

NOTICE OF SCHEME MEETING

Keycorp Limited

ACN 002 519 986

Notice is given that by an order of the Supreme Court of Victoria made on 15 October 2010 pursuant to section 411(1) of the *Corporations Act 2001 (Cth)* (**Corporations Act**) a meeting of the holders of ordinary shares in Keycorp Limited ACN 002 519 986 (**Company**) will be held at Middletons, Level 25, South Tower, 525 Collins Street, Melbourne on 19 November 2010 at 11.00am (AEDST) (**Scheme Meeting**).

PURPOSE OF MEETING

The purpose of the Scheme Meeting is to consider and, if thought fit, to agree to a scheme of arrangement (with or without modification) to be made between the Company and the Company's ordinary shareholders to effect the acquisition of 100% of the issued shares of the Company by Overland Transaction Services Pty Limited ACN 146 354 038 (**Overland**).

BUSINESS OF THE MEETING

Resolution – Approval of the Scheme of Arrangement

To consider, and if thought fit, to pass the following Resolution in accordance with section 411(4)(a)(ii) of the Corporations Act:

“That, pursuant to and in accordance with section 411 of the Corporations Act, the Scheme of Arrangement, the terms of which are contained and more particularly described in the Scheme Booklet (of which this Notice of Scheme Meeting forms part) is approved, with or without modification as approved by the Supreme Court of Victoria.”

By order of the Board



Company Secretary

20 October 2010

EXPLANATORY NOTES

These notes should be read in conjunction with this Notice of Scheme Meeting.

1. Terminology

Capitalised terms which are defined in the constitution of Keycorp Limited ACN 002 519 986 (**Keycorp**) or in the Scheme Booklet which accompanies this Notice of Scheme Meeting have the same meaning when used in this Notice (including these notes) unless the context requires otherwise.

2. Quorum

The constitution of Keycorp provides that the quorum for a meeting of Keycorp members is 3 members (in person or by proxy, attorney or representative).

3. Chairman

The Court has directed that Robert Bishop act as Chairman of the Scheme Meeting or, failing him, Michael Ibrahim.

4. Voting intentions

The Directors of the Company unanimously recommend that, in the absence of a Superior Proposal, you vote in favour of the Scheme at the Scheme Meeting. Each Director who holds Keycorp Shares, or on whose behalf Keycorp Shares are held, intends to vote in favour of the Scheme at the Scheme Meeting, in the absence of a Superior Proposal.

5. Majority required

In accordance with section 411(4)(a)(ii) of the Corporations Act, for the Scheme of Arrangement to become effective the Resolution contained in this Notice of Scheme Meeting must be passed by:

- (a) a majority in number (more than 50%) of Keycorp Shareholders present and voting (whether in person, by proxy, by attorney or by corporate representative) at the Scheme Meeting; and
- (b) at least 75% of the total number of Keycorp Shares voted at the Scheme Meeting (whether in person, by proxy, by attorney or by corporate representative).

6. Court approval

In accordance with section 411(4)(b) of the Corporations Act, to become effective, the Scheme of Arrangement must be approved by an order of the Supreme Court of Victoria. If the Resolution contained in this Notice of Scheme Meeting is approved at the Scheme Meeting by the requisite majorities and the conditions precedent in the Scheme of Arrangement are satisfied or waived, the Company will apply to the Court for the necessary orders to give effect to the Scheme of Arrangement.

7. Entitlement to vote

The Court has ordered that, for the purposes of the Scheme Meeting, Keycorp Shares will be taken to be held by the persons who are registered as Keycorp Shareholders at 11.00am (AEDST) on 17 November 2010. Accordingly, registrable transmission applications or transfers registered after this time will be disregarded in determining entitlements to vote at the Scheme Meeting.

8. Voting at the meeting

You may vote in person at the Scheme Meeting or appoint a proxy, attorney or corporate representative to attend and vote for you.

(a) Jointly held Keycorp Shares

If more than one shareholder votes in respect of jointly held Keycorp Shares, only the vote of the shareholder whose name appears first in the Keycorp Share Register will be counted whether the vote is given personally, by attorney or proxy.

(b) Voting in person

To vote in person at the Scheme Meeting, you must attend the Scheme Meeting to be held at Middletons, Level 25, South Tower, 525 Collins Street, Melbourne on 19 November 2010 at 11.00am (AEDST).

(c) Voting by proxy

You can appoint a proxy to attend and vote on your behalf at the Scheme Meeting using the personalised Proxy Form that accompanies this Scheme Booklet. A proxy need not be a Keycorp Shareholder and may be an individual or a body corporate. If you are entitled to cast two or more votes you may appoint two proxies to attend and vote for you at the Scheme Meeting. If two proxies are appointed, each proxy may be appointed to exercise a specified number or proportion of your votes. If no such number or proportion is specified, each proxy may exercise half your votes.

If you do not instruct your proxy on how to vote, your proxy may vote as they see fit at the Scheme Meeting.

A proxy will be admitted to the Scheme Meeting upon providing at the point of entry to the Scheme Meeting written evidence of their identity.

If you wish to appoint a proxy in respect of the Scheme Meeting, you are requested to complete and sign the Proxy Form in accordance with the instructions set out in the Proxy Form so that it (together with the original or a certified copy of any authority under which it was executed) is received at the Company's Share registry, **Computershare Investor Services Pty Ltd:**

- (i) by mail or in person at Computershare Investor Services Pty Ltd, Level 4, 60 Carrington Street, Sydney, NSW, Australia or Yarra Falls, 452 Johnson Street, Abbotsford Street, Vic 3067;
- (ii) by successful facsimile transmission to +61 3 9473 2500; or
- (iii) by email as described at Note 8(g) below,

in either case received no later than 11.00am (AEDST) on 17 November 2010 (or, if the Scheme Meeting is adjourned or postponed, no later than 48 hours before the resumption of the Scheme Meeting in relation to the resumed part of the Scheme Meeting). Any revocations of proxies must be received prior to the commencement of the Scheme Meeting.

If a proxy appointment is signed by a Keycorp Shareholder but does not name the proxy or proxies in whose favour it is given, the Chairman will act as proxy.

(d) Undirected proxies

Proxy appointments in favour of the Chairman of the Scheme Meeting, the Company Secretary or any Keycorp Director which do not contain a direction will be voted in support of the Scheme at the Scheme Meeting (in the absence of a superior proposal for all Keycorp Shares prior to the Scheme Meeting).

(e) Voting by attorney

If you wish to appoint an attorney to attend and vote at the Scheme Meeting the original or a certified copy of the power of attorney under which the attorney has been appointed must be received by the Keycorp Share Registry no later than 11.00am (AEDST) on 17 November 2010 (or if the Scheme Meeting is adjourned or postponed, no later than 48 hours before the resumption of the Scheme Meeting in relation to the resumed part of the Scheme Meeting). An attorney will be admitted to the Scheme Meeting upon providing at the point of entry to the Scheme Meeting written evidence of their appointment and their identity.

