

26 February 2009

The Manager
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Australian Stock Exchange

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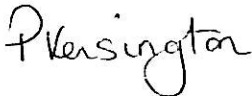
ELECTRONIC LODGEMENT – FOR IMMEDIATE RELEASE

Dear Sir or Madam

Keycorp Limited
Interim financial report (Appendix 4D) for six months to 31 December 2008

The company's interim financial report (Appendix 4D) for the six months to 31 December 2008 is attached.

Yours faithfully



Paula Kensington
CFO



Appendix 4D

Name of entity

Keycorp Limited and its Controlled Entities

ABN or equivalent company
reference

61 002 519 986

Financial performance for the half year
ended ('current period')

31 December 2008

Comparative period for the condensed
consolidated interim balance sheet is the
financial year ended:

30 June 2008

Comparative period for the Condensed
consolidated interim income statement,
Condensed consolidated interim statement
of recognised income and expense and for
Condensed consolidated interim statement
of cashflows is the half year ended

31 December 2007

Results for announcement to the market

Six months ended 31 December 2008

Extracts from this report for announcement to the market

| | Movement | % | Continuing \$'000 | Discontinuing \$'000 | Group \$'000 |
|--|-----------|----------|----------------------|-------------------------|-----------------|
| Revenue | decreased | 58.3% to | 20 477 | 3 572 | 24 049 |
| Profit/(loss) before income tax* | decreased | | 434 | (96) | 338 |
| Net profit after tax for the period attributable to members of Keycorp Limited | increased | | 622 | 9 075 | 9 697 |

* Excludes gain on disposal of Smartcards business of \$8.448m

| Dividends (distributions) | Amount per security | Franked amount per security |
|---|--|---|
| Final dividend | Nil. | Nil. |
| Interim dividend | Nil. | Nil. |
| Statement regarding dividends | No dividends of the Company have been paid, declared or recommended during the half year ended 31 December 2008. | |
| | Current Period 31 Dec 08 | Previous Corresponding Period 30 June 08 |
| Net tangible assets per security (cents per security) | 38.9 | 16.9 |

Directors' Commentary

See attached document providing a review of operations for the six months ended 31 December 2008.

Directors' Commentary on the financial results for the six months to 31 December 2008

FOR IMMEDIATE RELEASE

Sydney, 26 February 2009

Review of performance

Secure electronic transaction solutions provider Keycorp Limited (ASX:KYC) today reported revenues for the group from continuing operations of \$20.48m and a normalised profit* before tax from continuing operations of \$1.95m for the six months to 31 December 2008. *Normal profit is before staff restructuring costs of \$787k and \$726k of expenditure relating to a corporate restructure, see table below.

| <i>Normalisation of results to 31 December 2008</i> | <i>\$'000</i> |
|--|------------------|
| <i>Profit before income tax (continuing operations)</i> | <i>434</i> |
| <i>Add back</i> | |
| <i>Staff restructuring and retention payments</i> | <i>787</i> |
| <i>External advisors used for corporate restructuring project and shareholder value optimisation project</i> | <i>726</i> |
| | <i>1 947</i> |
| <i>Net profit after tax including discontinued operations</i> | <i>9 697</i> |

Focus is directed to the core Australian business of EFTPOS terminal supply and servicing. The Directors are pleased to announce a strong trading result for the six months ending 31 December. Revenues of \$20.48m producing a gross margin of \$8.5m representing a return of 42%. An increase of 6% on the period to 31 December 2007.

Activity across the customer base has been strong in the period. Our largest managed payment contracts are performing well. Three of our largest customers have launched new projects during the period including a 20,000 refresh of terminals, EMV upgrades to 40,000 terminals, roll out of new mobile terminals and new software projects in support of EMV compliance and loyalty schemes. All these projects will continue to deliver value throughout the second half. Keycorp is proud to support its valued customers, allowing them to realise their strategies, continue their growth, upgrades and the rolling out of new projects.

Gross margins have benefited from management's tight control over the cost base. A number of efficiency programs initiated throughout the 2008 year are delivering significant savings as follows:

- Redesign of customer help desk, improving work flow management resulting in more efficient staffing patterns and a reduction in service delivery headcount improving overall service delivery productivity by 5%
- Improvements in stock management and inventory control across the customer base has reduced significant costs especially in regards to third party repair costs
- Review and reduction in all teams within the business to ensure correct levels of support are provided to the geographically reduced size of operations being Australia and New Zealand

Further cost reductions are planned for the second half of 2009. This project is underway as the business moves the head office finance and human resources functions to its current Melbourne facility. The remaining sales and software development teams are relocating to new premises in

Sydney which will reduce current facility costs commencing 1 July 2009. Management expects that once the new teams have transitioned then a yearly cost saving of approximately 50% of current total corporate costs is achievable.

