLES

	Consolidated		The Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
	Carrying Amounts			
<b>Individually impaired loans (gross)</b>	368,626	37,271	367,161	37,271
Less: allowance for impairment	73,253	3,000	41,509	3,000
Less: amounts written off	17,304	23,521	17,304	23,521
Carrying amount	278,069	10,750	308,347	10,750
<b>Loans not individually impaired</b>	97,070	385,631	8,760	385,631
Less: allowance for collective impairment	60,128	–	3,050	–
Carrying amount	36,942	385,631	5,710	385,631
Total carrying amount of loans and receivables	315,011	396,381	314,058	396,381
<b>Current assets</b>				
Property	1,455	39,003	170	13,750
Aviation	–	4,135	–	4,135
Shipping	–	7,528	–	3,406
Infrastructure	6,589	–	6,589	–
Lending	12,080	14,419	7,740	–
Less: allowance for impairment expenses	–	(3,000)	–	(3,000)
	20,124	62,085	14,499	18,291
<b>Non-Current assets</b>				
Property	95,615	58,512	8,590	4
Aviation	147,041	107,758	147,041	107,758
Shipping	87,207	59,637	44,371	28,725
Infrastructure	56,161	54,005	56,161	54,005
Lending	42,734	56,162	22,309	35,577
Loans to subsidiaries	–	–	66,136	152,319
Deferred income	(491)	(1,778)	(491)	(1,292)
Other – US Securitisation	–	23,521	–	23,521
Less: allowance for impairment expenses	(133,380)	(23,521)	(44,559)	(23,521)
	294,887	334,296	299,559	377,096

**13. LOANS AND RECEIVABLES (continued)**

	Consolidated		The Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Impairment Provisions				
<b>Income statement charge</b>				
Loan impairment expenses				
Collective provision	60,128	–	3,050	–
Reversal of allowances no longer required	(314)	(10)	(314)	(10)
New allowances	73,567	3,000	130,645	3,000
Amounts written off	17,304	23,521	17,304	23,521
Total recognised in income	150,685	26,511	150,685	26,511
Breakdown – Individually assessed allowances	90,557	26,511	147,635	26,511
Collectively assessed allowances	60,128	–	3,050	–
Total recognised in income	150,685	26,511	150,685	26,511
<b>Total Outstanding allowance</b>				
Individually assessed allowances	73,252	3,000	41,509	3,000
Collectively assessed allowances	60,128	–	3,050	–
	133,380	3,000	44,559	3,000

**14. HELD-TO-MATURITY INVESTMENTS**

<b>Non-current asset</b>				
Held-to-maturity investment	–	865	–	865

Held-to-maturity investment is an unsecured Mariner Floating Rate Note, issued by Mariner Treasury Limited, which was written down to zero after Mariner Treasury Limited was placed in receivership.

**15. AVAILABLE-FOR-SALE INVESTMENTS**

Investment in US securitisations	–	17,755	–	17,755
Less: allowance for impairment expenses	–	(17,755)	–	(17,755)
Shares in ASX listed company	132	–	132	–
	132	–	132	–
<b>Allowance for impairment</b>				
Opening balance	(17,755)	(6,790)	(17,755)	(6,790)
Impairment loss for the year	–	(10,965)	–	(10,965)
Investment write-offs 2008	17,755	–	17,755	–
Balance at 30 June 2009	0	(17,755)	0	(17,755)



## 16. DERIVATIVE ASSETS

	Consolidated		The Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Current asset</b>				
Foreign Exchange contracts	–	9,454	–	3,621
	–	9,454	–	3,621
<b>Non-current asset</b>				
Embedded derivatives	8,927	6,898	9,622	2,452
Foreign Exchange contracts	–	–	–	–
<i>Cash flow hedges:</i>				
Foreign Exchange contracts	–	2,779	–	3,123
Interest rate swaps	–	2,185	–	2,185
	8,927	11,862	9,622	7,760

In determining the value of any embedded derivatives in its investments, the Group relies on its own assessment of the outlook for individual investments supported by independent expert valuations. Embedded derivatives reflect the Group's share of profit from an investment above a base return. The share of profit is expected to be realised on sale or repayment of an investment. As at 30 June 2009 embedded derivatives relate to investments in Aviation.

During the financial year the Group changed its policy on hedging. Following the restructure of the Group's corporate borrowings to include US Dollar and Euro loans, the Group has a natural hedge for approximately 68% of its investments in currency other than Australian dollars. The Group is not hedged for the balance of its investments and the translation impact of movements in the Australian dollar is taken to profit and loss.

As at the 30 June 2009 the Group had no outstanding forward foreign exchange contracts.

In the year to 30 June 2008 the Group entered into foreign exchange contracts to hedge back to Australian dollars the principal and probable income for each investment denominated in foreign currency, as well as embedded derivatives denominated in foreign currency. These were either cash flow or fair value hedges. All foreign exchange contracts were entered into by the Company on behalf of its subsidiaries and are included in the Consolidated results.

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

## 17. EQUITY ACCOUNTED INVESTMENTS IN ASSOCIATES

The Group's share of net loss in its equity accounted investments in associates for the year was \$3.3 million loss (June 2008:\$4.2 million profit). The loss in the 2009 financial statements relates to one of the Group's two equity accounted investments, being Bridge Infrastructure Capital Pty Limited (BIC). This accounting loss was recognised in the results for the half year to December 2008. In addition, in the period to June 2009, in relation to investments held via BIC, the Group has recognised impairments against three investments in Infrastructure and one investment in Shipping.

For the period to 30 June 2009, the Group's carrying amount in all seven investments totals \$70.7 million (net of equity accounted losses) and is recognised in Loans and Receivables.

	Consolidated		The Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Equity investments in Associates#	–	–	–	–
Profit on investments in Associates	(3,306)	4,160	(3,395)	(126)
	(3,306)	4,160	(3,395)	(126)
Additional investment made by way of loans (net of impairments)	73,967	83,666	63,517	74,506
	70,661	87,826	60,122	74,380

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

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

	Assets \$'000	Liabilities \$'000	Net assets \$'000	Revenues \$'000	Expenses \$'000	Net profit or loss \$'000	Profit share \$'000
<b>2008</b>							
Associates	305,843	(264,500)	41,343	32,987	(23,331)	9,656	4,160
<b>2009</b>							
Associates	332,910	(343,831)	(10,921)	(33,337)	(37,926)	(4,589)	(3,306)

