Keybridge Capital Limited and Controlled Entities

ABN 16 088 267 190

31 December 2012

Condensed Consolidated

Interim Financial Report

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Contents

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Directors' Report

Your Directors present their report together with the condensed consolidated financial report of Keybridge Capital Limited (the "Company") and its controlled entities (the "Group") for the half-year ended 31 December 2012 and the independent auditor's review report thereon.

DIRECTORS

The names of the directors who held office during, and since the end of, the half year are:

Executive Director:
Mark Worrall (Managing Director)

Non-executive Directors:
Peter Wood (Chairman)
Bill Brown – Appointed 9 October 2012
Nicholas Bolton – Resigned 9 October 2012; Reappointed 2 January 2013
Robert Moran – Appointed 2 January 2013

PRINCIPAL ACTIVITIES

Keybridge Capital Limited is a financial services Group that has invested in, or lent to, transactions backed by real assets, financial assets or cash flow. Its major asset classes are aviation, lending, property, shipping and infrastructure. The Group has not made any new investments or advanced any significant new loans since October 2008.

DIVIDENDS - KEYBRIDGE CAPITAL LIMITED

For the period to 31 December 2012, the Directors determined not to declare any dividends payable to shareholders. The Group does not expect to declare dividends in future periods until such time as its corporate debt is fully repaid, as per the terms of the current facility.

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

REVIEW OF OPERATIONS AND RESULTS

For the purposes of this review, results are compared with the prior comparable period of the consolidated entity.

The Group's net loss after income tax attributable to its ordinary shareholders for the half-year to 31 December 2012 was $2.5 million. Operating revenue of $3.9 million was impacted by:

- net impairment provisions of $3.6 million.
- operating expenses of $1.1 million;
- borrowing costs of $1.2 million;
- an unrealised foreign exchange loss on foreign currency assets of $0.94 million and
- an unrealised foreign exchange gain on foreign currency borrowings of $0.86 million.

The Group has a net foreign currency asset position. This is, we have more foreign currency assets than our foreign currency liabilities. This means that translation losses are incurred when the Australian Dollar appreciates in value against the US Dollar and Euro or that translation gains are achieved when the Australian Dollar depreciates against the US Dollar and Euro. From 30 June 2012 to the end of December, the Australian Dollar appreciated against the US Dollar and depreciated against the Euro. This resulted in a small net foreign currency loss for the Group of $0.08 million.

Operating expenses (excluding borrowing costs) were 39% lower in the half year to 31 December 2012. The decrease was due to lower employment costs (lower headcount), offset by an increase of 77% on legal and professional costs. This increase in legal and professional costs is expected to decrease hereafter, as several of the matters involved have reached commercial settlement.

Borrowing costs were 20% lower in the half year to 31 December 2012 as a result of a materially lower level of borrowings due to repayments achieved via investment realisations. The average interest rate on the Company's debt facility during the six months to December 2012 was higher at 5.7% per annum, compared with 4% per annum in the corresponding period last year. This increase in the average interest rate reflects the increase in margin from 3.75% to 5.5%. This margin will decrease to 5.0% as the Company has achieved the repayment milestone required by its banks before 28 February 2013.

Corporate Debt Facility

Over the last six months, Keybridge reduced its outstanding corporate liabilities in Australian dollar equivalent terms by $12.8 million (including an unrealised gain of $0.9 million) from $38.8 million to $26.0 million at 31 December 2012. As at the date of this release, following receipt of further cash inflows, the balance of the facility is USD24.95 million. The Company has now satisfied its required payment milestone at 28 February 2013 and has no other interim milestones to achieve, pending the maturity of its corporate debt facility on 3 June 2013.

With the repayment of the 28 February 2013 milestone, the Company will no longer be required to recognise a $0.4 million accrual for a contingent risk sharing fee. This accrual (included in the half-year results) will be reversed in the second half of the financial year.

The Company's current lending facility however continues to require Keybridge to sweep all spare cash to the banks. This prevents the making of new significant investments and the payment of dividends to shareholders. As discussed in this report, provided the realisation of the Company's remaining material aviation asset concludes as expected, the Company will repay the remaining USD24.95 million and will no longer be governed by these bank restrictions.

INVESTMENTS AND LOANS

The pace of investment recoveries and loan repayments has been slower over the past six months compared with prior periods. This is a natural result of the wind-down over the past three years of the number of assets now remaining in the portfolio.

In the six months to 31 December 2012, one significant asset realisation was achieved. A net amount of USD6.8 million (USD7.3 million before withholding tax) was received by way of a distribution from the Company's investment in a US-domiciled private equity fund. This distribution arose following the sale of one of the PE fund's investments.

As at 31 December 2012, the Group's net investments and loans totalled $68.2 million, split across the following asset classes:

	$m	**% of Total**
Aviation	33.4	49.0%
Property	11.9	17.4%
Lending	11.3	16.6%
Infrastructure	7.0	10.3%
Private Equity	4.5	6.6%
Shipping	0.1	0.1%
	68.2	**100%**

Aviation: As at 31 December 2012, the Group's remaining aviation transactions were mezzanine loan investments in four passenger jet aircraft and an equity investment in an ASX-listed general aviation company. In the past six months, the Group received no repayments of principal from the aviation portfolio.