Since the last reporting period to 30 June 2008 the company has disposed of its Smartcards business to Gemalto, a world leader in digital security. Contracts completed on 1 September 2008 and disposal proceeds of \$25.3m were received during the 6 months to 31 December. The disposal proceeds were utilised to repay debt facilities, to fund current reorganisation programs and are being reinvested in the business in order to support forward direction. Included in the profit for the period is the profit on disposal of the Smartcards business after tax of \$8.4m.

Financial strength

In the six months to 31 December the balance sheet has seen a transformation. Significant value has been realised through recent acquisitions and disposals. Net assets at 31 December of \$35.6m have strengthened by 38% since the year ended 30 June 2008. Liquidity cover improving to 2.27 times at 31 December versus 1.10 at 30 June 2008. The Company's \$15m debt facility has been repaid in full with Westpac releasing their fixed and floating charge over the Company's net assets effective January, 2009.

Cash at bank as at 31 December of \$13.8m versus \$4.5m as at 30 June, 2008 with a further \$3.5m being held as deposits under security. Net cash from operating activities in the six month period recorded an outflow of \$3.36m. The business is generating normalised trading profits and this outflow can be attributed to a number of single events:

- A tax payment including interest of \$2m was made in October 08 relating to the 2005 year. This payment being the finalisation of a complete tax review project that was instigated by current management in March 07
- Third party inventory of \$3.1m was purchased in the period to commence the initial roll out of a refresh program of one of our largest customers. As at 30 November the project had been delayed resulting in a negative cash flow impact. The project resumed roll out activity during late December and it is expected to be completed by end of July 2009. Revenues will be recognised in the second half as installation milestones are met
- External consultants costs of \$623k were paid in the period relating to the corporate restructure program

Payment Solutions

The business continues its growth into the managed services area. Revenue is recognised over the life of each managed payment service agreement (MPSA). For two of the MPSA's an element of the monthly income fee which is attributable to the terminal provision is recognised as a lease repayment. Revenues from continuing operations for the period to 31 December 2008 of \$8.0m versus \$7.0m in the prior year result in growth of 14% period on period with a 2% improvement in gross margin. Costs driven out of the business have resulted in savings of \$1.4m giving a segment profit before tax of \$1.5m.

All three of the company's MPSA's have achieved significant growth over the past twelve months and management expects further growth in the Australasia region in this year.

Customer Services

The services business delivered revenues in the period to 31 December of \$12.0m a reduction against the prior period of \$1.2m. This reduction can be attributed to a decrease in upgrade activity in its largest customer. However activity in the second half should deliver a stronger result than the first half. Improvements were gained in gross margin contribution of 7% which is a result of the cost and process efficiencies in the business and a reduced number of aging terminals within the fleet of one of its largest customers.

Outlook

The first half of the new financial year has seen Keycorp return to a normalised trading profit. It is expected that trading will remain strong throughout the second half as a number of customer projects roll out increasing activity and revenue streams. The Board is committed to the finalisation of realigning the corporate cost centre which will better support the reduced size of business. To date this project is approximately 50% complete. It is expected that the finance and HR teams will be transitioned to Melbourne by the end of March 2009 and the software development and sales teams to alternative accommodation in Sydney by end of April, 2009.

Our commitment to new technologies has not diminished. The software development team continually work on enhancing the capabilities of the software platform and will respond to our customer's new specific projects. Keycorp recently received an order for EMV software development from an existing customer which is expected to deliver \$1m of revenue to the second half of this financial year.

The Executive are currently examining a range of potential opportunities to grow the business and remain confident in our ability to expand the role of Keycorp in the payments area.

Directors' Report

The directors present their report together with the consolidated financial report for the half-year ended 31 December 2008 and the review report thereon.

Directors

The directors of the company at any time during or since the end of the half-year are:

| | |
|---------------------|--|
| R Bishop (Chairman) | Appointed as Chairman in June 2007. Director since January 2006. |
| K Carr (CEO) | Appointed as Director and Chief Executive Officer in May 2007 |
| B Grisdale | Director since January 2001 |
| P Jones | Director since August 2005 |
| M Ibrahim | Director since January 2006 |
| C Holgate | Director since January 2006 (resigned on 16 February 2009) |

Review and Results of Operations

See the Directors' commentary on pages 3 to 5 which provides a review of operations for the six month period ended 31 December 2008.

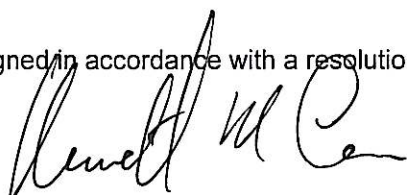
Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

The lead auditor's independence declaration is set out on page 7 and forms part of the directors' report for the half-year ended 31 December 2008.