## 18. DEFERRED TAX ASSETS AND LIABILITIES

	Balance 30 June 2007 \$'000	Recognised in profit or loss \$'000	Recognised in equity \$'000	Balance 30 June 2008 \$'000	Recognised in profit or loss \$'000	Recognised in equity \$'000	Balance 30 June 2009 \$'000
<b>Consolidated</b>							
Loans and receivables	279	5,816	–	6,095	(5,762)	–	333
Available-for-sale financial assets	2,037	–	–	2,037	(2,037)	–	–
Derivatives	1,992	2,470	(48)	4,414	(14,645)	4,924	(5,306)
Loans and borrowings	–	971	–	971	305	–	1,276
Share-based payments	68	–	–	68	–	–	68
Capitalised – issuance costs	1,858	(464)	–	1,394	(464)	–	929
Tax loss carry-forwards	–	–	–	–	18,182	–	18,182
Other items	52	12	–	64	(579)	–	(515)
	6,286	8,805	(48)	15,043	(5,000)	4,924	14,967
<b>Company</b>							
Loans and Receivables	292	7,022	–	7,314	(7,147)	–	167
Available-for-sale financial assets	2,037	–	–	2,037	(2,037)	–	–
Derivatives	2,003	1,805	(50)	3,758	(14,931)	4,851	(6,322)
Loans and borrowings	–	971	–	971	305	–	1,276
Share-based payments	68	–	–	68	–	–	68
Capitalised - issuance costs	1,858	(464)	–	1,394	(464)	–	929
Tax loss carry-forwards	–	–	–	–	15,042	–	15,042
Other items	53	12	–	65	(579)	–	(514)
	6,311	9,346	(50)	15,607	(9,811)	4,851	10,647

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

	Balance 30 June 2007 \$'000	Additions \$'000	Recognition \$'000	Balance 30 June 2008 \$'000	Additions \$'000	Recognition \$'000	Balance 30 June 2009 \$'000
<b>Movement in unrecognised deferred tax assets and liabilities during the year</b>							
<b>Consolidated</b>							
Deductible temporary differences	–	–	–	–	39,652	–	39,652
	–	–	–	–	39,652	–	39,652
<b>Company</b>							
Deductible temporary differences	–	–	–	–	39,374	–	39,374
	–	–	–	–	39,374	–	39,374

The Group and Company have not yet recognised deferred tax assets in relation to impairment expenses incurred during the six months to June 2009. The deferred tax assets will only be realised when sufficient future assessable income is earned.

**19. PAYABLES**

	Consolidated		The Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Loan facility interest expense	1,017	3,288	1,017	3,288
Employment related expenditure	626	3,149	626	3,149
Professional fees payable	598	297	598	297
Other fees payable	1,547	104	1,006	104
Capitalised bank debt costs	–	(980)	–	(980)
	3,788	5,858	3,247	5,858

**20. LOANS AND BORROWINGS**

This note provides information about the contractual terms of the interest-bearing loans and borrowings for the Group and for the Company measured at amortised cost. At 30 June 2009 the level of impairment provisions recognised in the financial statements resulted in a breach of the financial undertakings in the Group's secured bank loans. As a result, the Group's secured bank loans were recognised as current liabilities at balance date.

Subsequent to 30 June 2009, the Group's lenders agreed to amend the terms and conditions of the secured bank loans and waive the breach of financial undertakings. The amendments include the:

- removal of financial covenants relating to shareholders' funds, interest cover and impairments;
- inclusion of a review event requiring a minimum level of cash income;
- changing the interim repayments to comprise repayments totalling \$30.5 million during the period from October 2009 to June 2010 and a further \$40 million over the period to March 2011;

- continuation of the arrangements whereby proceeds from investment income and asset realisations will be applied to meet operating expenses, interest expense and reduce corporate borrowings;
- continuation of the borrowing margin of 3.75% per annum; and
- inclusion of an additional fee of 1.75% per annum which accrues monthly and is payable on final maturity of the secured bank loans.

The final maturity of the secured bank loans of 2 June 2011 is unchanged from the current arrangements.

Refer to Note 26 for further information about exposure to financial risks and liquidity.

	Consolidated		The Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Current liabilities</b>				
Secured bank loans	215,093	–	215,093	–
	215,093	–	215,093	–
<b>Non Current liabilities</b>				
Secured bank loans	–	170,000	–	170,000
	–	170,000	–	170,000

#### Consolidated and Company

	Currency	Nominal interest rate	Year of Maturity	2009		2008	
				Face value \$'000	Carrying amount \$'000	Face value \$'000	Carrying amount \$'000
Secured bank loan	AUD	6.88%	2011	38,567	38,567	170,000	170,000
Secured bank loan	USD	4.69%	2011	155,672	155,672	–	–
Secured bank loan	EUR	5.42%	2011	20,854	20,854	–	–
Total interest-bearing liabilities				215,093	215,093	170,000	170,000

The nominal interest rates relate to the prevailing floating base interest rate at 30 June 2009 the margin on the Group and Company's secured bank loans of 3.75% per annum. The Group and Company has also entered into interest rate hedging arrangements. Refer Note 26 – Interest Rate Risk for further information.

## 21. DERIVATIVE LIABILITIES

	Consolidated 30 June 2009		The Company 30 June 2008	
	\$'000	\$'000	\$'000	\$'000
<b>Non Current liabilities</b>				
Interest rate swaps	9,101	–	9,101	–
	9,101	–	9,101	–

As at 30 June 2009, the fixed rate of interest under the interest rate swaps are above market interest rates. As a result the instrument is recognised as a derivative liability. As at 30 June 2008 the fixed rates of interest were below market interest rates and were recognised as a derivative asset. Refer to Note 16.

## 22. CONTRIBUTED EQUITY

	Consolidated		The Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>(a) Issued and Paid-up Capital</b>				
172,070,564 (30 June 2008: 172,070,564) ordinary shares fully paid	260,651	260,651	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.

	Consolidated		The Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>(b) Movement in ordinary share capital</b>				
Opening balance 1 July 2008	260,651	258,697	260,651	258,697
Issue costs incurred to the year ended 30th June 2008	–	(78)	–	(78)
Issue of 355,287 ordinary shares on 14 September 2007 at \$1.62 per share (dividend reinvestment)	–	576	–	576
Issue of 1,866,623 ordinary shares on 19 March 2008 at \$0.78 per share (dividend reinvestment)	–	1,456	–	1,456
Closing balance 30 June 2009	260,651	260,651	260,651	260,651

## 22. CONTRIBUTED EQUITY *(continued)*

### (c) Share issued not paid

The Company initiated a Director and Employee Share Scheme ("Share Scheme" or "Employee Shares") as an equity-based retention incentive when the Company was establishing its new board and the management team in October 2006. As at 30 June 2009, there are 5,975,000 issued shares under the Share Scheme (2008: 5,975,000). Entitlement to the Employee Shares, other than 775,000 Employee Shares surrendered to the Trustee during the financial year, will vest in equal proportions over a period of up to three years, concluding in 2011.

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

The Employee Shares were issued at \$1.25 per share (other than 525,000 shares issued at \$2.27 per share). The price of \$1.25 per share is materially in excess of the Company's quoted share price and its net tangible asset backing. As a result it is not anticipated that the Employee Shares will be fully paid once vesting conditions are satisfied.