(f) Voting by corporate representative

To vote at the Scheme Meeting (other than by proxy or attorney) a corporation that is a Keycorp Shareholder must appoint an individual to act as its representative. A body corporate which is appointed as the proxy of a Keycorp Shareholder must also appoint an individual to act as its representative. The appointment must comply with section 250D of the Corporations Act.

An authorised corporate representative will be admitted to the Scheme Meeting upon providing at the point of entry to the Scheme Meeting written evidence of their appointment including any authority under which it is signed and their identity.

(g) Voting Online

To lodge a proxy online, a Keycorp Shareholder may go to **www.investorvote.com.au** and enter the control number displayed on the front page of the proxy form to login and submit the vote electronically

For custodians who are subscribers of Intermediary Online please lodge your votes electronically via www.intermediaryonline.com

KEYCORP LIMITED

ABN 61 002 519 986

Lodge your vote:



Online:
www.investorvote.com.au



By Mail:
Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only
(custodians) www.intermediaryonline.com

For all enquiries call:
(within Australia) 1300 787 272
(outside Australia) +61 3 9415 4000

Proxy Form



Vote online, 24 hours a day, 7 days a week:

www.investorvote.com.au



Cast your proxy vote



Review and update your securityholding

Your secure access information is:

Control Number:

SRN/HIN:



PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

For your vote to be effective it must be received by 11:00am (AEDT) Wednesday 17 November 2010

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote as they choose. If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions for Postal Forms

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the information tab, "Downloadable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

**GO ONLINE TO VOTE,
or turn over to complete the form** →

Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.

Proxy Form

Please mark to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

I/We being a member/s of Keycorp Limited hereby appoint

the Chairman of the Meeting OR

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the Scheme Meeting of Keycorp Limited to be held at Middletons, Level 25, South Tower, Rialto, 525 Collins Street, Melbourne on Friday, 19 November 2010 at 11.00am and at any adjournment of that meeting.

STEP 2 Items of Business

PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

	For	Against	Abstain
1 To approve the Scheme of Arrangement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1	Securityholder 2	Securityholder 3
<input type="text"/>	<input type="text"/>	<input type="text"/>
Sole Director and Sole Company Secretary	Director	Director/Company Secretary

Contact Name _____ Contact Daytime Telephone _____ Date ____/____/____

Scheme Booklet 2010

For the recommended Scheme of Arrangement
between **Keycorp Limited ACN 002 519 986**
and the holders of **shares in Keycorp Limited**

in relation to the proposed acquisition of all shares in Keycorp Limited by Overland Transaction
Services Pty Limited, a wholly owned subsidiary of Archer Capital VCLP GF 1, LP ILP-0000015

Each Director recommends you vote in favour of the Scheme in the absence of a Superior Proposal.

**THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR IMMEDIATE ATTENTION
IF YOU HAVE ANY QUESTIONS IN RELATION TO THE SCHEME BOOKLET OR THE SCHEME
MEETING PLEASE CONTACT YOUR LEGAL, INVESTMENT OR OTHER PROFESSIONAL ADVISER.**

IMPORTANT NOTICES

The Scheme Booklet

This Scheme Booklet sets out details of the Scheme and constitutes the Explanatory Statement for the Scheme for the purposes of section 412(1) of the Corporations Act. It explains the effect of the Scheme between Keycorp and the Keycorp Shareholders to be considered at the Scheme Meeting.

You should read this Scheme Booklet in its entirety before making a decision as to how to vote on the resolution to be considered at the Scheme Meeting. If you are in doubt as to what you should do, you should consult your legal, investment or other professional adviser.

ASIC and ASX

A copy of this Scheme Booklet has been examined and registered by ASIC for the purposes of section 412(6) of the Corporations Act. ASIC has been requested to provide a statement, in accordance with section 411(17)(b) of the Corporations Act, that ASIC has no objection to the Scheme. If ASIC provides that statement, then it will be produced to the Court at the time of the Court hearing to approve the Scheme. Neither ASIC nor any of its officers take any responsibility for the contents of this Scheme Booklet.

A copy of this document has been lodged with ASX. Neither ASX nor any of its officers take any responsibility for the contents of this document.

Investment decisions

The information contained in this Scheme Booklet does not constitute financial product advice. This Scheme Booklet does not take into account the investment objectives, financial situation or particular needs of individual Keycorp Shareholders or any other person. Independent financial and taxation advice should be sought before making any decision in relation to the Scheme.

Responsibility statement

The Keycorp Information has been prepared by Keycorp and its directors and is the responsibility of Keycorp. The directors, officers and advisers of Overland and Archer Capital do not assume any responsibility for the accuracy or completeness of the Keycorp Information.

The Overland Information has been provided by Overland and its directors and is the responsibility

of Overland. Keycorp and its directors, officers and advisers do not assume any responsibility for the accuracy or completeness of the Overland Information.

Grant Thornton has prepared the Independent Expert's Report in [Annexure B](#) and is responsible for that report only.

Forward looking statements

Certain statements in this Scheme Booklet relate to the future. Forward-looking statements can be identified by the use of forward looking words such as "may", "should", "expect", "anticipate", "estimate", "scheduled" or "continue," their negative equivalent, or comparable terminology. Such statements involve known and unknown risks, uncertainties, assumptions and other important factors that may cause the actual results, performance or achievements of Keycorp to be materially different from the results, performance or achievements expressed or implied by such statements. The operation and financial performance of Keycorp is subject to various risks and which may be beyond the control of Keycorp, Archer Capital or Overland. As a result, the actual results of Keycorp's operations and earnings following implementation of the Scheme and the actual advantages of the Scheme may differ from those that are anticipated or may not be achieved.

Any forward looking statements in this Scheme Booklet are made, and reflect views held, only as at the date of this Scheme Booklet. Keycorp, Archer Capital and Overland make no representation and give no assurance or guarantee that the occurrence of the events or the achievement of results expressed or implied in such statements will actually occur. You are cautioned not to rely on any forward-looking statement.

Privacy and personal information

Keycorp will need to collect personal information to implement the Scheme. The personal information may include the names, contact details and details of shareholdings of Keycorp Shareholders, plus contact details of individuals appointed by Keycorp Shareholders to act as proxies, corporate representatives or attorneys at the Scheme Meeting. The primary purpose of the collection of personal information is to assist Keycorp in the conduct of the Scheme Meeting and to enable the Scheme to be implemented. The collection of certain personal information is required or authorised by the Corporations Act.