Rounding off

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 director's report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of directors.



K Carr
Director

Sydney

26 February 2009



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

To: the directors of Keycorp Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2008 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

A handwritten signature in blue ink, appearing to be 'Kenneth Reid', written over a horizontal line.

Kenneth Reid
Partner

Sydney

26 February 2009

Keycorp Limited and its Controlled Entities
Consolidated interim income statement
For the six months ended 31 December 2008

| | | Consolidated | |
|--|-------------|---------------------|------------------|
| | Note | 31 Dec 08 | 31 Dec 07 |
| | | \$'000 | \$'000 |
| | | | Restated |
| Continuing operations | | | |
| Revenue | 3 | 20 477 | 20 270 |
| Cost of sales | | (11 965) | (13 069) |
| Gross profit | | <u>8 512</u> | <u>7 201</u> |
| Sales and marketing expenses | | (1 373) | (1 977) |
| Administration expenses | | (5 559) | (5 380) |
| Research and development expenses | | (1 265) | (1 816) |
| Other expenses | 4(a) | (1 488) | (1 775) |
| Total expenses excluding financing costs | | <u>(9 685)</u> | <u>(10 948)</u> |
| Results from operating activities | | <u>(1 173)</u> | <u>(3 747)</u> |
| Financial Income | 5 | 2 028 | 682 |
| Financial Expenses | 5 | (421) | (953) |
| Net financing income/(expense) | | <u>1 607</u> | <u>(271)</u> |
| Profit/(loss) before income tax from continuing operations | | <u>434</u> | <u>(4 018)</u> |
| Income tax benefit | | 188 | 820 |
| Profit/(loss) from continuing operations | | <u>622</u> | <u>(3 198)</u> |
| Discontinued operations | | | |
| Profit of discontinued operations and gain on sale of discontinued operation, net of tax | 6(c) | 9 075 | 2 584 |
| Profit/(loss) for the period | | <u>9 697</u> | <u>(614)</u> |
| Earnings per share | | | |
| Basic & diluted earnings/(loss) per share attributable to ordinary equity holders | | \$0.1186 | \$(0.0074) |
| Continuing operations | | | |
| Basic & diluted earnings/(loss) per share attributable to ordinary equity holders | | \$0.0076 | \$(0.0388) |

The comparative income statement has been re-presented as if operations discontinued during the current period had been discontinued from the start of the comparative period (refer to note 6).

The income statement is to be read in conjunction with the notes to the interim financial statements set out on pages 12 to 20.

Keycorp Limited and its Controlled Entities
Consolidated interim balance sheet
As at 31 December 2008

| | | Consolidated | |
|---|-------------|---------------------|------------------|
| | Note | 31 Dec 08 | 30 Jun 08 |
| | | \$'000 | \$'000 |
| Assets | | | |
| Cash and cash equivalents | | 13 796 | 4 512 |
| Trade and other receivables | | 8 638 | 6 099 |
| Inventories | | 6 357 | 2 305 |
| Net investment in finance leases | | 1 298 | 1 184 |
| Other current assets | | 3 946 | 3 995 |
| Assets classified as held for sale | | - | 18 257 |
| Total current assets | | 34 035 | 36 352 |
| Non-current assets | | | |
| Other non current assets | | 523 | 555 |
| Net investment in finance leases | | 5 218 | 5 497 |
| Investments | | 5 474 | 5 474 |
| Property, plant and equipment | 7 | 1 228 | 1 620 |
| Deferred tax assets | | 4 235 | 9 216 |
| Intangible assets | | 4 118 | 4 952 |
| Total non-current assets | | 20 796 | 27 314 |
| Total assets | | 54 831 | 63 666 |
| Current Liabilities | | | |
| Trade and other payables | | 9 154 | 6 199 |
| Interest-bearing loans and borrowings | 8 | 1 146 | 11 094 |
| Employee Benefits | | 1 070 | 1 592 |
| Provisions | | 3 210 | 3 672 |
| Income tax payable | | 26 | 2 348 |
| Other current liabilities | | 364 | 364 |
| Liabilities classified as held for sale | | - | 7 654 |
| Total current liabilities | | 14 970 | 32 923 |
| Non-current liabilities | | | |
| Interest bearing loans and borrowings | 8 | 3 255 | 3 842 |
| Employee benefits | | 88 | 84 |
| Other non current liabilities | | 877 | 1 059 |
| Total Non-Current Liabilities | | 4 220 | 4 985 |
| Total Liabilities | | 19 190 | 37 908 |
| Net Assets | | 35 641 | 25 758 |
| Equity | | | |
| Issued capital | 9(a) | 60 808 | 60 808 |
| Reserves | 9(b) | 143 | (6) |
| Accumulated losses | 9(c) | (25 310) | (35 044) |
| Total equity | | 35 641 | 25 758 |

The balance sheet is to be read in conjunction with the notes to the interim financial statements set out on pages 12 to 20.