Grant date	Number of Instruments	Vesting conditions	Contractual Life of grant
Grant to Key Management on 18 August 06	3,000,000	Service to March 2009	5 years
Grant to Key Management on 25 August 06	1,200,000	3 years service	5 years
Grant to Key Management on 5 October 06	550,000	3 years service	5 years
Grant to Key Management on 27 September 06	400,000	3 years service	5 years
	5,150,000		
Grant to employees on 5 October 06	300,000	3 years service	5 years
Grant to employees on 17 June 07	525,000	3 years service	5 years
	5,975,000		
Surrendered to Trustee on 30 November 08	-200,000		
Surrendered to Trustee on 16 January 09	-375,000		
Surrendered to Trustee on 25 May 09	-200,000		
	5,200,000		
Held by Trustee	775,000		
	5,975,000		

## 22. CONTRIBUTED EQUITY (continued)

	Weighted average exercise price 2009	No. of Shares	Weighted average exercise price 2008	No. of Shares
	2009	2009	2008	2008
Outstanding at 1 July	1.34	5,975,000	1.34	5,975,000
Surrendered during the period	1.55	-775,000	-	-
Transferred to Trustee	-	775,000	-	-
Exercised during the period	-	-	-	-
Granted during the period	-	-	-	-
Outstanding at 30 June	1.34	5,975,000	1.34	5,975,000
Exercisable at 30 June	1.31	4,441,665	1.31	2,966,664

The fair value calculated at the grant dates is measured using a Black-Scholes methodology.

The total fair value grant expense of \$717,211 is amortised over the vesting periods. The majority of the expense was incurred in the 2007 and 2008 financial years, with comparatively lower expense incurred in the 2009 financial year (2009: \$92,187 and 2008: \$320,319). The lower expense was due to the surrender of 775,000 Employee Shares during the 2009 financial year.

The number of issued shares adjusted for the Employee Shares (including 775,000 Employee shares held by the Trustee) is 178,045,564.

## 23. RESERVES

	Consolidated		The Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Cashflow hedge reserve, net of tax	(11,243)	245	(11,156)	160
Share based payment reserve, net of tax	969	877	969	877
	(10,274)	1,122	(10,187)	1,037

### Cashflow Hedge Reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cashflow hedging instruments relating to foreign exchange contracts (which are amortised over their original term) and interest rate swaps.

### Share-based Payment Reserve

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



## 24. DIVIDENDS

Dividends paid in the current year by the Group are:

	Cents per share	Total amount \$'000	Franked/unfranked	Date of payment
<b>2009</b>				
Final 2008 – ordinary shares	7.6	13,185	Franked	25 September 2008
Interim 2009 – ordinary shares	–	–	–	–
Total amount		13,185		
<b>2008</b>				
Final 2007 – ordinary shares	2.3	4,042	Franked	14 September 2007
Interim 2008 – ordinary shares	4.0	7,048	Franked	19 March 2008
		11,090		

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

After 30 June 2009 the Directors have resolved not to declare a final dividend for the 2009 financial year. The dividends have not been provided. The declaration and subsequent payment of dividends has no income tax consequences.

In thousands of AUD	2009 \$'000	2008 \$'000
Dividend franking account		
30 percent franking credits available to shareholders of Keybridge Capital for subsequent financial years	8,465	12,047

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

- franking credits that will arise from the payment of the current tax liabilities;
- franking debits that will arise from the payment of dividends recognised as a liability at the year end;
- franking credits that will arise from the receipt of dividends recognised as receivables by the tax consolidated group at the year end; and
- franking credits that the entity may be prevented from distributing in subsequent years.

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends.

## 25. EARNINGS PER SHARE

### Basic earnings per share

The calculation of basic earnings per share at 30 June 2009 was based on the loss attributable to ordinary shareholders of \$129.1 million (2008: \$20.76 million) and a weighted average number of ordinary shares outstanding of 172.1 million (2008: 170.6 million) calculated as follows:

	Consolidated	
	2009 \$'000	2008 \$'000
<b>Profit attributable to ordinary shareholders</b>		
Net profit/(loss) attributable to ordinary shareholders	(129,138)	20,757
	No. '000	No. '000
<b>Weighted average number of ordinary shares in thousands of shares</b>		
Weighted average number of ordinary shares to 30 June	172,071	170,658

### Diluted earnings per share

The calculation of diluted earnings per share at 30 June 2009 was based on loss attributable to ordinary shareholders of \$129.1 million (2008: \$20.76 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 (2008: 171.3 million) calculated as follows:

	Consolidated	
	2009 \$'000	2008 \$'000
<b>Profit attributable to ordinary shareholders (diluted)</b>		
Net profit (loss) attributable to ordinary shareholders (diluted)	(129,138)	20,757
	No. '000	No. '000
Weighted average number of ordinary shares (basic)	172,071	170,658
Effect of share options on issue	–	652
Weighted average number of ordinary shares (diluted) at 30 June	172,071	171,310

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

## 26. FINANCIAL RISK MANAGEMENT

The Group seeks to minimise the effects of financial risks arising in the normal course of the Group's business. The global financial downturn, coupled with the significant depreciation in the value of the Australian dollar against the US dollar and Euro, experienced in the twelve months to June 2009 has impacted negatively on the value and liquidity of the Group's investments and heightened the Group's exposure to financial risks including credit risk, liquidity risk, foreign currency risk, interest rate risk and capital management.

Financial risk management is carried out by Management under policies approved by the Board. During the 12 months to 30 June 2009 the Board has approved changes in policy to actively manage the financial health of the Group and to facilitate the Board's decision not to make new investments and to achieve an orderly realisation of investments.

The policies are available on the Company's website at [www.keybridge.com.au](http://www.keybridge.com.au) and discussed in further detail under Corporate Governance on pages 8 to 24 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.

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

### Impairment Losses

The global financial downturn experienced in the 12 months to 30 June 2009 has resulted in the asset markets in which the Group operates being characterised by ongoing restrictions in the availability of senior bank debt and low levels of market liquidity, inhibiting the ability to sell assets in the short term and greater financial pressure on lessee and borrower counterparties. In this environment, the Group has focused on an orderly realisation of investments over the medium term as markets stabilise and, in the case of cyclical industries such as aviation and ships, markets improve from cyclical lows. These factors underpin the Group's assessment of impairment losses of \$151 million for the 2009 financial year.

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

	Loans and receivables		Available-for-sale		Held to Maturity		Total loss recognised	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Balance at 1 July	26,521	3,630	17,755	6,790	–	–	44,276	10,420
Impairment loss recognised	150,999	33,168	–	10,965	865	–	151,864	44,133
Impairment write-back	(314)	(10,277)	–	–	–	–	(314)	(10,277)
Investments written off	(43,826)	–	(17,755)	–	(865)	–	(62,446)	–
Balance at 30 June	133,380	26,521	–	17,755	–	–	133,380	44,276

The allocation of impairments by Business segment is provided in Note 5 – Segment Reporting.