Keycorp Shareholders, and other individuals in respect of whom personal information is collected, have certain rights to access the personal information collected about them and can contact the Keycorp Share Registry on 1300 787 272 if they wish to exercise those rights.

Personal information may be disclosed to the share registrars of Keycorp or Overland or Archer Capital, print and mail service providers, authorised securities brokers, Related Bodies Corporate of Keycorp and to Archer Capital, Overland and Archer Capital and Overland's advisers to the extent necessary to effect the Scheme. If the information outlined above is not collected, Keycorp may be hindered in, or prevented from, conducting the Scheme Meeting, or implementing the Scheme effectively or at all. Keycorp Shareholders who appoint a named person to act as their proxy, corporate representative or attorney at the Scheme Meeting should ensure that they inform that person of the matters outlined above.

Notice to Keycorp Shareholders in jurisdictions other than Australia or New Zealand

This Scheme Booklet has been prepared in compliance with the disclosure requirements of Australia which may be different from those in other jurisdictions. This Scheme Booklet and the Scheme do not in any way constitute an offer of securities or a solicitation of an offer to purchase securities in any place in which, or to any person to whom, it would not be lawful to make such an offer or solicitation.

References to time and currency

Unless otherwise stated, a reference to time in this Scheme Booklet is a reference to Australian Eastern Daylight Saving Time. References to (\$) or (A\$) dollars in this Scheme Booklet are to Australian dollars, unless otherwise stated.

Rounding

Certain financial figures in this Scheme Booklet have been rounded as applicable, unless otherwise stated. Such figures should be considered as approximate figures. Any discrepancies in any table between totals and sums of amounts listed therein or to previously published financial figures are due to rounding.

Defined terms and interpretation

Capitalised terms used in this Scheme Booklet are defined either in the Glossary in Section 12 or in the body of this Scheme Booklet.

Unless otherwise stated or where the context otherwise requires, all data contained in this Scheme Booklet, including in charts, graphs and tables, are based on information available as at 20 September 2010.

Tax

Keycorp Shareholders should consult their tax adviser as to the applicable tax consequences of the Scheme.

Supreme Court Notice

IMPORTANT NOTICE ASSOCIATED WITH COURT ORDER UNDER SECTION 411(1) OF THE CORPORATIONS ACT 2001

The fact that under section 411 (1) of the Corporations Act 2001 the Court has ordered that a meeting be convened and has approved the explanatory statement required to accompany the notices of the meeting does not mean that the Court:

- (a) has formed any view as to the merits of the proposed scheme or as to how members/creditors should vote (on this matter members/creditors must reach their own decision); or
- (b) has prepared, or is responsible for, the content of the explanatory statement.

Date

This Scheme Booklet is dated 15 October 2010.

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IMPORTANT DATES

Date and time	Event
17 November 2010	Date and time for determining eligibility to vote at Scheme Meeting
17 November 2010	Latest date and time for lodgement of Proxy Forms or powers of attorney for Scheme Meeting
19 November 2010	Scheme Meeting to vote on the Scheme to be held at 11.00 am Middletons, Level 25, South Tower, Rialto, 525 Collins Street, Melbourne, Victoria
26 November 2010	Court Approval Date for approval of the Scheme
26 November 2010	Effective Date – Court Order lodged with ASIC and announced to ASX
26 November 2010	Keycorp Shares cease trading on ASX at close of trading
3 December 2010	Scheme Record Date for determining entitlements to Scheme
8 December 2010	Implementation Date – Scheme Shares transferred to Overland Transaction Services Pty Limited and Scheme Consideration provided to Scheme Shareholders

The timetable above is indicative only and certain dates and times are subject to receipt of all necessary approvals from Keycorp Shareholders, the Court and other Regulatory Authorities. Keycorp, in consultation with Overland, may vary any or all of these dates and times, subject to Court approval where required. Any changes to the above timetable will be published on Keycorp's website at www.keycorp.net and announced to ASX, please refer to the ASX website. The actual timetable will depend on factors outside the control of Keycorp and implementation of the Scheme is subject to the satisfaction or, if applicable, waiver of the Scheme Conditions (see Section 8.8).

All references to time are to Australian Eastern Daylight Saving Time unless otherwise stated.

KEYCORP LIMITED

CHAIRMAN'S MESSAGE

Dear Shareholder,

On 9 September 2010, Keycorp announced the terms of the proposed acquisition of Keycorp by Archer Capital VCLP GF 1, LP (**Archer Capital**) via a wholly-owned subsidiary, which Archer Capital has now identified as Overland Transaction Services Pty Limited (**Overland**), by way of a scheme (**Scheme**). Under the Scheme, Overland will acquire all of the shares in Keycorp for \$0.58 cents per share payable in cash. This offer is over and above the \$0.02 per share final dividend that was announced by Keycorp on 27 August 2010.

Your directors have considered the advantages and disadvantages of the Scheme. Each director recommends that shareholders vote in favour of the Scheme in the absence of a Superior Proposal. Each director who holds shares in Keycorp intends to vote in favour of the Scheme in the absence of a Superior Proposal.

The Independent Expert, Grant Thornton, has also concluded that the Scheme is fair and reasonable and accordingly, is in the best interests of all shareholders in the absence of a Superior Proposal.

The key reasons why the Board believes Archer Capital's offer price of \$0.58 per share to be the best interests of all shareholders are that the offer:

- represents an attractive premium for shareholders on the underlying enterprise value of the business. After excluding the \$25.3m net cash available on Keycorp's balance sheet as at 30 June 2010, Archer Capital's effective offer for Keycorp's operating business becomes \$21.9 million. This is a 42% premium to the \$15.4 million enterprise value of the business implied by the \$0.505 share price, as traded on the ASX immediately prior to the offer date;
- is a premium of 20.8% to the 12 month volume weighted average price (VWAP) and a premium of 14.4% to the 3 month VWAP, both to the last close price before announcement of the offer; and
- represents the highest share price for Keycorp shares since February 2007.

In addition, we consider the offer by Archer Capital to be attractive for the following reasons:

- The offer provides a liquidity event for shareholders whereby they can exit their shareholding in return for cash. This is important given Keycorp is a very thinly traded stock. It is also important to note that approximately 25% of current cash reserves are required to fund working capital, lease finance and other commitments that cannot be released except via a takeover.
- Implementation of a profitable and meaningful growth strategy cannot be achieved without acquisitions. In addition to the use of the existing cash balance, it is likely that significant further capital will be required. If the offer is not accepted, the reality is that longer term growth will require additional investment either in the form of debt, which will increase the risk profile for shareholders, or additional equity. If shareholders choose not to invest in a capital raising, they will face dilution.
- The proposed transaction allows shareholders the opportunity to realise the full value of the Company now. In the absence of this offer, the Board planned to retain current cash reserves to pursue acquisitions. That strategy is still endorsed by the Board but it is not without risk. The alternative, to return surplus cash to shareholders, would only realise part of the value of the Company and would leave the business with insufficient capital to fund growth, and in the Board's view a listed Company that is too small to attract institutional investor interest.
- The offer, compared to other available options including other indicative offers, represents the most superior offer in terms of value and degree of certainty.
- If the offer is not accepted and in the absence of a Superior Proposal, the price of Keycorp shares may fall below the value of the offer price.