Our aviation asset manager on the passenger aircraft, GMT Global Republic Aviation Ltd ("GMT"), has since sold one of these four aircraft, having sourced a new lessee for this aircraft and completing a sale of the aircraft to a third party lessor. This sale in a challenging market was required due to the deterioration of the particular circumstances surrounding the non-recourse asset-based financing of, and the committed new lease, on this aircraft. The sale completed on 15 February 2013 and loan repayment proceeds of USD2.4 million are expected to be repaid to Keybridge shortly. As a consequence of these changed circumstances, a provision of USD4.3 million was recognised in the first six months to 31 December 12 to reflect the financial outcome to Keybridge arising from this disposal.

For the remaining aircraft in the portfolio, GMT has now executed a non-binding Letter of Intent ("LOI") with an experienced leasing company subsidiary of a major financial institution to sell its three A330-300 aircraft, which are currently on lease to a European airline. This LOI is subject to the satisfaction of usual conditions precedent and due diligence, as well as board and investment committee approvals by both seller, seller's financiers and purchaser, with the sale expected to be completed by no later than 29 March 2013. The completion of the sale of these three aircraft will result in loan repayment proceeds to Keybridge of approximately USD30 million.

Property: Keybridge has two remaining property-backed investments. The first investment is a subordinated secured loan to the project developer of a multi-staged residential development in the inner city of Sydney. This development has now achieved successful completion of its first two stages, with all developed properties now sold. The third stage is now under construction and has achieved all required pre-sales to meet its construction finance hurdles. Funding for Stage 4 has been approved in principle and construction is expected to commence in first quarter 2013 once documentation and required finance conditions are satisfied. This development is expected to complete late 2014, and, assuming everything proceeds as currently planned, Keybridge should receive its investment repaid, together with interest, on completion of settlement from this stage during the course of the first half of 2015.

The other remaining property investment is a subordinated loan secured by a pool of Australian commercial mortgages. The pool continues to be reduced via the refinancing of the underlying loans as they either mature, or the underlying securities are realised, with the senior lender to the pool being repaid first. All the loans in the pool are first ranking. The senior lender was repaid in full in January 2013. Keybridge is now the sole lender to the remaining portfolio, thereby deriving interest income and future realisations as loans are refinanced and/or realised. It may take a further one to two years for Keybridge to be repaid its present carrying value, however the collateral value of the mortgage pool is presently sound and Keybridge is undertaking various strategies to accelerate this asset's early realisation. In the past twelve months, Keybridge did not receive any income or repayments from its property loans and receivables, as all proceeds are being swept to the pool's senior lender. The Company has now since started to receive distributions of principal and interest from income and loan realisations in the pool.

Lending: This investment now consists of one subordinated loan to a non-conforming car leasing business based in Australia. The subordinated loan pays interest each month as contracted.

As previously advised, the owners of Keybridge's borrower have signed a non binding Heads of Agreement to sell its vehicle leasing business to a major international corporation. To facilitate completion of confirmatory due diligence and purchase documentation by the parties, Keybridge agreed loan extension terms on its mezzanine loan facility to this business which was otherwise due at 30 September 2012. The new loan term is to 28 February 2013 after the purchaser met all necessary conditions to automatically extend the loan, pending expected completion of the sale by that date.

However, the Company has now been advised that the purchaser wishes to amend the terms of its offer, which will require further negotiations and agreement between Keybridge, its borrower and the purchaser prior to 28 February 2013. If the amended terms are agreed by all parties, and if the transaction is then approved by the purchaser, the sale will not complete by the current loan maturity, and accordingly the borrower has formally sought a further term extension. The terms of, or any extension to the maturity date of this loan are yet to be agreed.

In the past six months, the Group however, received $2.0 million of proceeds via syndication at par in July 2012 of its participation in this asset.

Infrastructure: The Group has one remaining infrastructure investment, being a loan to, and an equity accounted investment in, a 1 MW solar electricity facility in Spain. The plant is now performing at the agreed performance levels in accordance with the original contract, following the successful replacement of the sub-standard solar panels under warranty. However the Spanish Government has announced its intention to legislate for various changes to taxes on such facilities; though such legislation has as yet not been released. The delay in this legislation creates uncertainty for future potential buyers of the plant; therefore the Company is not actively seeking to dispose of this investment at this stage until this tax position is more certain.

In the six months to December 2012, the Group received no principal repayments from the infrastructure investment, but received income as expected.

Private Equity: This investment is a preferred equity investment in a closed-end private equity fund based in the United States. In the past six months, the Group received a net USD6.8 million (USD7.3 million before withholding tax) repayment after the private equity fund realised its largest asset in the portfolio in August 2012. This distribution represents the effective return of all Keybridge's initial capital invested into the fund, together with our expected investment return on that capital.

The remainder of the underlying investee entities in which the fund has invested, are all tracking in line with the fund manager's expectations. Keybridge is reviewing its future structure and ownership of this investment through current negotiations with the fund manager.

Shipping: Keybridge continues to assign no value to the remaining four vessels in the shipping portfolio due to current independent market values for these vessels being lower than the senior loans attached to these vessels. However, there remains a loan receivable of $0.08 million provided by the Company to facilitate a change in the operational arrangements on one of the vessels, which, since balance date, has been repaid in full.

The vessels are being employed and managed by our partner and co-investor Tufton Oceanic Limited of London, UK. The Company continues to maintain an active dialogue with Tufton, with the aim to seek to recover some future value, should markets improve. Any realisation of value is however dependent on the patience of the assets' respective senior lender to also ride out the very poor current market conditions.

In the six months to December 2012, the Group received $0.5 million of repayments from one of its shipping transactions and recognised a nil profit on the equity-accounted investments.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

No significant changes have occurred during the half-year period ended 31 December 2012.