## 26. FINANCIAL RISK MANAGEMENT *(continued)*

### Impairment Losses

In Property, the impairment accounts for 62% of the Gross Segment Assets and has been recorded as a collective impairment. The Property loans have been grouped together on the basis of similar risk characteristics for the purpose of calculating a collective impairment provision. This provision covers loans that are impaired at balance date but where the quantum of impairment is highly uncertain and will remain so until some time in the future.

In Aviation, the impairment accounts for 5% of the Gross Segment Assets and has been recorded as specific impairments against three of the five investments. In relation to one investment, the underlying wide body A340-300 aircraft has been grounded due to the lessee's failure to make lease payments. Recovery action to sell or release the aircraft is proceeding and the impairment loss reflects the uncertainty arising with that recovery action. The other two specific impairments reflect diminution of aircraft values on the basis of independent current and base value assessments.

In Shipping, the impairment accounts for 45% of the Gross Segment Assets and has been recorded as specific impairments against two of the four investments. In one investment, the Group has equity in a ship-owning company that has breached the value maintenance covenants contained in the senior debt financing for the underlying vessels. The ship-owning company is seeking to restructure its senior debt, which will require the raising of new equity capital. In the second investment the Group has an equity investment in two ships under term charter to October 2011. The specific impairment reflects the loss in value due to lower charter rates post October 2011.

In Infrastructure, the impairment accounts for 28% of the Gross Segment Assets and has been recorded as specific impairments against three of the five investments. Two of the specific impairments reflect write-down in values to match indicative purchase offers that have been received for the Group's investment in a wind farm and for one for its solar investments. The other impairment relates to a reduction in value of the other solar investment due to production delays.

In Lending, two of the six investments have been impaired. One is a senior loan secured against a retailing business in China supported by personal guarantees of the principals. Legal action has been taken to recover this loan. The other impaired transaction is a preferred equity investment secured and cross-collateralised by controlling interests in five unlisted US companies. The specific impairment reflects the lower value of the underlying businesses, exacerbated by delays in the sale of the underlying businesses. One additional investment, in an Australian company with a Chilean copper mine interest, had previously been impaired in the 2009 financial year. The residual book value of US\$3.7 million is anticipated to be recovered through the sale of the borrower's assets.

### 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, derivative financial instruments or deposits with banks and other financial institutions.

The Group's Transactional Risk Management Policy (TRMP) provides a process for analysing each credit exposure prior to investment and managing the Group's credit risk. The TRMP outlines the processes by which the Group identifies analyses and evaluates the risks of each investment. The Group manages ongoing credit risk by monitoring closely the performance of investments, the 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.

## 26. FINANCIAL RISK MANAGEMENT (continued)

The Group manages its investment portfolio cognisant of portfolio concentration guidelines outlined in the TRMP. These address preferred maximum exposures to counterparties, individual transactions and asset classes. The Board has noted that preferred portfolio concentration guidelines will be exceeded as a result of the Group not making new investments and the investment portfolio reducing in size through the impact of impairments and the realisation of investments.

During the year ended June 2009, the Group restructured a secured senior loan in the Aviation portfolio. The carrying value of the loan is \$14.9m and interest, which is paid monthly, is current. The repayment date was extended from 31 July 2009 to 30 June 2013.

### Exposure to credit risk

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 2009 is primarily due to the recognition of impairment provisions. The Group's maximum exposure to credit risk at the reporting date was:

	Note	Carrying amount	
		2009 \$'000	2008 \$'000
Cash and cash equivalents	10	9,615	25,264
Loans and receivables	13	314,521	396,381
Available-for-sale investments	15	132	–
Held-to-maturity investment	14	–	865
Embedded derivatives on investments	16	8,927	6,898
Forward exchange contracts used for hedging: assets	16	–	12,233
Interest rate swaps used for hedging: assets	16	–	2,185
Trade and other receivables	11	327	434
Add back deferred income		491	1,778
		334,013	446,038

The Company's maximum exposure to credit risk at the reporting date was \$255,738 (2008: \$395,387) for loans and receivables, Nil (2008: \$12,233) for forward exchange contracts used for hedging and Nil (2008: \$2,185) for interest rate swaps used for hedging. Cash and cash equivalents were \$9,615 (2008: \$25,264). These numbers are in thousands of dollars.

## 26. FINANCIAL RISK MANAGEMENT (continued)

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

	Carrying amount	
	2009 \$'000	2008 \$'000
Cash (Australian Banks)	9,615	25,264
Property	36,651	98,410
Aviation	148,712	118,672
Shipping	47,171	72,501
Infrastructure	45,135	54,005
Lending	46,514	74,827
Other – Interest rate swaps	–	2,185
Other – trade and other receivables	215	174
	334,013	446,038

The Company's maximum exposure to credit risk at the reporting date by industry segment was Cash (Australian Banks): \$9,615 (2008: \$25,264), Property: \$5,721 (2008: \$10,750), Aviation: \$149,430 (2008: \$118,672), Shipping: \$28,746 (2008: \$37,645), Infrastructure: \$52,720 (2008: \$37,645), Lending: \$30,029 (2008: \$37,839), Other: Nil (2008: Nil) and Inter-company loans: \$66,136 (2008: \$152,319). These numbers are in thousands of dollars.

In Property, there are six investments. The majority involve mezzanine loans supported by second mortgages mainly over residential apartment projects being either completed stock or development sites. There is one industrial development project. Two investments are in the United States, in Chicago and Manhattan, and the remainder are located on the eastern seaboard of Australia.

The value of investments in this asset class has been significantly impaired, reflecting the slow-down in sales activity and the consequent reduction in property prices across the relevant markets. Work is progressing in each of the transactions to either continue the process of an orderly realisation of the relevant project or restructure the underlying loans to improve the longer term value.

In Aviation, the Company has five investments, involving mezzanine loans secured by aircraft in the narrow body, wide body and turbo prop segments of the aviation market. One investment accounts for approximately half of the total aviation exposure and relates to a portfolio of 50 aircraft leased to in excess of 20 operators. Aircraft prices have been affected adversely by the global downturn and there is reasonable uncertainty as to whether orderly sales of aircraft can be achieved in prevailing market conditions. Aircraft values have tended to normalise after significant downturns and, as a result, any realisation of the Group's aviation investments is forecast to occur over the medium term.

In Shipping, the Group has five separate shipping investments, supported by 23 vessels in the wet and dry bulk cargo sectors. Again, the global downturn has impacted negatively on secondary market prices for vessels. It is anticipated that values and sales activity in shipping markets will recover over medium term as world trade volumes and liquidity in credit markets improve.

## 26. FINANCIAL RISK MANAGEMENT (continued)

In Infrastructure, the Company has five investments. One investment is a loan to an Australian pipeline company which is contracted to be repaid by 31 December 2009. Another investment is a loan to a water business in the United States, which should be repaid during 2010. The other investments are equity positions, one wind and two in solar facilities in Europe. All three facilities are operational. The Group's exposure ranks behind senior long term fully amortising debt in the wind farm and one of the solar farm investments. In the other solar transaction the Group ranks first as there is no senior debt.