Keycorp Limited and its Controlled Entities
Consolidated interim statement of recognised income and expense
For the six months ended 31 December 2008

| | | Consolidated | |
|---|-------------|---------------------|------------------|
| | Note | 31 Dec 08 | 31 Dec 07 |
| | | \$'000 | \$'000 |
| Foreign currency translation differences | 9(b) | 156 | (397) |
| Income and expense recognised directly in equity | | <u>156</u> | <u>(397)</u> |
| Profit/(loss) for the period | | 9 697 | (614) |
| Total recognised income and expense for the period attributable to equity holders of the parent entity | | <u>9 853</u> | <u>(1 011)</u> |

Other movements in equity arising from transactions with owners as owners are set out in note 9.
The amounts recognised directly in equity are disclosed net of tax.

Keycorp Limited and its Controlled Entities
Consolidated interim statement of cash flows
For the six months ended 31 December 2008

| | Note | Consolidated | |
|---|------|---------------------|---------------------|
| | | 31 Dec 08 \$'000 | 31 Dec 07 \$'000 |
| Cash flows from operating activities | | | |
| Cash receipts from customers | | 24 238 | 65 113 |
| Cash paid to suppliers and employees | | (25 799) | (61 326) |
| Cash generated from operations | | (1 561) | 3 787 |
| Interest received | | 534 | 338 |
| Interest paid | | (746) | (1 054) |
| Income taxes paid | | (1 592) | - |
| Net cash from operating activities | | (3 365) | 3 071 |
| Cash flows from investing activities | | | |
| Payments for property, plant and equipment | | (62) | (442) |
| Disposal of Smartcards business | 6(a) | 23 042 | - |
| Acquisition of mezzanine notes | | - | (119) |
| Development expenditure | | (201) | (1 269) |
| Net used in investing activities | | 22 779 | (1 830) |
| Cash flows from financing activities | | | |
| Proceeds from bank term loan | | - | 1 000 |
| Repayment of bank term loan | | (10 000) | - |
| Finance lease liabilities – new leases in the year | | - | 4 200 |
| Finance lease liabilities – repayments | | (534) | (696) |
| Net cash from financing activities | | (10 534) | 4 504 |
| Net increase in cash and cash equivalents | | 8 880 | 5 745 |
| Cash and cash equivalents at 1 July | | 4 512 | 2 346 |
| Effect of exchange rate fluctuations on cash held | | 404 | (4) |
| Total cash and cash equivalents at 31 December | | 13 796 | 8 087 |

This statement of cash flows is to be read in conjunction with the condensed notes to the interim financial statements set out on pages 12 to 20.

Keycorp Limited and its Controlled Entities
Notes to the condensed consolidated interim financial statements
For the six months ended 31 December 2008

Note 1. Significant accounting policies

a) Reporting entity

Keycorp Limited (the "Company") is a company domiciled in Australia. The consolidated interim financial report of the Company as at and for the six months ended 31 December 2008 comprises the Company and its subsidiaries (together referred to as the "Consolidated entity") and the Consolidated entity's interest in associates.

The consolidated annual financial report of the consolidated entity as at and for the year ended 30 June 2008 is available upon request from the Company's registered office at Level 5, 799 Pacific Highway Chatswood NSW Australia or at www.keycorp.net

b) Statement of compliance

The consolidated interim financial report is a general purpose financial report, which has been 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 consolidated entity as at and for the year ended 30 June 2008.

This consolidated interim financial report was approved by the Board of Directors on 27 February 2009.

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1988 and in accordance with the Class Order, amounts in the financial report have been rounded off to the nearest thousand dollars, unless otherwise stated.

c) Significant accounting policies

The accounting policies applied by the consolidated entity in this consolidated interim financial report are the same as those applied by the consolidated entity in its consolidated financial report as at and for the year ended 30 June 2008.

d) Estimates

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

In preparing this consolidated interim financial report, the significant judgements made by management in applying the consolidated entity'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 2008.

Keycorp Limited and its Controlled Entities
Notes to the condensed consolidated interim financial statements (continued)
For the six months ended 31 December 2008

Note 2. Segment Information

Segment information is presented in the condensed consolidated interim financial statements in respect of the consolidated entity's business segments, which are the primary basis of segment reporting. The business segment reporting format reflects the consolidated entity's management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

a) Business segments - Primary segment

The consolidated entity's operations are organised and managed separately according to the nature of the products and services they provide, with each segment offering different products and serving different markets:

Payment Solutions responsible for the development and sale of secure electronic payment terminals and the provision of terminals under managed payment service agreements (MPSAs).