In summary, the directors are firmly of the view that the offer is in the best interests of all shareholders and we encourage you to join us in voting in favour of the Scheme.

Yours sincerely,



Rob Bishop
Chairman

1. OVERVIEW OF THIS BOOKLET

What is this booklet for?	<p>This Scheme Booklet is about the proposed recommended acquisition of all of the issued capital of Keycorp by Overland (a wholly-owned subsidiary of Archer Capital) by way of the Scheme of Arrangement.</p> <p>The Scheme Booklet is designed to provide Keycorp Shareholders with information to consider before voting on whether the Scheme should proceed, at the Scheme Meeting scheduled for 19 November 2010.</p>
Why should you vote?	<p>As a Keycorp Shareholder, you have a say in whether the acquisition of Keycorp by Overland is completed or not – this is your opportunity to play a role in deciding the future of the business in which you have a stake.</p>
Is the Scheme in the best interests of Keycorp Shareholders?	<p>The Keycorp Board unanimously recommends that Keycorp Shareholders vote in favour of the Scheme, subject to no Superior Proposal being made for Keycorp.</p> <p>The Independent Expert has also concluded that the Scheme is fair and reasonable and in the best interests of Keycorp Shareholders, in the absence of a Superior Proposal. Its report is included in this booklet for your consideration in <u>Annexure B</u>.</p>
How do the Keycorp Directors intend to vote in respect of their own shares?	<p>In the absence of a Superior Proposal, each Keycorp Director will vote all their direct and indirect interests in Keycorp in favour of the Scheme at the Scheme Meeting.</p>
What you should do next	
Read this booklet and consider the Scheme	<p>You should read and carefully consider the information included in this booklet to help you make an informed decision.</p> <p>There is a “Questions and answers” summary included in Section 2, to help answer any questions you may have.</p> <p>If you have any doubts as to what action you should take, please contact your legal, investment or other professional adviser.</p>
Vote on the Scheme	<p>As a Keycorp Shareholder, it is your right to vote on whether the Scheme should proceed.</p> <p>You can vote:</p> <ul style="list-style-type: none">• by proxy, using the enclosed Proxy Form, or by attorney or corporate representative; or• by proxy, using online lodgement at www.investorvote.com.au, or• in person by attending the Scheme Meeting to be held at 11.00 am (AEDST) on 19 November 2010 at Middletons, Level 25, South Tower, Rialto, 525 Collins Street, Melbourne, Victoria. <p>If you vote by proxy, your Proxy Form must be received by 7.00 pm (AEDST) on 17 November 2010, for your vote to be counted. You can do this by voting online or by posting or faxing your Proxy Form to the addresses or fax numbers set out in Section 4 (How to vote).</p>

For further information

If you have any questions of a general nature, or require further information, then you may refer to Keycorp’s corporate website at www.keycorp.net, email Keycorp at scheme@keycorp.net or call the Keycorp Shareholder Information Line on 1800 648 622 (within Australia) or +61 2 8256 3377 (outside Australia). For more specific advice pertinent to your own circumstances please contact your legal, investment or other professional adviser.

2. SCHEME HIGHLIGHTS

Scheme Consideration	<p>\$0.58 per share.</p> <p>The total Scheme Consideration is \$47,633,999.30, assuming all of the existing Keycorp Shares are acquired under the Scheme and assuming some of the Keycorp Options are exercised, as described in section 10.</p>
Board recommendation	<p>The Keycorp Board unanimously recommends that, in the absence of a Superior Proposal, you vote in favour of the Scheme at the Scheme Meeting. Each Keycorp Director who holds Keycorp Shares, or on whose behalf Keycorp Shares are held, intends to vote in favour of the Scheme at the Scheme Meeting, in the absence of a Superior Proposal.</p> <p>In making this recommendation, the Keycorp Board has, among other things, considered the matters detailed in Section 5.</p>
Independent Expert's Report	<p>Grant Thornton has been appointed as the Independent Expert by the Keycorp Board.</p> <p>The Independent Expert has concluded that the Scheme Consideration is fair and reasonable and therefore the Scheme is in the best interests of the Keycorp Shareholders in the absence of a Superior Proposal. A copy of the Independent Expert's Report can be found in Annexure B.</p>
Implementation of the Scheme - conditions of the Scheme and status	<p>The obligations of Keycorp and Overland to complete the Scheme are subject to the Scheme Conditions which are discussed in further detail in Section 8.8.</p> <p>For the Scheme to be implemented, all of the Scheme Conditions must be either satisfied or waived in accordance with the Scheme and the Scheme Implementation Agreement.</p> <p>As at the date of this Scheme Booklet, Keycorp and Overland are not aware of any circumstances which would cause the Scheme Conditions not to be satisfied. An update as to the status of the Scheme Conditions will be provided at the Scheme Meeting.</p>
Scheme approval requirements	<p>If the necessary majority of Keycorp Shareholders vote in favour of the Scheme at the Scheme Meeting (see Section 4.4 for details) and all other Scheme Conditions have been either satisfied or waived (if applicable), the Court will be asked to approve the Scheme.</p>
No Superior Proposal	<p>As at the date of this Scheme Booklet, no Superior Proposal has emerged.</p>
No brokerage or stamp duty	<p>Shareholders will not incur any brokerage or stamp duty in connection with the Scheme.</p>

This Section answers some basic questions that you may have about the Scheme. The information in this Section is a summary only which you should read in conjunction with the entire Scheme Booklet (including the recommendation of the Keycorp Directors and the key reasons for those recommendations as set out in Section 5) before deciding how to vote on the Scheme.