In Lending, the Company has seven investments across a range of industries and comprise senior and subordinated loan exposures. Three of these investments are making monthly payments of interest and/or principal and two other transactions are reducing as assets owned by the borrower are sold. The remaining two investments are anticipated to be realised over the medium to long term.

### 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 2009 the Group's committed debt facilities were recorded as current liabilities due to the quantum of impairment provisions at balance date which resulted in a breach of financial undertakings. Subsequent to balance date the Group's lenders have agreed to amend the existing terms and conditions of the Group's committed debt facilities to remove the majority of financial covenants and allow the Group to manage the orderly realisation of investments and repayment of corporate debt. The Group has an obligation to repay \$30.5 million by 30 June 2010 and \$40 million over the period from September 2010 to March 2011, with the balance of \$145 million due on maturity on 2 June 2011.

The committed debt facilities are fully drawn and the total limit will reduce as repayments occur.

During the 2009 financial year the Group amended the terms of its corporate debt to include foreign currency borrowings in order to remove the short term cashflow variability due to the maturity of forward foreign exchange contracts and to facilitate the matching of foreign currency income with foreign currency interest costs and repayment of corporate debt.

The Group manages liquidity risk via:

- compliance with repayment obligations under the committed debt facilities;
- monitoring forecast and actual cashflows, including asset sales, cash investment income and the timing of foreign currency receipts and outflows; and
- seeking to maintain a minimum cash balance.

Cashflow forecasts are reported regularly to the AFRC.

At 30 June 2009 the Group and Company's secured bank loans were recognised as current liabilities and as a result the contractual maturities of financial liabilities (including estimated interest payments) are required to be shown as falling due within 6 months or less as follows:

30 June 2009						
\$'000	Carrying amount	Contractual cash flows	6 months or less	6–12 months	1–2 years	2–5 years
<b>Financial liabilities</b>						
Secured bank loans	(215,093)	(229,915)	(229,915)	–	–	–
Trade and other payables*	(3,788)	(3,788)	(3,788)	–	–	–
<b>Interest rate swaps:</b>						
Assets	–	–	–	–	–	–
Liabilities	(9,101)	(8,208)	(2,492)	(2,376)	(3,340)	–
	(227,982)	(241,912)	(236,195)	(2,376)	(3,340)	–

## 26. FINANCIAL RISK MANAGEMENT (continued)

Subsequent to 30 June 2009, the Group's lenders agreed to amend the terms of the Group and Company's secured bank loans. Under the amendment, the contractual maturities of secured bank loans, excluding estimated interest payments, are as follows:

\$'000	Consolidated and Company					
	Carrying amount	Contractual cash flows	6 months or less	6–12 months	1–2 years	2–5 years
Secured bank loans	(215,000)	(215,000)	(7,000)	(23,500)	(184,500)	–
	(215,000)	(215,000)	(7,000)	(23,500)	(184,500)	–

At 30 June 2009 the Group held cashflow hedges in relation to two interest rate swaps which hedge part of the interest cost on the Group's corporate borrowings.

All forward foreign exchange contracts were unwound during the 2009 financial year. Foreign exchange contracts noted in the 2008 financial year are held under the Company on behalf of its subsidiaries and are included in the consolidated number.

30 June 2009	Consolidated and Company					
\$'000	Carrying amount	Contractual cash flows	6 months or less	6–12 months	1–2 years	2–5 years
<b>Non-derivative financial liabilities</b>						
Secured bank loans	(170,000)	(249,880)	(8,383)	(8,194)	(16,038)	(217,265)
Trade and other payables*	(5,858)	(5,858)	(5,858)	–	–	–
<b>Interest rate swaps:</b>						
Assets	2,185	1,717	243	292	611	571
Liabilities	–	–	–	–	–	–
<b>Forward exchange contracts:</b>						
<b>Company</b>						
Assets	3,473	56,270	957	1,026	52,438	1,849
Liabilities	–	(49,990)	(820)	(883)	(46,763)	(1,524)
<b>Subsidiaries</b>						
Assets	4,102	36,196	36,196	–	–	–
Liabilities	–	(31,764)	(31,764)	–	–	–
	(166,098)	(243,309)	(9,428)	(7,759)	(9,752)	(216,369)



## 26. FINANCIAL RISK MANAGEMENT (continued)

### Foreign currency risk

Foreign exchange risk arises from assets and liabilities that are denominated in a currency that is not the Group's functional currency of Australian dollars. The Group's exposure to foreign exchange risk is material due to the number of investments denominated in both US dollars and Euros.

During the year the Group changed its approach to foreign exchange risk. In March 2009 the Group amended its corporate borrowings to include US Dollars and Euros. In May 2009 the Group closed out all its remaining forward foreign exchange contracts. As a result the Group has a natural hedge for 71% of its US Dollar denominated investments and 51% for its Euro denominated investments. The Group also amended its existing interest rate hedging to reduce the level of hedging for Australian Dollar interest costs and provide hedging for US Dollar interest costs.

The balance of investments in each currency that are not matched by US Dollar and Euro borrowings, are exposed to translation back to Australian Dollars. Any loss or gain arising on translation is recorded in the profit or loss statement.

### Exposure to currency risk

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

AUD Equivalents	30 June 2009		30 June 2008	
	USD \$'000	Euro \$'000	USD \$'000	Euro \$'000
Loans and Receivables	218,525	40,412	249,189	49,530
Total asset exposure	218,525	40,412	249,189	49,530
Foreign exchange contracts	–	–	(270,855)	(48,956)
Foreign exchange interest rate swap	(7,350)	–	–	–
Foreign exchange borrowings	(155,672)	(20,854)	–	–
Net exposure	55,503	19,558	(21,666)	574

The Net exposure relates to investments in foreign currency that is not naturally hedged with foreign currency borrowings.

## 26. FINANCIAL RISK MANAGEMENT (continued)

### Exposure to currency risk (continued)

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

AUD Equivalents	30 June 2009		30 June 2008	
	USD \$'000	Euro \$'000	USD \$'000	Euro \$'000
Loans and Receivables	173,399	40,412	167,110	49,530
Total asset exposure	173,399	40,412	167,110	49,530
Foreign exchange contracts	–	–	(195,391)	(48,956)
Foreign exchange interest rate swap	(7,350)	–	–	–
Foreign exchange borrowings	(155,672)	(20,854)	–	–
Net exposure	10,377	19,558	(28,281)	574

The net exposure relates to investments in foreign currency that is not naturally hedged with foreign currency borrowings.