Smartcards responsible for the design and sale of smartcards and secure smartcard operating systems for the payments and identity markets.

Customer Services responsible for the service, installation and maintenance of payment terminals including EFTPOS terminal management services and the provision of services under managed payment service agreements (MPSAs).

| | Payment Solutions (includes discontinued operations)* | | Smartcards (Discontinued) | | Customer services and other (includes discontinued operations)* | | Corporate | | Sub total | | Less Discontinued ** | | Total from continuing operations** | |
|--|---|---------------|------------------------------|---------------|--|---------------|---------------|---------------|---------------|---------------|-------------------------|---------------|---------------------------------------|---------------|
| | 2008 \$000 | 2007 \$000 | 2008 \$000 | 2007 \$000 | 2008 \$000 | 2007 \$000 | 2008 \$000 | 2007 \$000 | 2008 \$000 | 2007 \$000 | 2008 \$000 | 2007 \$000 | 2008 \$000 | 2007 \$000 |
| Revenue from external customers | | | | | | | | | | | | | | |
| Total external revenues | 8 455 | 10 585 | 3 572 | 14 496 | 12 022 | 32 628 | - | - | 24 049 | 57 709 | 3 572 | 37 439 | 20 477 | 20 270 |
| Total segment revenue | 8 455 | 10 585 | 3 572 | 14 496 | 12 022 | 32 628 | - | - | 24 049 | 57 709 | 3 572 | 37 439 | 20 477 | 20 270 |
| Segment result | 2 497 | 608 | 22 | 2 377 | 3 464 | 3 812 | - | - | 5 983 | 6 797 | 22 | 3 644 | 5 961 | 3 153 |
| Other unallocated costs | - | - | - | - | - | - | (5 697) | (5 104) | (5 697) | (5 104) | - | - | (5 697) | (5 104) |
| Depreciation and amortisation | (987) | (1 324) | - | (1 101) | (97) | (819) | (353) | (439) | (1 437) | (3 683) | - | (1 887) | (1 437) | (1 796) |
| Results from operating activities | 1 510 | (716) | 22 | 1 276 | 3 367 | 2 993 | (6 050) | (5 543) | (1 151) | (1 990) | 22 | 1 757 | (1 173) | (3 747) |
| Net financing income/(expense) | - | - | - | - | - | - | - | - | 1 489 | 315 | (118) | 586 | 1 607 | (271) |
| Profit/(loss) before tax | - | - | - | - | - | - | - | 338 | (1 675) | (1 675) | (96) | 2 343 | 434 | (4 018) |
| Tax benefit/(expense) | - | - | - | - | - | - | - | 911 | 1 061 | 1 061 | 723 | 241 | 188 | 820 |
| Gain on sale of discontinued operations (net of tax) | - | - | - | - | - | - | - | 8 448 | - | - | 8 448 | - | - | - |
| Net profit/(loss) after tax | - | - | - | - | - | - | - | 9 697 | (614) | 9 075 | 2 584 | 622 | (3 198) | (3 198) |

* The Payment Solutions and Customer Services and other segments include the Canadian business which was sold in May 2008 (note 6(b))

** Comprises the Smartcards segment and Canadian business (note 6(a) & (b))

Unallocated costs include corporate and head office costs, facilities, IT communication costs which have not been charged to individual businesses.

Keycorp Limited and its Controlled Entities
Notes to the condensed consolidated interim financial statements (continued)
For the six months ended 31 December 2008

Note 2. Segment Information (continued)

| | Discontinued operations included in Payment Solutions | | Smartcards (Discontinued) | | Discontinued Operations included in Customer Services | | Total from Discontinued Operations | |
|--|---|--------------|---------------------------|---------------|---|---------------|------------------------------------|---------------|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | Sub total | \$000 |
| Revenue from external customers | | | | | | | | |
| Total external revenues | - | 3 556 | 3 572 | 14 496 | - | 19 387 | 3 572 | 37 439 |
| Total segment revenue | - | 3 556 | 3 572 | 14 496 | - | 19 387 | 3 572 | 37 439 |
| Segment result | | | | | | | | |
| Depreciation and amortisation | - | 329 | 22 | 2 377 | - | 938 | 22 | 3 644 |
| Results from operating activities | - | (61) | - | (1 101) | - | (725) | - | (1 887) |
| Net financing income/(expense) | - | 268 | 22 | 1 276 | - | 213 | 22 | 1 757 |
| (Loss)/profit before tax | - | 634 | (118) | - | - | (48) | (118) | 586 |
| Tax benefit/(expense) | - | 902 | (96) | 1 276 | - | 165 | (96) | 2 343 |
| Gain on sale of discontinued operations (net of tax) | - | - | 723 | (480) | - | 721 | 723 | 241 |
| Net profit/(loss) after tax | - | 902 | 9 075 | 796 | - | 886 | 9 075 | 2 584 |