Questions	Answers
Questions about the Scheme	
What is the Scheme?	<p>On 9 September 2010, Keycorp and Archer Capital announced a proposal under which Archer Capital agreed to acquire all of the shares of Keycorp by way of a Scheme of Arrangement. Archer Capital has nominated Overland as the acquiring entity. Overland will pay all of the Scheme Consideration in cash to the Scheme Shareholders.</p> <p>The Scheme is between Keycorp and the Keycorp Shareholders in relation to the Keycorp Shares and requires approval by both the Keycorp Shareholders and the Court.</p> <p>The Scheme is subject to a number of Scheme Conditions which are summarised in Section 8.8.</p> <p>If the Scheme is approved and implemented, all Keycorp Shares you own will be transferred to Overland and Keycorp will become a Subsidiary of Overland.</p>
What is this Scheme Booklet for?	<p>The Scheme will only proceed if it is approved by the necessary majorities of Keycorp Shareholders at the Scheme Meeting, which is scheduled to occur on 19 November 2010. This Scheme Booklet is designed to provide Keycorp Shareholders with information to consider before they vote at the Scheme Meeting on whether the Scheme should proceed.</p>
What are the benefits of the Scheme?	<p>The Keycorp Board believes that the Scheme is the best opportunity to realise value currently available for Keycorp Shareholders, in the absence of a Superior Proposal.</p> <p>In forming that view, the Keycorp Board believes that the advantages of the Scheme to Keycorp Shareholders include the following:</p> <ul style="list-style-type: none"> • The Scheme provides a cash payment of \$0.58 per Share to Keycorp Shareholders; • The Scheme Consideration represents an attractive premium to both underlying Enterprise Value of Keycorp and 12 month volume weighted average price; • Keycorp Shareholders realise the full value of the Company in cash; • The Scheme avoids the risk and potential dilutive effect to Shareholders associated with the funding of any growth strategy; • If the Scheme is not approved, it is likely that the Keycorp Share price will fall below the value of the Scheme Consideration. <p>Further information regarding the advantages and reasons to vote in favour of the Scheme is set out in Sections 5.2 and 5.3.</p>

Questions	Answers
<p>What are the disadvantages of voting in favour of the Scheme?</p>	<p>Where you vote in favour of the Scheme and it is implemented, you will receive a cash payment of \$0.58 per Keycorp Share but you will no longer have any interest in Keycorp or its potential future growth or long term value.</p> <p>The disposal of Keycorp Shares pursuant to the Scheme may have taxation consequences for Keycorp Shareholders which are discussed further in Annexure A.</p> <p>Further information regarding the disadvantages and reasons to vote against the Scheme is set out in Section 5.4.</p>
<p>What are the risks of the Scheme?</p>	<p>The risks associated with the Scheme include:</p> <ul style="list-style-type: none"> • The Scheme will not go ahead unless Shareholders vote in favour of the Scheme in the majorities described in Section 4.4; • The Scheme will not go ahead unless the Court approves; • As all of the consideration offered is cash, there is little financial risk associated with the Scheme – see Section 7.5 for information on Overland’s capacity to fund the Scheme Consideration; • If a Keycorp Material Adverse Change or a Keycorp Prescribed Occurrence occurs, Overland may elect not to proceed with the Scheme. <p>Keycorp Shareholders should consider these risks carefully before deciding how to vote on the Scheme.</p>
<p>What will I receive if the Scheme is implemented?</p>	<p>If the Scheme is implemented, for each Keycorp Share you hold on the Scheme Record Date you will be entitled to receive the Scheme Consideration (being \$0.58 per Keycorp Share).</p> <p>Further details of the Scheme Consideration are set out in Sections 2 and 8.3.</p>
<p>What do the Keycorp Directors recommend?</p>	<p>The Keycorp Board unanimously recommends that all Keycorp Shareholders vote in favour of the Scheme at the Scheme Meeting, in the absence of a Superior Proposal.</p>
<p>How do the Keycorp Directors intend to vote in respect of their own Keycorp Shares?</p>	<p>In the absence of a Superior Proposal, each Keycorp Director who holds Keycorp Shares, or on whose behalf Keycorp Shares are held, intends to vote in favour of the Scheme at the Scheme Meeting.</p>
<p>What is the opinion of the Independent Expert?</p>	<p>The Independent Expert has considered the Scheme and has concluded that the Scheme Consideration is fair and reasonable and therefore the Scheme is in the best interests of Keycorp Shareholders in the absence of a Superior Proposal.</p> <p>The Independent Expert’s Report is set out in full in Annexure B.</p>

Questions	Answers
<p>How will the Scheme be implemented?</p>	<p>The Scheme will be implemented by way of a Scheme of Arrangement between Keycorp and Keycorp Shareholders, pursuant to which Overland will acquire all of the Scheme Shares and pay the Scheme Consideration to Keycorp Shareholders.</p> <p>Further details on how the Scheme will be implemented are set out in Sections 2 and 8.</p>
<p>When and where will the Scheme Meeting be held?</p>	<p>The Scheme Meeting will be held at Middletons, Level 25, South Tower, Rialto, 525 Collins Street, Melbourne, on 19 November 2010 at commencing at 11.00 am (AEDST).</p> <p>See Section 4 and the Notice of Meeting in Annexure F for details of the Scheme Meeting and applicable voting arrangements.</p>
<p>When will the Scheme become Effective?</p>	<p>Subject to satisfaction or waiver of any outstanding Scheme Conditions and the approval of the Court, it is expected that the Scheme will become Effective on 26 November 2010.</p> <p>Further details about the timetable are set out under the heading "Important Dates" at the front of this Scheme Booklet.</p>
<p>What happens if the Scheme does not proceed?</p>	<p>If the Scheme is not approved by the requisite majorities at the Scheme Meeting (or is approved at the Scheme Meeting but is not approved by the Court), then the Scheme will not be implemented.</p> <p>In this situation:</p> <ul style="list-style-type: none"> • the price of Keycorp Shares may fall beneath the value of the Scheme Consideration, in the absence of a Competing Proposal; • Keycorp will also bear substantial transaction costs and expenses estimated at a direct financial cost of approximately \$450,000; • the benefits of the Scheme will not be realised and the disadvantages of the Scheme will not arise; • Keycorp Shareholders will not receive the Scheme Consideration and will retain their direct interests in Keycorp Shares and continue to collectively control Keycorp; • Keycorp will remain an independent company and focus on its current business and strategic plans; • Keycorp will continue to operate under the existing corporate structure with its current directors and management in place; and • the rights of Keycorp Shareholders will remain unchanged. <p>Further details are set out in Sections 5.3 and 8.4.</p> <p>If the Scheme does not proceed as a result of a Competing Proposal being recommended by the Keycorp Board or the occurrence of a Material Adverse Change or a Prescribed Occurrence prior to the Second Court Date, the Company will be liable to pay a Break Fee of \$400,000 to Archer Capital, in addition to the above consequences.</p>