ROUNDING OF AMOUNTS

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

AUDITOR'S INDEPENDENCE DECLARATION

The Lead Auditor's Independence Declaration is set out on page 5 and forms part of the Directors' Report for the half-year ended 31 December 2012.

Dated at Sydney this 20th day of February 2013.

Signed in accordance with a resolution of the Board of Directors.

Peter Wood
Chairman

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

To: the directors of Keybridge Capital Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2012 there have been:

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

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

KPMG

KPMG

Madeleine Mattera

Madeleine Mattera
Partner

Sydney

20 February 2013

Keybridge Capital Limited and Controlled Entities

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Condensed consolidated statement of comprehensive income
For the six months ended 31 December 2012

	Note	31 Dec 2012 $'000	31 Dec 2011 $'000
Revenue and income			
Fees		97	45
Interest income		2,934	2,979
Net unrealised gain/(loss) on other investments		611	(58)
Net realised gain on disposal of investments		-	2,272
Other income		264	89
Operating income		3,906	5,327
Expenses			
Net impairment expenses	7	(3,591)	(6,502)
Unrealised gain/(loss) on revaluation of foreign currency assets		(937)	2,863
Realised net foreign currency gain/(loss) on foreign currency assets		(5)	2,594
Administration expenses		(180)	(327)
Employment costs		(397)	(1,122)
Legal and professional fees		(371)	(209)
Other expenses		(128)	(107)
Results from operating activities		(1,703)	(2,517)
Unrealised foreign exchange gain/(loss) on foreign currency borrowings		864	(5,072)
Finance costs		(1,246)	(1,554)
Net finance (costs)/income		(382)	(6,626)
Loss before income tax		(2,085)	(4,108)
			-
Income tax (expense)/benefit	10	(427)	-
Loss for the period		(2,512)	(4,108)
Other comprehensive income, net of income tax			
Cash flow hedges			
Effective portion of changes in fair value		-	-
Net amount transferred to profit or loss		-	-
Other comprehensive income for the period, net of income tax		-	-
Total comprehensive loss for the period, net of income tax		(2,512)	(4,108)
		Cents	**Cents**
Basic loss (cents per share)		**(1.46)**	**(2.39)**
Diluted loss (cents per share)		**(1.46)**	**(2.39)**

The notes on pages 10 to 23 are an integral part of these condensed consolidated interim financial statements.

Keybridge Capital Limited and Controlled Entities

ABN 16 088 267 190

Condensed consolidated interim statement of financial position as at 31 December 2012

	Note	31 Dec 2012 $'000	30 Jun 2012 $'000
Cash and cash equivalents		1,597	2,522
Trading and other receivables		20	851
Loans and receivables – net		16,427	32,181
Other investments		1,950	1,339
Other assets		131	230
Total current assets		20,125	37,123
Loans and Receivables – net		49,792	47,874
Property, plant and equipment		73	131
Total non-current assets		49,865	48,004
Total assets		69,990	85,127
Payables		668	479
Loans and borrowings	9	26,000	38,813
Total current liabilities		26,668	39,292
Total liabilities		26,668	39,292
Net assets		43,322	45,835
Equity			
Share capital		260,651	260,651
Reserves		-	-
Retained earnings/(losses)		(217,329)	(214,816)
Total equity attributable to equity holders of the Company		43,322	45,835

The notes on pages 10 to 23 are an integral part of these condensed consolidated interim financial statements
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Keybridge Capital Limited and Controlled Entities

ABN 16 088 267 190

Condensed consolidated statement of changes in equity
For the six months ended 31 December 2012

	Share capital	Share based payment reserve	Treasury share reserve	Cashflow hedge reserve	Retained earnings/ (losses)	Total
		$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2011	260,651	-	-	-	(214,817)	45,835
Total comprehensive income for the period						
Loss for the period	-	-	-	-	(2,512)	(2,512)
Other comprehensive income						
Total comprehensive income for the period	-	-	-	-	(2,512)	(2,512)
Transactions with owners, recorded directly in equity						
Contributions by and distributions to owners						
Share based payments	-	-	-	-	-	
Unearned share based payments transferred to profit and loss	-	-	-	-	-	
Reserves transferred to retained earnings	-	-	-	-	-	-
Balance at 31 December 2012	260,651	-	-	-	(217,329)	43,322
Balance at 1 July 2011	260,651	1,557	-		(212,761)	49,447
Total comprehensive income for the period						
Loss for the period	-	-	-	-	(4,108)	(4,108)
Other comprehensive income						
Total comprehensive income for the period	-	-	-	-	(4,108)	(4,108)
Transactions with owners, recorded directly in equity						
Contributions by and distributions to owners						
Share based payments	-	(313)	-	-	-	(313)
Unearned share based payments transferred to profit and loss	-	(88)	-	-	-	(88)
Reserves transferred to retained earnings	-	(1,156)	-	-	1,156	-
Balance at 31 December 2011	260,651	-	-	-	(215,713)	44,938

The notes on pages 10 to 23 are an integral part of these condensed consolidated interim financial statements.