Keycorp Limited and its Controlled Entities

Notes to the condensed consolidated interim financial statements (continued)

For the six months ended 31 December 2008

| | Continuing | | Consolidated Discontinued | | Total | |
|--|------------|-----------|------------------------------|-----------|-----------|-----------|
| | 31 Dec 08 | 31 Dec 07 | 31 Dec 08 | 31 Dec 07 | 31 Dec 08 | 31 Dec 07 |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |

Note 3. Revenue

Revenue includes the following items:

| | | | | | | |
|-------------------------------|---------------|---------------|--------------|---------------|---------------|---------------|
| Sales of Goods | 8 043 | 7 029 | 3 572 | 18 053 | 11 615 | 25 082 |
| Customer Service | 12 022 | 13 241 | - | 19 386 | 12 022 | 32 627 |
| Finance lease interest income | 412 | - | - | - | 412 | - |
| Total revenue | 20 477 | 20 270 | 3 572 | 37 439 | 24 049 | 57 709 |

| | Continuing 31 Dec 08 \$'000 | 31 Dec 07 \$'000 Restated |
|--|-----------------------------------|---------------------------------|
|--|-----------------------------------|---------------------------------|

Note 4. Expenses excluding net financing costs

Expenses excluding net financing costs include the following items:

a) Other expenses includes:

| | | |
|---------------------|-----|-----|
| Restructuring costs | 419 | 539 |
|---------------------|-----|-----|

Amortisation and impairment of intangible assets and deferred costs

| | | |
|--|------------|------------|
| Intellectual property | 120 | 120 |
| Goodwill Impairment | 250 | - |
| Capitalised software | 32 | 43 |
| Other Intangible assets | 170 | 169 |
| Total amortisation and impairment expense | 572 | 332 |

Depreciation of non-current assets

| | | |
|-----------------------------------|------------|------------|
| Plant and equipment | 230 | 571 |
| Leasehold improvements | 170 | 120 |
| Total depreciation expense | 400 | 691 |

Amortisation and impairment of capitalised development costs of \$465 000 (2007: \$773 000) is included in research and development expenses.

Keycorp Limited and its Controlled Entities**Notes to the condensed consolidated interim financial statements (continued)****For the six months ended 31 December 2008**

| | Continuing | |
|---|-------------------|------------------|
| | 31 Dec 08 | 31 Dec 07 |
| | \$'000 | \$'000 |
| | | Restated |
| Note 5. Net financing income/(expense) | | |
| Interest expense | (198) | (783) |
| Finance lease interest expense | (223) | (170) |
| Financial expenses | (421) | (953) |
| Interest income | 769 | 353 |
| Finance lease interest income | - | 81 |
| Net gain on foreign exchange | 1 259 | 248 |
| Financial income | 2 028 | 682 |
| Net financing income/(expense) | 1 607 | (271) |

Note 6. Discontinued operations**a) Smartcards segment**

On 1 September 2008 the Consolidated entity sold the Smartcards business due to a strategic decision to focus on the services business, strategic growth in Australasia and with existing multi national customer locations in the Asia Pacific Region.

| | Consolidated | |
|--|---------------------|------------------|
| | 31 Dec 08 | 31 Dec 07 |
| | \$'000 | \$'000 |
| Results of discontinued operation | | |
| Revenue | 3 572 | 14 496 |
| Expenses | (3 550) | (13 220) |
| Results from operating activities | 22 | 1 276 |
| Net financing expense | (118) | - |
| Income tax benefit/(expense) | 723 | (480) |
| Results from operating activities, net of income tax | 627 | 796 |
| Gain on sale of discontinued operation | 13 343 | - |
| Tax on gain on sale of discontinued operation | (4 895) | - |
| Profit for the period | 9 075 | 796 |

Keycorp Limited and its Controlled Entities
Notes to the condensed consolidated interim financial statements (continued)
For the six months ended 31 December 2008

| | Consolidated |
|--|---------------------|
| | 31 Dec 08 |
| | \$'000 |
| Note 6. Discontinued operations (continued) | |
| a) Smartcards segment (continued) | |
| Effect of disposal on the financial position of the Consolidated entity | |
| Property, plant and equipment | (156) |
| Intangibles | (3 302) |
| Inventories | (1 116) |
| Trade and other receivables | (2 169) |
| Other current assets | (66) |
| Assets held for sale on acquisition of Multos | (9 627) |
| Trade and other payables | 3 520 |
| Employee benefits | 466 |
| Liabilities held for sale on acquisition of Multos | 2 744 |
| Net assets and liabilities | <u>(9 706)</u> |
| | |
| Consideration received, satisfied in cash | 23 274 |
| Disposal costs | (232) |
| Net cash inflow | <u>23 042</u> |
| | |
| Net assets sold | (9 706) |
| Transfer of FCTR to income statement on disposal | 7 |
| Taxation on gain of sale of discontinued operations | (4 895) |
| Gain on sale of discontinued operations, net of tax | <u>8 448</u> |