Questions	Answers
<p>What will be the effect of the Scheme on Keycorp Shareholders?</p>	<p>If the Scheme is implemented:</p> <ul style="list-style-type: none"> • Keycorp Shareholders will transfer all of their Keycorp Shares to Overland. • In consideration for the transfer of their Keycorp Shares, each Keycorp Shareholder will receive the Scheme Consideration. • Keycorp will become a Subsidiary of Overland. • Keycorp Shares will cease to be quoted on ASX and Keycorp will be delisted. <p>Further details are set out in Sections 8.1 and 8.2.</p>
<p>What happens if the Scheme is not approved by the requisite majorities?</p>	<p>The Scheme will not proceed.</p>
<p>What approvals are required at the Scheme Meeting?</p>	<p>For the Scheme to be approved, votes in favour of the Scheme must be received from both:</p> <ul style="list-style-type: none"> • a majority in number (more than 50%) of Keycorp Shareholders present and voting (whether in person, by proxy, by attorney or by corporate representative) at the Scheme Meeting; and • at least 75% of the total number of Keycorp Shares voted at the Scheme Meeting (whether in person, by proxy, by attorney or by corporate representative).
<p>Questions about voting</p>	
<p>Who is entitled to vote at the Scheme Meeting?</p>	<p>Keycorp Shareholders on the Keycorp Register at 7.00 pm (AEDST) on 17 November 2010 will be entitled to vote at the Scheme Meeting.</p> <p>Further details about voting rights and procedures are set out in Section 4 and in the Notice of Meeting in Annexure F.</p>
<p>Is voting compulsory?</p>	<p>No, voting is not compulsory. However, your vote is important. If you cannot attend the Scheme Meeting, you should complete and return the Proxy Form enclosed with the Scheme Booklet.</p> <p>For further details regarding proxy voting and submitting the Proxy Form for the Scheme Meeting, see Section 4.</p>
<p>Will I be bound by the Scheme even if I vote against the Scheme?</p>	<p>If the Scheme becomes Effective, it will bind all Keycorp Shareholders, including those who voted against it and those who did not vote at all.</p>
<p>Questions about Archer Capital and Overland</p>	
<p>Who is the Bidder?</p>	<p>Overland is an Australian proprietary company established for the sole purpose of acquiring the shares in Keycorp. Overland is a wholly-owned Subsidiary of Archer Capital.</p>

Questions	Answers
<p>What are the intentions of the Overland Board in relation to the business and assets of Keycorp?</p>	<p>Overland intends to invest in Keycorp and execute the growth strategy which includes the acquisition of complementary payment services businesses and investment in organic growth opportunities. Overland estimates Keycorp will require at least \$60 million in a mixture of debt and equity capital to implement the growth strategy.</p> <p>Further details about Overland's intentions concerning Keycorp and its business are set out in Section 7.4.</p>
<p>What are the intentions of the Overland Board in relation to the employees of Keycorp?</p>	<p>Overland intends to continue to operate the core business of Keycorp and not materially change the employment arrangements. The management team is expected to remain in place. Overland intends to invest in additional capability to execute the growth strategy.</p> <p>If the Scheme becomes Effective, Overland's current intention is to replace the current Directors of Keycorp (other than Joe Bonin), with two Archer Capital representatives, an executive director and an Independent Director.</p>
<p>How is Overland funding the cash payment in respect of the Scheme Consideration?</p>	<p>Archer Capital will capitalise Overland fully to pay the Scheme Consideration and has provided a guarantee to Overland in respect of these funds.</p> <p>See Section 7.5 for further details.</p>
<p>Questions about your entitlement</p>	
<p>Who is entitled to receive the Scheme Consideration?</p>	<p>Only Scheme Shareholders, being persons registered as holders of Keycorp Shares on the Scheme Record Date (currently 7.00 pm on 3 December 2010), will be entitled to receive the Scheme Consideration.</p>
<p>Will I be required to pay broker fees or stamp duty?</p>	<p>No, you will not incur any broker fees or stamp duty in respect of the implementation of the Scheme.</p> <p>See Section 8.3 for further details.</p>
<p>When will I receive my Scheme Consideration?</p>	<p>On the Implementation Date a cheque in Australian dollars for the Scheme Consideration will be posted to you. In the case of joint holders of Scheme Shares, the Scheme Consideration will be payable and posted to the Scheme Shareholder whose name appears first in the Keycorp Register. The Implementation Date is currently expected to be 8 December 2010.</p> <p>See Section 8.3 for further details.</p>
<p>Can I sell my Keycorp Shares now?</p>	<p>If the Scheme becomes Effective, Keycorp Shares will cease trading on ASX at the close of trading on the Effective Date, currently expected to be 26 November 2010. Accordingly, you can sell your Keycorp Shares on market at any time before the close of trading on the Effective Date. If the Scheme becomes Effective, no transfers of Keycorp Shares will be registered after the Scheme Record Date, expected to be 3 December 2010.</p> <p>See Section 8.12 for further details.</p>

Questions	Answers
<p>What are the tax implications of the Scheme?</p>	<p>The general taxation implications of the Scheme for Keycorp Shareholders who are resident in Australia are set out in Annexure A. This Scheme Booklet does not contain a discussion of the taxation consequences of the Scheme for Keycorp Shareholders outside Australia, including those residents in New Zealand.</p> <p>It is recommended that you consult with your financial, legal, taxation or other professional adviser prior to making a decision on how to vote on the Scheme. Your decision should be based on your own investment objectives, financial situation, taxation position and particular needs.</p>
<p>What is the Proxy Form enclosed with this Scheme Booklet?</p>	<p>If you wish to vote at the Scheme Meeting but will be unable to attend in person, you should complete and return the enclosed Proxy Form. You do not need to complete the Proxy Form if you intend to vote in person, by attorney or by representative at the Scheme Meeting.</p> <p>For further details regarding proxy voting and submitting the Proxy Form for the Scheme Meeting, see Section 4 and the Notice of Meeting in Annexure F.</p>
<p>Questions about conditions to be satisfied to allow the Scheme to proceed</p>	
<p>What are the key conditions to be satisfied before the Scheme can proceed?</p>	<p>There are a number of outstanding Scheme Conditions set out in the Scheme Implementation Agreement that will need to be satisfied or waived before the Scheme can be completed. These conditions include:</p> <ul style="list-style-type: none"> • Keycorp Shareholders approving the Scheme at the Scheme Meeting; • no Keycorp Material Adverse Change occurring after 8 September 2010 and before 8.00 am on the Second Court Date; • no Keycorp Prescribed Occurrence occurring after 8 September 2010 and before 8.00 am on the Second Court Date; and • the Court approving the Scheme. <p>These are not the only conditions. The conditions that must be satisfied or waived are discussed in Section 8.8 and set out in full in the Scheme Implementation Agreement which is reproduced in Annexure C.</p>
<p>What other information is available?</p>	<p>This Scheme Booklet provides detailed information in relation to the Scheme that all Keycorp Shareholders should read.</p> <p>If you have any questions or require further information, please call the Keycorp Shareholder Information Line on 1800 648 622 (within Australia) or +61 2 8256 3377 (outside Australia).</p>

4. WHAT TO DO AND HOW TO VOTE

4.1 Carefully read and consider this Scheme Booklet

This is an important document. You should read the information in this Scheme Booklet in its entirety before making a decision on how to vote at the Scheme Meeting. If you are in doubt as to what you should do, you should consult your legal, investment or other professional adviser.