Keybridge Capital Limited and Controlled Entities

ABN 16 088 267 190

Condensed consolidated interim statement of cash flows
For the six months ended 31 December 2012

	Note	31 Dec 2012 $'000	31 Dec 2011 $'000
Cash flows from operating activities			
Fees received		12	48
Interest received		2,949	2,590
Payments to suppliers and employees		(1,137)	(2,845)
Interest payment on loan facility		(827)	(1,691)
Other income		249	2,361
Net cash from operating activities		1,246	463
Cash flows from investing activities			
Loans and Receivables, advances and acquisitions of other instruments		265	-
Proceeds from sale/repayments of loan and receivables		9,540	59,969
Net cash from investing activities		9,805	59,969
Cash flows from financing activities			
Repayment of loans and borrowings		(11,948)	(61,547)
Net cash from/(used) in financing activities		(11,948)	(61,547)
Net decrease in cash and cash equivalents		(898)	(1,115)
Cash and cash equivalents at 1 July		2,522	5,040
Effect of exchange rate fluctuations on cash held		(27)	(18)
Cash and cash equivalents at 31 December		1,597	3,907

The notes on pages 10 to 23 are an integral part of these condensed consolidated interim financial statements.

1. Reporting entity

Keybridge Capital Limited (referred to as “Keybridge” or the “Company”) is a company domiciled in Australia. The condensed consolidated interim financial report of the Company as at and for the six months ended 31 December 2012 comprises the Company and its subsidiaries (together referred to as the "Group") and the Group's interests in associates and jointly controlled entities.

The consolidated annual financial statements of the Group as at and for the year ended 30 June 2012 is available upon request from the Company’s registered office at Level 26, 259 George Street, Sydney NSW 2000 or at www.keybridge.com.au.

2. Basis of preparation

(a) Statement of compliance

The condensed consolidated interim financial statements are a general purpose financial report prepared in accordance with AASB 134 Interim Financial Reporting and the *Corporations Act 2001*.

The consolidated interim financial report does not include all of the information required for a full annual financial report and should be read in conjunction with the consolidated annual financial report of the Group as at and for the year ended 30 June 2012.

The condensed consolidated interim financial statements comply with IAS 34 Interim Financial Reporting.

This consolidated interim financial report was approved by the Board of Directors on 20 February 2013.

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, all financial information presented in Australian dollars has been rounded to the nearest thousand unless otherwise stated.

(b) Going concern

The Company achieved only one significant capital inflow in the first half of the financial year, however, the pace of investment realisations and loan repayments for the second half of the financial year will likely improve due to the expected completion of sales of some of the Company’s significant assets.

The secondary markets for the assets remaining in the Company’s portfolio continue to be challenging. The Group’s ability to service its loan commitments and repay principal is dependent upon its ability to realise sufficient income and repayments from its portfolio of loans, receivables and investments.

As at the 31 December 2012, the Group has net current liabilities of $6.5 million arising mainly from the fact that the Company’s corporate debt facility remains a current liability due to its existing maturity date. In order to continue as a going concern, the Company will be required to repay or refinance its remaining corporate borrowings by their due date of 3 June 2013. The Directors expect to seek to either refinance this facility, or to have completed investment realisations during the remainder of this financial year, in order to repay in full the outstanding borrowings on or prior to this time.

The Directors continue to acknowledge that realising the remaining loans and receivables may take time given current market conditions in which the Company has invested. However, having regard to, amongst other things, cash flow forecasts over the term of the Group’s corporate borrowings, including the Group’s anticipated loan realisations over the next 6-18 months, 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. This is confirmed in the Directors’ Declaration on page 24 of this Condensed Consolidated Interim Financial Report.

2. Basis of preparation (continued)

(c) Use of estimates and judgements

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

Except as described below, in preparing this condensed consolidated interim financial report, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report as at and for the year ended 30 June 2012.

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 condensed consolidated interim financial statements are described in:

- Note 7 - Impairment provisions
- Note 10 - Taxation

3. Significant accounting policies

The accounting policies applied by the Group in this Condensed Consolidated Interim Financial Report are the same as those applied by the Group in its Consolidated Financial Report as at and for the year ended 30 June 2012.

4. Financial risk management

The Group seeks to minimise the effects of financial risks arising in the normal course of the Group's business. The markets, in which the Group has invested, on the whole, remained flat for the first half of 2013 financial year. As at 31 December 2012 approximately 49.0% of the Group's remaining loan and investment portfolio is in the aviation sector, where demand for our particular aircraft (aged A330-300's) aircraft remains limited.

Financial risk management is undertaken by management under policies approved by the Board. During the six months to 31 December 2012 management continued to monitor the Group's policies and sought Board approval for any necessary changes to actively manage the financial health of the Group and to facilitate the Board's objective to achieve an orderly realisation of loans and investments and in accordance with the terms of the debt facility.

4. Financial risk management (continued)

The Company's policies are available on the Company's website at www.keybridge.com.au. The Group's policies are discussed in further detail under Corporate Governance on pages 13 to 25 of the 2012 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.

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 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 lender or equity investor.

In relation to the Group's Transactional Risk Management Policy (TRMP), having regard to the current business plan of realising assets, paying down corporate debt and not entering into new investments, the majority of this policy continues to be suspended.

The Board suspended the TRMP in 2009 on the basis it be reinstated in the event the Board subsequently determines to recommence transaction origination and/or investment activity.

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

- All loans and investments are continuously monitored and reviewed by Keybridge management with a formal report provided to the Board on a monthly basis.
- Primary approval authority for transactions lies with the Board. Only the Board can approve a new transaction. The only exception to this is that the approval of new funds for existing investments is delegated to both of the Chairman and Managing Director, provided the amount does not exceed $500,000 in any six month period and the funds are required to protect the value of an existing Keybridge investment. Such approvals are to be reported to the next Board meeting following the date of approval. No such delegation was exercised over the six months to 31 December 2012.