b) Keycorp Canada Inc

On 7 May 2008 the Consolidated entity sold its entire shareholding in Keycorp Canada Inc. Management committed to a plan to sell the subsidiary in April 2008 due to a strategic decision to focus on the services business, strategic growth in Australasia and existing multi national customer locations in the Asia Pacific Region.

| | Consolidated | |
|--|---------------------|------------------|
| | 31 Dec 08 | 31 Dec 07 |
| | \$'000 | \$'000 |
| Results of discontinued operation | | |
| Revenue | - | 22 943 |
| Expense | - | (22 462) |
| Results from operating activities | - | 481 |
| Net financing income | - | 586 |
| Income tax expense | - | 721 |
| Results from operating activities, net of income tax | - | <u>1 788</u> |

Keycorp Limited and its Controlled Entities
Notes to the condensed consolidated interim financial statements (continued)
For the six months ended 31 December 2008

| | Consolidated | |
|--|---------------------|------------------|
| | 31 Dec 08 | 31 Dec 07 |
| | \$'000 | \$'000 |
| Note 6. Discontinued operations (continued) | | |
| c) Total discontinued operations | | |
| Net profit of Smartcards business | 627 | 796 |
| Gain on disposal of Smartcards business | 8 448 | - |
| Net profit of Keycorp Canada Inc. business | - | 1 788 |
| Total net profit | <u>9 075</u> | <u>2 584</u> |
| Basic earnings per share | <u>0.1110</u> | <u>0.0314</u> |
| Diluted earnings per share | <u>0.1110</u> | <u>0.0314</u> |

Note 7. Property, plant and equipment

Acquisitions and disposals

During the six months ended 31 December 2008 the Group acquired assets with a cost of \$61 000 (six months ended 31 December 2007 \$392 000).

Assets with a carrying amount of \$81 000 were disposed of during the six months ended 31 December 2008 (six months ended 31 December 2007: nil), resulting in a loss on disposal of \$81 000 (six months ended 31 December 2007: nil), which is included in other expenses.

| | Consolidated | |
|--|---------------------|-------------------|
| | 31 Dec 08 | 30 June 08 |
| | \$'000 | \$'000 |
| Note 8. Interest-bearing loans and borrowings | | |
| Current liabilities | | |
| Bank term loan | - | 10 000 |
| Current portion of finance lease liabilities | 1 146 | 1 094 |
| | <u>1 146</u> | <u>11 094</u> |
| Non Current liabilities | | |
| Finance lease liabilities | 3 255 | 3 842 |
| | <u>3 255</u> | <u>3 842</u> |

The following loans and borrowings (non-current and current) were issued and repaid during the six months ended 31 December 2008.

| | Carrying amount |
|--------------------------------|------------------------|
| | \$'000 |
| Balance at 1 July 2008 | 14 936 |
| Repayments | |
| Bank term loan | (10 000) |
| Finance lease liabilities | (535) |
| Balance as at 31 December 2008 | <u>4 401</u> |

Keycorp Limited and its Controlled Entities
Notes to the condensed consolidated interim financial statements (continued)
For the six months ended 31 December 2008

Note 8. Interest-bearing loans and borrowings (continued)

Terms and conditions relating to the above financial instruments

The company repaid the revolving facility with Westpac Banking Corporation from proceeds received from the disposal of the Smartcards business.

Keycorp Limited has a third party financing facility of \$6 000 000 to fund the sale and leaseback of terminal equipment. The facility may be drawn in multiple tranches and is repayable over 60 months commencing 1 May 2007. Keycorp Limited has an option to purchase the equipment at the written down value on expiry of the MPSA.

Note 9. Issued Capital, Reserves and Accumulated Losses

| | Consolidated | |
|---|---------------------|-------------------|
| | 31 Dec 08 | 30 June 08 |
| | \$'000 | \$'000 |
| a) Movements in issued capital | | |
| Balance at beginning of the period | 60 808 | 61 105 |
| Buyback and cancellation of shares | - | (297) |
| Balance at beginning and end of period | <u>60 808</u> | <u>60 808</u> |
| b) Foreign currency translation reserve | | |
| Balance at beginning of financial period | (6) | (61) |
| Transfer to income statement on disposal of overseas subsidiary | (7) | 61 |
| Translation of overseas subsidiaries | 156 | (6) |
| Balance at the end of financial period | <u>143</u> | <u>(6)</u> |
| c) Accumulated losses | | |
| Balance at beginning of financial period | (35 044) | (35 102) |
| Equity settled transactions | 37 | 160 |
| Net profit/(loss) attributable to equity holders of the parent | 9 697 | (102) |
| Balance at end of financial period | <u>(25 310)</u> | <u>(35 044)</u> |

Note 10. Dividends provided for or paid

No dividends of the Company have been paid, declared or recommended during the half year ended 31 December 2008 or since that date.