4.2 Consider the reasons to vote in favour of the Scheme, the disadvantages of voting in favour of the Scheme and the risks of the Scheme

Refer to Section 5.2 for a discussion of the reasons to vote in favour of the Scheme, Section 5.4 for a discussion of the disadvantages of voting in favour of the Scheme and Section 5.3 for a discussion of the consequences if this Scheme does not proceed.

4.3 Consider the recommendation of the Keycorp Directors' and the opinion of the Independent Expert

The Keycorp Board unanimously recommends that, in the absence of a Superior Proposal, you vote in favour of the Scheme at the Scheme Meeting. Each Keycorp Director who holds Keycorp Shares, or on whose behalf Keycorp Shares are held, intends to vote in favour of the Scheme at the Scheme Meeting, in the absence of a Superior Proposal.

The Independent Expert has concluded that the Scheme Consideration is fair and reasonable and therefore the Scheme is in the best interests of Keycorp Shareholders in the absence of a Superior Proposal.

4.4 Scheme Meeting

The Scheme Meeting will be held at Middletons, Level 25, South Tower, 525 Collins Street, Melbourne, Victoria on 19 November 2010 at 11.00 am (AEDST).

For the Scheme to proceed, votes in favour of the Scheme must be received from both:

- a) a majority in number (more than 50%) of Keycorp Shareholders present and voting (whether in person, by proxy, by attorney or by corporate representative) at the Scheme Meeting; and
- b) at least 75% of the total number of Keycorp Shares voted at the Scheme Meeting (whether in person, by proxy, by attorney or by corporate representative).

The passing of the resolution approving the Scheme is a condition of the Scheme becoming Effective and being implemented.

The Notice convening the Scheme Meeting is contained in [Annexure F](#). A personalised Proxy Form is also enclosed with this Scheme Booklet.

4.5 Vote on the Scheme in person or by proxy

You are urged to vote at the Scheme Meeting either in person, by attending the meeting, or by appointing a proxy to attend and vote on your behalf. Voting entitlements and how to vote instructions follow in Sections 4.6 and 4.7 below.

4.6 Voting entitlements

a) Scheme Meeting

Each person who is registered on the Keycorp Register as a Keycorp Shareholder as at 7.00 pm on 17 November 2010, is entitled to attend and vote at the Scheme Meeting, either in person, by proxy or attorney or, in the case of a corporate Keycorp Shareholder, by representative. Registered transfers or transmission applications that are registered after this time will be disregarded in determining entitlements to vote at the Scheme Meeting.

Voting at the Scheme Meeting will be by poll.

The Notice convening the Scheme Meeting is contained in [Annexure E](#). A Proxy Form for the Scheme Meeting is also enclosed with this Scheme Booklet.

b) Jointly held Keycorp Shares

If more than one Keycorp Shareholder votes in respect of jointly held Keycorp Shares, only the vote of the Keycorp Shareholder whose name appears first in the Keycorp Register will be counted whether the vote is given personally, by attorney or proxy.

4.7 Voting at the Scheme Meeting

a) Voting in person

To vote in person at the Scheme Meeting, you must attend the Scheme Meeting to be held at Middletons, Level 25, South Tower, 525 Collins Street, Melbourne, Victoria on 19 November 2010 at 11.00 am (AEDST).

b) Voting by proxy

You can appoint a proxy to attend and vote on your behalf at the Scheme Meeting using the personalised Proxy Form that accompanies this Scheme Booklet. A proxy need not be a Keycorp Shareholder and may be an individual or a body corporate. If you are entitled to cast two or more votes you may appoint two proxies to attend and vote for you at the Scheme Meeting. If two proxies are appointed, each proxy must be appointed to exercise a specified number or proportion of your votes.

If you do not instruct your proxy on how to vote, your proxy may vote as they see fit at the Scheme Meeting.

A proxy will be admitted to the Scheme Meeting upon providing at the point of entry to the Scheme Meeting written evidence of their identity.

If you wish to appoint a proxy in respect of the Scheme Meeting, you (and custodians who are subscribers of Intermediary Online) may vote online (as described in section 4.7(f) below) or are requested to complete and sign the Proxy Form in accordance with the instructions set out in the Proxy Form so that it (together with the original or a certified copy of any authority under which it was executed) is received at the Keycorp Share Registry, Computershare Investor Services Pty Ltd:

- i) by mail to GPO Box 242, Melbourne, 3001;
- ii) in person at Level 4, 60 Carrington Street, Sydney, NSW, Australia, or Yarra Falls, 452 Johnston Street, Abbotsford VIC, Australia;
- iii) by successful facsimile transmission to 1800 783 447 (within Australia) or +61 3 9473 2555 (outside Australia); or
- iv) by email to keycorp.proxies@computershare.com.au,

in either case no later than 7.00 pm (AEDST) on 17 November 2010 (or, if the Scheme Meeting is adjourned or postponed, no later than 48 hours before the resumption of the Scheme Meeting in relation to the resumed part of the Scheme Meeting). Any revocations of proxies must be received prior to the commencement of the Scheme Meeting.

If a proxy appointment is signed by a Keycorp Shareholder but does not name the proxy or proxies in whose favour it is given, the Chairman will act as proxy.

c) Undirected proxies

Proxy appointments in favour of the Chairman of the Scheme Meeting, Keycorp's company secretary or any Keycorp Director which do not contain a direction will be voted in support of the Scheme at the Scheme Meeting (in the absence of a Superior Proposal prior to the Scheme Meeting).

d) Voting by attorney

If you wish to appoint an attorney to attend and vote at the Scheme Meeting the original or a certified copy of the power of attorney under which the attorney has been appointed must be received by the Keycorp Share Registry no later than 7.00 pm (AEDST) on 17 November 2010 (or if the Scheme Meeting is adjourned or postponed, no later than 48 hours before the resumption of the Scheme Meeting in relation to the resumed part of the Scheme Meeting). An attorney will be admitted to the Scheme Meeting upon providing at the point of entry to the Scheme Meeting written evidence of their appointment and their identity.

e) Voting by corporate representative

To vote at the Scheme Meeting (other than by proxy or attorney) a corporation that is a Keycorp Shareholder must appoint an individual to act as its representative. A body corporate which is appointed as the proxy of a Keycorp Shareholder must also appoint an individual to act as its representative. The appointment must comply with section 250D of the Corporations Act.