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2009	2008	2009	2008
AUD: USD	0.7480	0.9054	0.8128	0.9653
AUD: Euro	0.5423	0.6099	0.5754	0.6111

### Foreign currency risk (continued)

#### Sensitivity analysis

The Group is exposed to the translation impact back to Australian dollars in relation to the US Dollar denominated investments and Euro denominated investments that are not naturally hedged by US Dollar and Euro corporate borrowings. In the case of US Dollar denominated investments the Group is exposed to 29% of the total US Dollar investments and in the case of Euro denominated investments the Group is exposed to 49% of the total Euro denominated 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 by 10%, against the US Dollar and the Euros, the Group would recognise a non-cash profit of \$10.0m (Company \$5.0m).

**26. FINANCIAL RISK MANAGEMENT (continued)**

	Consolidated Profit or loss		Company Profit or loss	
	100bp increase	100bp decrease	100bp increase	100bp decrease
<b>30 June 2009</b>				
USD	(5,714)	6,984	(1,611)	1,970
Euro	(2,461)	3,008	(2,461)	3,008
	(8,175)	9,991	(4,072)	4,977
<b>30 June 2008</b>				
USD	–	–	–	–
Euro	–	–	–	–
	–	–	–	–

The Group's US Dollar interest rate swap is marked-to-market at the end of each reporting period and changes in mark-to-market, reported in an Australian dollar equivalent, is included in equity. Whilst the Australian dollar equivalent will change depending on the Australian/US Dollar exchange at a point in time, that movement in exchange rate is also related to US forward interest rates and will change the mark-to-market.

At 30 June 2009 the mark-to-market of the US dollar interest rate swap was a loss of \$5.1m in equity. If the Australian dollar depreciated by 10% and all other factors were held constant, including the relationship with US forward interest rates, the impact on equity would be a gain of \$0.8m.

**Interest rate risk**

The Group and Company is exposed to interest rate risk where committed debt facilities, including non recourse debt financing and cash, are at a variable rate of interest. The majority of the loans and receivables are at fixed rates.

In relation to the Group and Company corporate borrowings, interest rate swaps have been entered into as cash flow hedges. At 30 June 2009, the Group had two interest rate swaps, one in Australian Dollars with a face value of \$25 million and maturity of 4 March 2011 and one in US Dollars with a face value of \$69.83 million and a maturity of 31 May 2011. The average remaining term of the interest rate swaps is 22 months.

The Australian dollar interest rate swap has a base rate of 7.79% per annum and provides a hedge for 65% of the interest cost on the Australian dollar debt. The US dollar interest rate swap has a base rate of 5.68% per annum and provides a hedge for 55% of the US Dollar debt. For Australian and US Dollars the base rate under the interest rate swaps is above current bank bill buy rate and LIBOR respectively.

The Group and Company policy is to ensure that, where practicable, all material interest rates in relation to non-recourse financing within an investment are fixed for the term of the non recourse financing. The known fixed interest rate is included in the analysis of that investment.

## 26. FINANCIAL RISK MANAGEMENT (continued)

### Interest rate profile

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

	Consolidated Carrying amount		The Company Carrying amount	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Variable rate instruments</b>				
Cash on hand	9,615	25,264	9,615	25,264
Financial assets	15,000	77,826	15,000	62,646
Financial liabilities – corporate borrowings	(215,093)	(170,000)	(215,093)	(170,000)
Interest rate swaps (pay fixed receive floating)	103,499	125,000	103,499	125,000
<b>Total variable rate instruments</b>	<b>(86,979)</b>	<b>58,091</b>	<b>(86,979)</b>	<b>42,910</b>

The Group and Company is entitled to receive a fixed rate of interest in relation to all of the Group and Company's financial assets, other than the one financial asset, which is a loan in the Lending portfolio with a carrying value of \$15 million. 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 does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at the reporting date would have a nil impact on profit or loss.

### 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 2008.

	Profit or loss		Equity	
	100bp increase \$'000	100bp decrease \$'000	100bp increase \$'000	100bp decrease \$'000
<b>30 June 2009</b>				
Variable rate instruments	76	(76)	–	–
Interest rate swap	–	–	(409)	411
Debt facility	(1,383)	710	–	–
Cash flow sensitivity (net)	(1,307)	634	(409)	411
<b>30 June 2008</b>				
Variable rate instruments	389	(389)	–	–
Interest rate swap	–	–	656	(656)
Debt facility	–	–	–	–
Cash flow sensitivity (net)	389	(389)	656	(656)

## 26. FINANCIAL RISK MANAGEMENT (continued)

### Fair values

#### Fair values versus carrying amounts

The carrying values of loans and receivables are considered to represent fair value where an investment has been impaired. For investments that have not been impaired, the fair value is determined using an estimate of interest rates that may apply if these assets were refinanced as at 30 June 2009.

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

Consolidated	30 June 2009		30 June 2008	
	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
Available-for-sale investments	132	132	–	–
Held-to-maturity investment	–	–	865	865
Loans and receivables	314,521	270,278	396,381	392,883
Cash and cash equivalents	9,615	9,615	25,264	25,264
Trade and other receivables	327	327	434	434
Derivative assets	8,927	8,927	21,316	21,316
Interest Swaps used for hedging:				
Assets	–	–	2,185	2,185
Liabilities	(9,101)	(9,101)	–	–
Forward exchange contracts used for hedging: Assets	–	–	12,233	12,233
Liabilities	–	–	–	–
Secured bank loans	(215,093)	(215,093)	(170,000)	(170,000)
Trade and other payables	(3,788)	(3,788)	(5,858)	(5,858)
	105,540	61,297	261,504	258,006

## 26. FINANCIAL RISK MANAGEMENT (continued)

Company	30 June 2009		30 June 2008	
	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
Available-for-sale investments	132	132	–	–
Held-to-maturity investment	–	–	865	865
Derivative assets	9,622	9,622	11,381	11,381
Loans and receivables	314,058	276,122	395,387	393,928
Cash and cash equivalents	9,615	9,615	25,264	25,264
Trade and other receivables	327	327	434	434
Interest Swaps used for hedging:				
Assets	–	–	2,185	2,185
Liabilities	(9,101)	(9,101)	–	–
Forward exchange contracts used for hedging: Assets	–	–	6,744	6,744
Secured bank loans	(215,093)	(215,093)	(170,000)	(170,000)
Trade and other payables	(3,788)	(3,788)	(5,858)	(5,858)
	105,772	67,836	255,021	253,562

### 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 constrained liquidity and low levels of available senior debt refinancing. They were in the following ranges, with the specific discount rate chosen being related to the underlying asset class, term and risk profile of the investment:

	2009	2008
Loans and receivables	18%-30%	10%-20%
Infrastructure	23%	10%-15%

### Capital Management

The Group's total capital at 30 June 2009 is \$337 million comprising contributed equity (net of retained losses) of \$122 million and corporate borrowings of \$215 million.

These funds are fully drawn and neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

During the financial year, the Board determined not to make new investments and to manage and realise existing investments over time in order to repay corporate borrowings and ultimately to return capital to shareholders. The Group is operating on a minimum liquidity buffer and is not expected to declare dividends in the medium term in order to apply all surplus funds to repayment of corporate borrowings. Thereafter, the Group will be in a position to return capital to shareholders or, subject to prevailing market conditions and shareholder support, to continue with an appropriate growth strategy.