Note 11. Income Taxes

Current Tax

Current tax expense for the interim periods presented is the expected tax payable on the taxable income for the period, calculated as the estimated average annual effective income tax rate applied to the pre-tax income of the interim period.

Current tax for the current and prior periods is classified as a current liability to the extent that it is unpaid. Amounts paid in excess of amounts owed are classified as a current asset.

Keycorp Limited and its Controlled Entities

Notes to the condensed consolidated interim financial statements (continued)

For the six months ended 31 December 2008

Note 11. Income Taxes (continued)

Deferred Tax

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using the estimated average annual effective income tax rate for the interim periods presented.

The primary components of the entity's deferred tax assets include carry forward tax losses, temporary differences related to employee benefits, provisions and other items.

The primary components of the entity's deferred tax liabilities include temporary differences related to intangible assets and capitalised development costs.

Note 12. Employee benefits

Superannuation commitments

Keycorp Limited makes contributions to superannuation plans for the benefit of eligible employees. The terms and conditions of the superannuation commitments are outlined in the 30 June 2008 annual financial report.

Share Based Payments

The terms and conditions of the Share based payment plans are disclosed in the 30 June 2008 annual financial report.

Note 13. Related parties

Transactions with key management personnel

Arrangements with related parties continue to be in place. For details of these arrangements refer to the 30 June 2008 annual financial report. In addition to these arrangements, during the current period Keycorp Limited engaged the consulting services of Mr M Ibrahim, a director of the company, during the six months ended 31 December 2008. The consulting services provided had terms and conditions which are consistent with market rates and were due and payable under normal payment terms. The services during the period amounted to \$82 570. Of this amount \$27 520 is included in trade and other payables at 31 December 2008.

Note 14. Subsequent Events

The directors are unaware of any other matter or circumstance that has occurred since the interim balance sheet date that has significantly affected or may significantly affect the operations or the state of affairs of the group in future financial years.

Note 15. Contingent liabilities

a) Call option

The consolidated entity entered into a terminal management contract with Westpac Banking Corporation in 2004. To facilitate this contract, Keycorp established a special-purpose entity, Keycorp Payment Services Pty Limited (KPS), to administer this contract. Under the terms of the terminal management agreement Westpac has a call option entitling it to acquire 100% of the share capital of KPS under specified conditions of non-performance or if there is the occurrence of a change of control of Keycorp Limited. The call option would be exercised at the determined fair market value of the share capital of KPS. If required an independent expert would be utilised to determine the fair market value of the share capital.

b) Guarantee

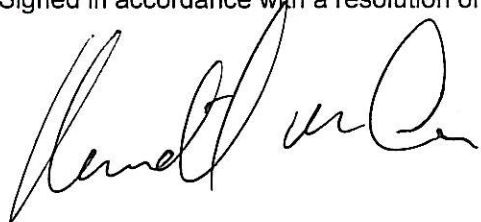
As a condition of the Westpac terminal management contract with Westpac Banking Corporation, Keycorp Limited has agreed to guarantee the performance of its subsidiary, Keycorp Payment Services Pty Limited (KPS) under this agreement. Under the terms of the guarantee, Keycorp Limited would be obligated to make all payments which Westpac is entitled to demand, as a result of the non-performance of KPS.

Directors' Declaration

In the opinion of the directors of Keycorp Limited ("the company"):

1. the financial statements and notes set out pages 8 to 20, are in accordance with the Corporations Act 2001 including:
 - (a) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2008 and of its performance for the six months 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:



K Carr
Director

Sydney

26 February 2009



Independent auditor's review report to the members of Keycorp Limited

Report on the financial report

We have reviewed the accompanying interim financial report of Keycorp Limited, which comprises the consolidated interim balance sheet as at 31 December 2008, condensed income statement, statement of recognised income and expense and cash flow statement for the interim period ended on that date, a description of accounting policies and other explanatory notes 1 to 15 and the directors' declaration of the consolidated entity 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 and fair presentation of the interim financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year 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.

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 Interim and Other Financial Reports 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 consolidated entity's financial position as at 31 December 2008 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 Keycorp Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an 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*.



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 Keycorp Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 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*.

KPMG

Kenneth Reid
Partner

Sydney

26 February 2009