4. Financial risk management (continued)

Exposure to credit risk (continued)

The carrying amount of the Group's financial assets represents its maximum credit exposure. The reduction in exposure to credit risk in the six months to 31 December 2012 is primarily due to the realisation of assets. The Group's maximum exposure to credit risk at the reporting date was:

	31 Dec 2012 $'000	30 Jun 2012 $'000
Cash (Australian Banks)	1,597	2,522
Aviation	31,419	36,282
Property	11,859	11,859
Lending	11,338	13,186
Infrastructure	7,006	7,160
Private Equity	4,508	11,809
Shipping	89	575
	67,816	83,394

The Group's most significant counterparty exposure relates to one aviation investment (30 June 2012: one aviation investment) which accounts for $31,419,000 of carrying amounts for the loans and receivables at 31 December 2012 (30 June 2012: $36,282,000).

Aviation: As at 31 December 2012, the Group's remaining aviation transactions were mezzanine loan investments in four passenger jet aircraft and an equity investment in an ASX-listed general aviation company. In the past six months, the Group received no repayments of principal from the aviation portfolio.

Our aviation asset manager on the passenger aircraft, GMT Global Republic Aviation Ltd ("GMT"), has since sold one of these four aircraft, having sourced a new lessee for this aircraft and completing a sale of the aircraft to a third party lessor. This sale in a challenging market was required due to the deterioration of the particular circumstances surrounding the non-recourse asset-based financing of, and the committed new lease, on this aircraft. The sale completed on 15 February 2013 and loan repayment proceeds of USD2.4 million are expected to be repaid to Keybridge on 20 February 2013. As a consequence of these changed circumstances, a provision of USD4.3 million was recognised in the first six months to 31 December 12 to reflect the financial outcome to Keybridge arising from this disposal.

For the remaining aircraft in the portfolio, GMT has now executed a non-binding Letter of Intent ("LOI") with an experienced leasing company subsidiary of a major financial institution to sell its three A330-300 aircraft, which are currently on lease to a European airline. This LOI is subject to the satisfaction of usual conditions precedent and due diligence, as well as board and investment committee approvals by both seller, seller's financiers and purchaser, with the sale is expected to be completed by no later than 29 March 2013. The completion of the sale of these three aircraft will result in loan repayment proceeds to Keybridge of approximately USD30 million.

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Lending: This investment now consists of one subordinated loan to a non-conforming car leasing business based in Australia. The subordinated loan pays interest each month as contracted.

As previously advised, the owners of Keybridge's borrower have signed a non binding Heads of Agreement to sell its vehicle leasing business to a major international corporation. To facilitate completion of confirmatory due diligence and purchase documentation by the parties, Keybridge agreed loan extension terms on its mezzanine loan facility to this business which was otherwise due at 30 September 2012. The new loan term is to 28 February 2013 after the purchaser met all necessary conditions to automatically extend the loan, pending expected completion of the sale by that date.

However, the Company has now been advised that the purchaser wishes to amend the terms of its offer, which will require further negotiations and agreement between Keybridge, its borrower and the purchaser prior to 28 February 2013. If the amended terms are agreed by all parties, and if the transaction is then approved by the purchaser, the sale will not complete by the current loan maturity, and accordingly the borrower has formally sought a further term extension. The terms of, or any extension to the maturity date of this loan are yet to be agreed.

In the past six months, the Group however, received $2.0 million of proceeds via syndication at par in July 2012 of its participation in this asset.

Infrastructure: The Group has one remaining infrastructure investment, being a loan to, and an equity accounted investment in, a 1 MW solar electricity facility in Spain. The plant is now performing at the agreed performance levels in accordance with the original contract, following the successful replacement of the sub-standard solar panels under warranty. However the Spanish Government has announced its intention to legislate for various changes to taxes on such facilities; though such legislation has as yet not been released. The delay in this legislation creates uncertainty for future potential buyers of the plant; therefore the Company is not actively seeking to dispose of this investment at this stage until this tax position is more certain.

In the six months to December 2012, the Group received no principal repayments from the infrastructure investment, but received income as expected.

Private Equity: This investment is a preferred equity investment in a closed-end private equity fund based in the United States. In the past six months, the Group received a net USD6.8 million (USD7.3 million before withholding tax) repayment after the private equity fund realised its largest asset in the portfolio in August 2012. This distribution represents the effective return of all Keybridge's initial capital invested into the fund, together with our expected investment return on that capital.

The remainder of the underlying investee entities in which the fund has invested, are all tracking in line with the fund manager's expectations. Keybridge is reviewing its future structure and ownership of this investment through current negotiations with the fund manager.

Shipping: Keybridge continues to assign no value to the remaining four vessels in the shipping portfolio due to current independent market values for these vessels being lower than the senior loans attached to these vessels. However, there remains a loan receivable of $0.08 million provided by the Company to facilitate a change in the operational arrangements on one of the vessels, which, since balance date, has been repaid in full.

The vessels are being employed and managed by our partner and co-investor Tufton Oceanic Limited of London, UK. The Company continues to maintain an active dialogue with Tufton, with the aim to seek to recover some future value, should markets improve. Any realisation of value is however dependent on the patience of the assets' respective senior lender to also ride out the very poor current market conditions.

In the six months to December 2012, the Group received $0.5 million of repayments from one of its shipping transactions and recognised a nil profit on the equity-accounted investments.