## 27. RELATED PARTY DISCLOSURE

### Key Management Personnel compensation

Information regarding individual Directors and Senior Executives' compensation and shares held in the Company disclosures as permitted by Corporations Regulations 2M.3.03 are provided in the Remuneration Report on pages 32 to 40 of this Annual Report.

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

### Senior Executives (including for the Managing Director)

	Short-term employee benefits			Post-employment benefits		Total
	Cash salary	Incentive and bonus payments	Non-monetary	Company contributions to superannuation	Share-based payments	
In AUD	\$	\$	\$	\$	\$	\$
Totals – 2009	1,262,213	–	3,400	39,387	50,991	1,355,991
Totals – 2008	1,182,590	1,210,000	10,952	43,958	115,218	2,562,718

### Chairman and Non-Executive Directors

	Short-term employee benefits			Post-employment benefits		Total
	Cash fees	Incentive and bonus payments	Non-Monetary	Company contributions to superannuation	Share-based payments	
In AUD	\$	\$	\$	\$	\$	\$
Totals – 2009	262,250	–	–	21,150	24,529	307,929
Totals – 2008	305,400	–	–	21,600	64,437	391,437

### Directors and key management personnel

The Company has transferred the detailed remuneration disclosures (including key management personnel disclosures) to the Directors' Report. The information can be found in the Remuneration Report on pages 32 to 40.

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

#### Non-Executive Directors

Michael Perry (Non-Executive Director)  
 Ian Ingram (Non-Executive Director) (resigned 30 November 2008)  
 Philip Lewis (Non-Executive Director) (resigned 25 May 2009)

#### Executive Directors

Irene Lee (Chairman)  
 Mark Phillips (Managing Director)

#### Other key management

Ian Pike (Chief Investment Officer)  
 Karen Penrose (Chief Financial Officer and Company Secretary)

## 27. RELATED PARTY DISCLOSURE *(continued)*

### (a) Details of remuneration

Details of the remuneration of key management personnel are set out in the Remuneration Report on page 39.

### (b) Equity instrument disclosures relating to key management personnel movements in shareholdings including equity instruments granted as compensation via the Keybridge Capital Limited Director and Employee Share 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 from the Keybridge Capital Limited Director and Employee Share Plan.

During the year Ian Ingram and Philip Lewis resigned from the Board and surrendered all shares under the Director and Employee Share Plan to the Trustee of the Employee Scheme. No other shares were surrendered by any other of the key management personnel included in the table above and no terms of equity-settled share-based payments have been altered or modified by the issuing entity during the reporting period.

For further details in regards to the terms and conditions of the shares granted under the Director and Employee Share Plan refer to note 22(c).

### (c) Other transactions with key management personnel

No key management personnel have entered into a material contract with the Company or the consolidated entity since the end of the previous financial year and there were no material contracts involving key management personnel interests existing at year end.

### Employee share scheme

As at 30 June 2009 5,975,000 Employee Shares have been issued. During the financial year 775,000 Employee Shares were surrendered to the Trustee of the Director and Employee Share Plan following the resignation of Directors and staff. Of the total on issue, 4,441,664 Employee Shares have vested and 1,733,332 of these shares are subject to a 12 month holding lock from the date of vesting. The granted fair value of the Employee Shares is \$717,211. The amortisation expense recognised in the Financial Statements for the period ended 30 June 2009 was \$92,187 and the amount recognised in the share-based payment reserve was \$92,187.



## 27. RELATED PARTY DISCLOSURE (continued)

	No. of Employee Shares granted during 2007	Grant date	Fair value at grant date (\$)	Exercise price (\$)	Loan repayment date	No. of Employee Shares surrendered during 2009	No. of Employee Shares vested at 30 June 2009
<b>Directors</b>							
Irene Lee	1,000,000	25 Aug 2006	82,223	1.25	25 Aug 2011	–	666,666
Mark Phillips	3,000,000	18 Aug 2006	185,260	1.25	18 Aug 2011	–	3,000,000
Ian Ingram	200,000	25 Aug 2006	16,445	1.25	25 Aug 2011	(200,000)	–
Philip Lewis	200,000	27 Sept 2006	38,880	1.25	27 Sept 2011	(200,000)	–
Michael Perry	200,000	27 Sept 2006	38,880	1.25	27 Sept 2011	–	133,332
	4,600,000		361,688			(400,000)	3,799,998

There were no new issue of shares under the Director and Employee Share Scheme during 2009.

	No. of Employee Shares granted during 2007	Grant date	Fair value at grant date (\$)	Exercise price (\$)	Loan repayment date	No. of Employee Shares vested during 2008	No. of Employee Shares vested during 2009*
<b>Management Personnel</b>							
Ian Pike	400,000	5 Oct 2006	83,669	1.25	5 Oct 2011	133,333	133,333
Matthew Davis	225,000	17 Jun 2007	80,511	2.27	17 Jun 2012	75,000	75,000
Karen Penrose	150,000	5 Oct 2006	30,745	1.25	5 Oct 2011	50,000	50,000
David Stefanoff	150,000	5 Oct 2006	31,724	1.25	5 Oct 2011	50,000	50,000
	925,000		226,649			308,333	308,333

\* Shares remain subject to a 12 month holding lock period after vesting.

## 27. RELATED PARTY DISCLOSURE *(continued)*

### Options and rights over equity instruments

The movement during the reporting period in the number of options over ordinary shares in the Group and Company held directly by each key management person is as follows:

	Held at 1 July 2008	Granted as Retention based Remuneration	Exercised	Vested during the year	Other changes*	Vested and exercisable at 30 June 2009
<b>Directors</b>						
Irene Lee	1,000,000	–	–	333,333	–	666,666
Mark Phillips	3,000,000	–	–	1,000,000	–	3,000,000
Ian Ingram	200,000	–	–	66,666	(200,000)	–
Philip Lewis	200,000	–	–	66,666	(200,000)	–
Michael Perry	200,000	–	–	66,666	–	133,332
<b>Other key management personnel</b>						
Ian Pike	400,000	–	–	133,333	–	266,666
Karen Penrose	150,000	–	–	50,000	–	100,000

	Held at 1 July 2007	Granted as Retention based Remuneration	Exercised	Vested during the year	Other changes*	Vested and exercisable at 30 June 2008
<b>Directors</b>						
Irene Lee	1,000,000	–	–	333,333	–	333,333
Mark Phillips	3,000,000	–	–	1,000,000	–	2,000,000
Ian Ingram	200,000	–	–	66,666	–	66,666
Philip Lewis	200,000	–	–	66,666	–	66,666
Michael Perry	200,000	–	–	66,666	–	66,666
<b>Other key management personnel</b>						
Ian Pike	400,000	–	–	133,333	–	133,333
Karen Penrose	150,000	–	–	50,000	–	50,000

\*Other changes represent options that expired or were surrendered to the Trustee of the Share Scheme during the year.

## 27. RELATED PARTY DISCLOSURE (continued)

The exercise price of \$1.25 per ordinary share for the shares issued to key management personnel is materially above the Company's share price at 30 June 2009.

All options are held directly by key management personnel.

### 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 Limited Director and Employee Share Scheme, unless such shares have been exercised. At 30 June 2009, no shares under the Director and Employee Share Scheme have been exercised.

	Held at 1 July 2008	Purchases	Received on exercise of options	Sales	Held at 30 June 2009
<b>Directors</b>					
Irene Lee	1,750,414	–	–	–	1,750,414
Mark Phillips	453,149	–	–	–	453,149
Michael Perry	535,715	–	–	–	535,715
Ian Ingram <sup>+</sup>	–	–	–	–	–
Philip Lewis <sup>++</sup>	335,095	100,000	–	–	435,095
<b>Other key management personnel</b>					
Ian Pike	140,001	–	–	–	140,001
Karen Penrose	68,259	–	–	–	68,259
	3,282,633	100,000	–	–	3,382,633

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

<sup>+</sup> Resigned 30 November 2008

<sup>++</sup> Resigned 25 May 2009

## 27. RELATED PARTY DISCLOSURE *(continued)*

### Other related party transactions

	Transaction value year ended 30 June		Balance outstanding year ended 30 June	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Company</b>				
Subsidiary Loans	2,094	2,484	66,136	152,319
	2,094	2,484	66,136	152,319

Loans are made by the Company to wholly owned subsidiaries for their investments in Loans and Receivables. Loans outstanding between the Company and its subsidiaries have no fixed date of repayment and are non-interest bearing, except for loans to Pacific Bridge Cyprus which are charged at 15% per annum. During the financial year ended 30 June 2009, the Company recognised a provision for impairment of \$88m (2008: Nil) for loans to subsidiaries. These are identical to the provisions on Loans and Receivables recognised in the subsidiaries.

## 28. GROUP ENTITIES

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

	Country of incorporation	Ownership interest	
		2009 %	2008 %
<b>Significant subsidiaries</b>			
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

## 29. SUBSEQUENT EVENT

Subsequent to the end of the financial period, the Group's lenders agreed to amend the terms of the Group's corporate borrowings to facilitate the Group to continue the orderly realisation of investments and repayment of debt. The amendments are expected to be documented in the near term (see note 2b for more detail).

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

### 30. COMMITMENTS

#### (i) Loan commitments

There is one of investment that has an undrawn commitment at year end. The balance of the undrawn commitment is approximately \$1.35 million at 30 June 2009 (2008: \$22.6 million).

#### (ii) Lease commitments

	Consolidated		The Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Less than one year	275	275	275	275
Between one and five years	825	1,102	825	1,102
	1,100	1,377	1,100	1,377

During the financial year the lease payments recognised as an expense totalled \$284,101. The Group leases its premises under a lease which expires in September 2012. The Group also leases office equipment under a lease which expires in September 2011. Leases generally provide the Group entity with a right of renewal at which time all terms are renegotiated.

### 31. CONTINGENCIES

There are no contingent assets or liabilities as at 30 June 2009.

### 32. AUDITORS REMUNERATION

	Consolidated		The Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Auditors of the Company</b>				
<b><i>KPMG Australia:</i></b>				
Audit and review of the financial reports	145	132	145	132
Tax services	26	44	26	44
Other non audit services	–	–	–	–
	171	176	171	176

1. In the opinion of the Directors of Keybridge Capital Limited (the Company):
  - (a) the financial statements and notes set out on pages 26 to 97, and the Remuneration Report in the Directors' Report, set out on pages 32 to 40, are in accordance with the *Corporations Act 2001*, including:
    - (i) giving a true and fair view of the Company's and the Groups financial position as at 30 June 2009 and of their performance, for the financial year ended on that date; and
    - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;
  - (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a); and
  - (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. The Directors have been given the declarations required by section 295A of the *Corporations Act 2001* from the Managing Director and Chief Financial Officer for the financial year ended 30 June 2009.

Signed in accordance with a resolution of Directors:



**Irene Lee**  
Chairman

Sydney, 31 August 2009

The shareholder information set out below was applicable as at 14 August 2009.

### DISTRIBUTION OF EQUITY SECURITIES

Range	Total holders	Shares	% of Issued Shares
1 to 1000	227	128,323	0.07
1001 to 5000	985	2,996,093	1.68
5001 to 10000	747	5,662,655	3.18
10001 to 100000	1,428	44,362,688	24.92
100001 and Over	222	124,895,805	70.15
Total	3,609	178,045,564	100.00

### LARGEST SHAREHOLDERS

The names of the 20 largest holders of ordinary shares as at 14 August 2009 are listed below:

Name	Number held	% of issued units
ANZ Nominees Limited <Cash Income A/C>	8,764,845	4.92
Mr Robert Michael Whyte	6,109,267	3.43
Australian Executor Trustees Limited <No 1 Account>	5,214,261	2.93
Rubicon Nominees Pty Ltd	4,272,306	2.4
Citicorp Nominees Pty Limited	3,238,850	1.82
The Myer Family Company P/L	3,085,715	1.73
Mr Mark Phillips	3,000,000	1.68
Sysuper Pty Ltd	2,992,418	1.68
Eclectic Investments Pty Limited	2,200,000	1.24
Mr Robert Whyte	2,198,732	1.23
UBS Nominees Pty Ltd	2,182,974	1.23
Kafig Pty Ltd	2,152,592	1.21
JPMorgan Nominees Australia Limited	2,021,691	1.14
Gersor Pty Ltd <Gersor Superfund A/C>	2,000,000	1.12
UBS Nominees Pty Ltd <PB SEG A/C>	2,000,000	1.12
Pine Street Pty Ltd <Pine Street A/C>	1,890,250	1.06
Whitechurch Developments Pty Ltd <Whitechurch S/F A/C>	1,679,389	0.94
Warbont Nominees Pty Ltd <Settlement Entrepot A/C>	1,591,240	0.89
M F Custodians Ltd	1,501,468	0.84
Crofton Park Developments Pty Ltd <Brougham Family Account>	1,500,000	0.84

### **VOLUNTARY ESCROW**

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

### **MARKETABLE PARCELS**

The number of holders holding less than a marketable parcel of 7,463 shares (\$0.067 on 14 August 2009) is 1,606.

### **VOTING RIGHTS**

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

### **SHAREHOLDER ENQUIRIES**

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

### **CHANGE YOUR ADDRESS?**

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

### **INVESTOR INFORMATION**

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

### **ONLINE RECEIPT OF THE ANNUAL REPORT AND SHAREHOLDER INFORMATION**

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

### **STOCK EXCHANGE LISTING**

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

### **UNQUOTED EQUITY SECURITIES**

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



## REGISTERED OFFICE

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## SHARE REGISTRY

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