4. Financial risk management (continued)

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. At 31 December 2012 the Group's secured bank loans were recorded as current liabilities due to the facility being due for repayment in 3 June 2013. For further information refer note 2(b) Going Concern.

The Group has met all required minimum debt repayments of both principal and interest in the period to 31 December 2012, as it has done so since it originally commenced its wind down program in June 2009.

Under the present terms of the Company's debt facility Keybridge is required to reduce the principal outstanding to USD25 million by no later than 28 February 2013. This milestone was achieved on 15 February 2013. The committed debt facilities are fully drawn and the total limit will reduce as repayments occur.

The Group manages liquidity risk via:

- compliance with repayment obligations under its secured corporate bank loans;
- monitoring forecast and actual cash flows, including asset sales and cash investment income;
- maintaining a minimum cash balance; and
- regular reporting of cash flow forecasts for the next 12 to 18 months to the Board and AFRC.

Market risk

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

The Company is exposed to equity risk on shares in an ASX-listed company to the amount of $1.9 million (June 2012: $1.3 million). The Company adjusts the carrying value of this asset on a mark-to-market basis.

The Group is also exposed to movements in market prices for aircraft, ships and real estate, as these assets provide security for loan and receivables investments. Equity-accounted investments are also exposed to movements in currency and asset values for the underlying infrastructure investment.

Interest rate risk

The Group is exposed to interest rate risk where its committed debt facilities, including non-recourse debt financing and cash, are at variable rates of interest. All of the Group's loans and receivables are at fixed rates.

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

Foreign currency risk

Foreign currency risk arises from assets and liabilities that are denominated in a currency that is not the Company'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 one denominated in Euros.

The balance of assets 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.

5. Business segments

The Group has six reportable segments, as described below, which are the Company's strategic business segments. The Company's Managing Director reviews internal management reports on at least a monthly basis for each of these strategic business segments, and is the chief operating decision maker. The following summary describes the operations in each of the Group's reportable segments:

- *Aviation:* Comprises mezzanine loans to aviation leasing companies that are supported by aircraft leased for a variety of terms to airlines.
- *Lending:* Senior secured loans and subordinated loans to entities in a range of industries.
- *Property:* Includes loans to property developers and investors that are supported by development and construction projects and other property related investments. The property projects underlying the Group's loans are predominantly residential, commercial and industrial projects located in Australia.
- *Private Equity:* A preferred equity investment to entities in a range of industries.
- *Infrastructure:* Loans and equity investments in renewable energy projects.
- *Shipping:* Loans to and equity investments in ships and ship holding companies chartered for various terms to ship operating companies.

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

Keybridge Capital Limited and Controlled Entities

ABN 16 088 267 190

Notes to the Condensed Consolidated Interim Financial Report
For the half year ended 31 December 2012

5. Business segments (continued)

For the six months ended 31 December 2012

	Aviation		Lending		Property		Private Equity		Infrastructure		Shipping		Consolidated	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Operating income	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Fees	-	-	85	-	-	-	-	-	-	5	12	40	97	45
Interest income	930	1,106	1,356	1,339	-	-	-	-	592	443	-	-	2,877	2,888
Unrealised gain/(loss) on other investments	611	(58)	-	-	-	-	-	-	-	-	-	-	611	(58)
Unrealised gain/(loss) on disposal of investments	-	97	-	2,175	-	-	-	-		-		-	-	2,272
Other income	-	-	126	89	139	-	-	-	-	-	-	-	264	89
Total operating income	1,541	1,145	1,567	3,603	139	-	-	-	592	448	12	40	3,850	5,236
Unrealised gain/(loss) on revaluation of foreign currency assets, net changes in fair value of cash flow hedges and realised foreign exchange gain on disposal of investments	(722)	4,234	-	1,134	-	(457)	(365)	(1,750)	173	(418)	(1)	525	(915)	5,475
Add: reversed impairments	-	-	-	-	-	8,913	-		-	-	550	-	550	-
Less impairments	(4,141)	-	-	-	-	(1,490)	-	-	-	-	-	(6,502)	(4,141)	(6,502)
Reportable segment profit/(loss) before income tax	(3,323)	5,379	1,566	4,737	139	6,966	(365)	(1,750)	765	30	561	(5,937)	(656)	4,209

Business segments	Aviation		Lending		Property		Private Equity		Infrastructure		Shipping		Consolidated	
	31-Dec	30-Jun	31-Dec	30-Jun	31-Dec	30-Jun	31-Dec	30-Jun	31-Dec	30-Jun	31-Dec	30-Jun	31-Dec	30-Jun
	2012	2012	2012	2012	2012	2012	2012	2012	2012	2012	2012	2012	2012	2012
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Gross Segment assets	45,792	45,973	11,338	13,186	11,859	13,349	4,508	11,809	11,104	11,151	15,318	16,115	99,920	111,585
Less impairment provisions	(12,422)	(8,352)	-	-	-	(1,490)	-	-	(4,098)	(3,992)	(15,230)	(15,540)	(31,750)	(29,374)
Net Segment assets	33,370	37,621	11,338	13,186	11,859	11,859	4,508	11,809	7,006	7,159	88	575	68,169	82,211

5. Business segments (continued)

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

	31 Dec 2012 $'000	31 Dec 2011 $'000
Operating income		
Total operating income for reportable segments	3,850	5,236
Bank interest received	56	91
Consolidated operating income	3,906	5,327
Profit or loss		
Total profit or loss for reportable segments	(656)	4,209
Other profit or loss	29	74
Unallocated amounts: other corporate expenses	(1,076)	(1,765)
Unallocated amounts: net finance costs	(382)	(6,626)
Consolidated loss before income tax	(2,085)	(4,108)

	31 Dec 2012 $'000	30 June 2012 $'000
Assets		
Total assets for reportable segments	68,169	82,211
Other unallocated amounts	1,821	2,916
Consolidated total assets	69,990	85,127
Liabilities		
Total liabilities for reportable segments	-	-
Other unallocated amounts	26,668	39,292
Consolidated total liabilities	26,668	39,292

6. Seasonality of operations

The Group’s segments are not impacted by seasonal fluctuations, other than in aviation, where foreign airlines are typically less profitable in the northern hemisphere winter. In turn, this may impact their cash flow and ability to meet lease payments. On the whole, seasonal factors have not materially impacted the Group’s financial results for the six months ended 31 December 2012.

7. Impairment provisions

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.

If there is objective evidence that an impairment loss on loans has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate (ie the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an impairment provision account. The amount of the loss is recognised in profit or loss.

7. Impairment provisions (continued)

In assessing the carrying value of loans and receivables consideration includes:

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

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in profit or loss.

As previously discussed, our aviation asset manager of the passenger aircraft in which Keybridge is a lender, GMT, has sold one of the aircraft to a third party, following on from having secured a new lease on that asset. This sale was regarded as the best outcome on this asset, as the incumbent senior asset lender was unwilling to extend its loan on the aircraft against the terms of the new lease. The net proceeds from the sale of the aircraft were, as expected at the time of contract, lower than the carrying value for this aircraft as at 30 June 2012. This required the Company to recognise a provision of USD4.3 million for the half-year ended 31 December 2012. This provision has since balance date now been crystallised.

During the six months to December 2012 the Group assessed the recoverability of the impairment provisions that had been recognised in June 2012 and 2011 and where it was deemed that a future repayment of an impaired loan was likely, and then the impairment has been written-back. There was a $0.5 million write-back in the six months to 31 December 2012, which related to a distribution received from a shipping investment that is carried at nil value.

The ageing of the loans and receivables at the reporting date was:

	Gross 31-Dec 2012 $'000	Impairment 31-Dec 2012 $'000	Net 31-Dec 2012 $'000	Gross 30-Jun 2012 $'000	Impairment 30-Jun 2012 $'000	Net 30-Jun 2012 $'000
Not past due	92,470	(31,750)	60,719	102,437	(27,884)	74,553
Past Due 180-365	-	-	-	-	-	-
More than one year	5,500	-	5,500	6,990	(1,490)	5,500
Total assets/(liabilities)	97,970	(31,750)	66,219	109,428	(29,374)	80,054

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

	Loans and Receivables 31-Dec 2012 $'000	Loans and Receivables 30-Jun 2012 $'000
Balance at 1 July	29,373	43,301
Impairment loss recognised	4,141	14,065
Impairment write-back in income statement	-	(2,619)
Foreign exchange movements on impairments	(274)	(557)
Loans realised/(written off)	(1,490)	(24,817)
Balance at end of period	31,750	29,373

7. Impairment provisions (continued)

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

In Aviation, impairment has been recorded as a specific impairment against one loan secured over an aircraft. The aggregate loan now reflects the diminution of aircraft values within the portfolio of aircraft on the basis of independent current and base value assessments for the underlying aircraft assets, and the disposals, at a loss, of two of the aircraft within the portfolio.

In Lending, there are no impairments for the period ended 31 December 2012.

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

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

In Property there are no impairments for the period ended 31 December 2012.

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

8. Equity-accounted investments in associates

The Group's share of net loss in its equity-accounted investments in associates for the six months ended 31 December 2012 was $1.6 million loss (December 2011: $1.1 million loss). The loss relates to the Group's three equity-accounted investments, being Bridge Infrastructure Capital Pty Limited (BIC), Oceanic Shipping Company VIII Limited (OSC) and Ocean Star Limited (OSL). This accounting loss was not recognised in the results for the six months ended 31 December 2012, as the investment in associates was reduced to nil in the financial year ended 30 June 2009.

In prior years the Group advanced two loans to BIC for subsequent investment in shipping and the solar infrastructure asset, a loan to OSC and a loan to OSL. The Group has recognised impairments against one loan in Infrastructure and two loans in Shipping. As at 31 December 2012, the Group's carrying amount in the loans to associates totals $6.8 million (June 2012: $16.6 million) and is recognised in Loans and Receivables. The Group has no additional commitments as a result of the associate's equity being negative.

9. Company loans and borrowings

Loans and borrowings consist of a syndicated loan facility provided to the Group by the Commonwealth Bank of Australia, Bank of Western Australia Limited, Westpac Bank Limited and National Australia Bank Limited.

The key terms and conditions of the secured bank loans include:
- denominated in US Dollars;
- maturity date of 3 June 2013;
- cash sweep is to be maintained as per current arrangements, with all surplus cash flow being used to make repayments to the banks;
- minimum principal repayment milestone of USD2 million is required by 28 February 2013 so as to reduce the principal outstanding to no greater than USD25 million by that date;
- margin above LIBOR is 5.5% per annum; and
- an additional fee of 1.50% per annum calculated on the outstanding principal from time to time will be charged on the facility on top of the margin. This fee will be eliminated in full provided the Company achieves the above repayment milestone by 28 February 2013. Additionally, on achieving this repayment milestone, the borrowing margin will reduce from 5.50% per annum to 5.00% per annum post achievement of the repayments milestone.

The additional fee that is being accrued under the amended agreement is payable on maturity of the loan. Refer to Note 4 for further information about exposure to financial risks and liquidity.

	31 Dec 2012 $'000	30 Jun 2012 $'000
Current liabilities		
Secured bank loans	26,000	38,813
	26,000	38,813

$'000	Currency	Nominal interest rate	Year of Maturity	31 December 2012 Face value	31 December 2012 Carrying amount	30 June 2012 Face value	30 June 2012 Carrying amount
Secured bank loan	USD	5.73%	2013	26,000	26,000	38,813	38,813
Total interest-bearing liabilities				26,000	26,000	38,813	38,813

The nominal interest rates relate to the prevailing floating base interest rate at 31 December 2012 including margin. The margin on the Group's secured bank loans is 5.5% per annum. Refer Note 4 - Interest Rate Risk for further information.

10. Taxation

The Group's consolidated effective tax rate in respect of continuing operations for the six months ended 31 December 2012 was 30.3% per cent (for the year ended 30 June 2012: nil). The tax incurred in the six months to 31 December 2012 was due to US withholding tax paid, as a result of the disposal of an underlying investee in the US private equity fund, giving rise to the USD0.5m of US tax liability on this disposal.

The Group continues not to recognise at 31 December 2012, deferred tax assets (DTAs) in relation to prior period's impairment provisions. This approach is consistent with the accounting treatment at 30 June 2012.

Unrecognised DTAs are permitted to be re-recognised in future periods to the extent they are considered probable of being utilised.

11. Share-based payments

Employee Equity Plan (Plan)

There is presently no equity plan for the year ending 30 June 2013.

The original Plan was initiated in December 2009 to cover the years ended 30 June 2010 and 30 June 2011. This Plan was terminated in 2011.

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

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

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

For details of the original Plan, refer to the Consolidated Financial Report as at and for the year ended 30 June 2012.

Movement in performance rights 31 December 2012

	Date of grant	Number of rights granted prior periods	Number of rights granted 2012	Total number of rights granted[1]	Vesting date[2]	Number of rights vested in 2012	Number of rights lapsed in 2012[3]	Balance of rights in 2012	Value ($) of rights vested[4]	Number of rights vested in 2011
Current										
Mark Phillips, former Managing Director	8 Oct 2010	4,033,333	-	4,033,333	31 Aug 2011	3,025,000	1,008,333	-	196,625	-
Mark Worrall, Managing Director	29 May 2010	1,200,000	-	1,200,000	31 Aug 2011	900,000	300,000	-	58,500	175,000
Adrian Martin, Company Secretary	26 Mar 2010	250,000	-	250,000	31 Aug 2011	187,500	62,500	-	12,188	175,000
Total		5,483,333	-	5,483,333		4,112,500	1,370,833	-	267,313	350,000

1 *No grants were forfeited during the financial year.*

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

3 *Performance rights did not fully vest in 2012.*

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

12. Related party disclosure

Key management personnel and director transactions

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

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

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

		Transactions value period ended		Balance outstanding as at	
		9 October 2012 (ii)	30 June 2012	31 December 2012	30 June 2012
		$'000	$'000	$'000	$'000
Director	*Transaction*				
Nicholas Bolton (i)	Consultant fees	54	25	-	25
		54	25	-	25

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

(ii) Nicholas Bolton resigned as a director on 9 October 2012.

Directors and key management personnel

Other than normal remuneration for Directors, there were no other transactions with Directors and key management personnel during the six months ended 31 December 2012.

Keybridge Capital Limited and Controlled Entities

ABN 16 088 267 190

Directors' Declaration

In the opinion of the directors of Keybridge Capital Limited ("the Company"):

1. the financial statements and notes set out on pages 6 to 23, are in accordance with the *Corporations Act 2001*. including:

   (a) giving a true and fair view of the Group's financial position as at 31 December 2012 and of its performance for the six month period ended on that date; and

   (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and

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

Signed in accordance with a resolution of directors:

Peter Wood
Chairman

Sydney, 20 February 2013

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

Report on the financial report

We have reviewed the accompanying interim financial report of Keybridge Capital Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2012, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the interim period ended on that date, notes 1 to 12 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the half-year's end or from time to time during the interim period.

Directors' responsibility for the interim financial report

The directors of the company are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the interim financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity,* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2012 and its performance for the interim period ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Keybridge Capital Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

KPMG

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Keybridge Capital Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 31 December 2012 and of its performance for the interim period ended on that date; and

(b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of matter - Uncertainty regarding continuation as a going concern

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

As at 31 December 2012, the consolidated entity has a net current asset deficiency of $6,543,000 which is mainly due to the current classification of the Group's loan facility.

The Group's corporate debt facility is set to mature on 3 June 2013. The Group expects to repay the existing lending arrangements in full prior to this time. The Group's ability to settle its amended debt obligations and fund daily operations is contingent on the ability to realise sufficient funds from its portfolio of loans, receivables and assets at expected values within expected timeframes.

At the date of this report the final outcome cannot be determined with certainty. As outlined in note 2(b), the directors are of the opinion that efforts to achieve repayment are proceeding satisfactorily. For these reasons the financial report has been prepared on a going concern basis.

The existence of these uncertainties may cast doubt about the Group's ability to settle its debts as and when they fall due.

KPMG

KPMG

Madeleine Mattera

Madeleine Mattera
Partner

Sydney

20 February 2013