An authorised corporate representative will be admitted to the Scheme Meeting upon providing at the point of entry to the Scheme Meeting written evidence of their appointment to the satisfaction of the Chairperson, including any authority under which it is signed and their identity.

f) Voting Online

To lodge a proxy online, a Keycorp Shareholder may go to www.investorvote.com.au and enter the control number displayed on the front page of the proxy form to login and submit the vote electronically.

For custodians who are subscribers of Intermediary Online please lodge your votes electronically via www.intermediaryonline.com.

4.8 If you have any further queries

If you have any questions in relation to the Scheme, the Scheme Booklet or the Scheme Meeting after reading this Scheme Booklet, please contact your legal, investment or other professional adviser or contact the Keycorp Shareholder Information Line on 1800 648 622 (within Australia) or +61 2 8256 3377 (outside Australia).

If you would like more information about Keycorp, you can visit the Keycorp website.

If you would like more information about Archer Capital, you can visit the Archer Capital website.

5. ASSESSMENT OF THE SCHEME AND THE REASONS IT IS BEING PROPOSED

5.1 Keycorp Board's recommendation

The Keycorp Board unanimously recommends that, in the absence of a Superior Proposal, you vote in favour of the Scheme at the Scheme Meeting. Each Keycorp Director who holds Keycorp Shares, or on whose behalf Keycorp Shares are held, intends to vote in favour of the Scheme at the Scheme Meeting, in the absence of a Superior Proposal.

In making this recommendation, the Keycorp Board have, among other things, considered:

- a) the reasons Keycorp Shareholders should vote in favour of the Scheme as set out in Section 5.2;
- b) the consequences if the Scheme does not proceed as set out in Section 5.3; and
- c) the disadvantages of voting for the Scheme as set out in Section 5.4;

The Keycorp Board may change its recommendation if a Superior Proposal is made. In certain circumstances, a change in recommendation will trigger a Break Fee – see Section 5.5(b) below.

5.2 Why Keycorp Shareholders should vote in favour of the Scheme

The Keycorp Board believes Keycorp Shareholders should vote in favour of the Scheme at the Scheme Meeting for the following reasons:

- a) The offer price of \$0.58 per share represents a significant premium for shareholders of 42% above the underlying Enterprise Value of Keycorp based on the share price at the time of the offer. This is the implied value of the business represented by the Offer Price less net cash relative to the market capitalisation of Keycorp at the time of the Offer less net cash. Any bidder for Keycorp would value the current cash reserves without a premium, accordingly, any premium is attributable only to the Enterprise Value of Keycorp.
- b) Since the FY2009 results were announced in August 2009, the share price has remained at a volume weighted average price for the 12 month period to 9 September 2010 of \$0.48, on very low volumes. The Offer Price gives Shareholders a liquidity event at a significant price premium to historical trading performance.
- c) The Company's recent financial report forecast lower revenues and EBIT in FY11 and with limited prospects for organic growth as Keycorp has a healthy share of its core market segment. To effect any meaningful growth, acquisitions are required which require significant levels of additional funding which will expose Shareholders to increased risk and potential dilution.
- d) The Company has significant cash reserves that cannot be completely released except via a takeover or scheme of arrangement. The alternative, to return surplus cash to Shareholders would only realise part of the value of the Company and would leave the business with insufficient capital to fund any sustainable growth.
- e) The Independent Expert regards the following as advantages of the Scheme:
 - i) The Scheme Consideration is fair. The Independent Expert has valued the Scheme Shares on a controlling interest basis at between \$0.54 and \$0.55 per share. The Scheme Consideration of \$0.58 per share is higher than this independently assessed value, including a premium for control.
 - ii) The Scheme Consideration is at a premium to the one month volume weighted average price ("VWAP") of \$0.51 per share prior to the initial announcement of the proposed Scheme on 9 September 2010.
 - iii) The proposed Scheme offers Keycorp's shareholders value certainty, in the form of guaranteed cash consideration.

5.3 If the Scheme does not proceed

If the Scheme is not implemented:

- a) the price of Keycorp Shares may fall beneath the value of the Scheme Consideration in the absence of a Competing Proposal;
- b) material transaction costs and expenses will be incurred by Keycorp (estimated at \$450,000);
- c) the benefits of the Scheme will not be realised;
- d) Keycorp Shareholders will retain their direct interests in Keycorp Shares and continue to collectively control Keycorp;
- e) Keycorp will remain an independent company listed on the ASX;
- f) Keycorp will continue to operate under the existing corporate structure including ongoing high costs involved in operating a listed public company;
- g) the rights of Keycorp Shareholders will remain unchanged;
- h) the share price will likely fall below the Offer Price. The 12 months volume-weighted average price as at the date of the offer was \$0.48 cents and the shares have not traded above \$0.55 during that period;
- i) Keycorp Shares will remain relatively illiquid;
- j) Keycorp will retain the current cash reserves to fund acquisitions to offset declining revenues in the core business;
- k) To effect growth, additional funding via debt and equity raising will be required which is unlikely to be achieved without the risk of dilution or impact to current Keycorp Shareholders;
- l) Depending on the reasons the Scheme does not proceed, Keycorp or Overland may also be liable to pay a Break Fee to the other. Details of the Break Fee and the circumstances in which it may become payable are set out in Section 5.5(b); and
- m) Shareholders may not, in the near term, realise a price for their Keycorp Shares which is equivalent to or greater than the implied value of the Scheme Consideration.

5.4 Disadvantages of voting in favour of the Scheme

Disadvantages of the Scheme to Keycorp Shareholders include:

- a) You may believe that the Scheme is not in the best interests of Shareholders or you may consider that the Scheme Consideration is too low.
- b) You may wish to maintain an interest in Keycorp as a listed company. If the Scheme is implemented you will no longer be able to participate in any value offered by an investment in Keycorp.
- c) You may consider that there is the potential for a Superior Proposal to be made to Keycorp. The Board has reviewed a number of offers in recent months and no proposal superior to the Scheme has emerged.
- d) The tax consequences or implications (if any) of transferring your Keycorp Shares may not be suitable to your financial position. The general tax implications for Keycorp Shareholders are described in **Annexure A** to this Scheme Booklet but you should obtain advice about your circumstances.
- e) The Independent Expert believes that a disadvantage of the Scheme proceeding is that Keycorp Shareholders will not have the opportunity to participate in a potential upside that may result if the Directors' planned growth via acquisition strategy is successfully implemented in the future. This may result in the value of Keycorp Shares increasing above the Scheme Consideration. However, the ability to source the additional debt and equity finance to fund the planned growth strategy is not without risks, particularly in the post-GFC economic market. In the event that the Scheme is not implemented and Keycorp is able to fund the planned growth strategy, shareholders should be aware that dividend payments would be likely to be limited in the short term as Keycorp would in the short term be likely to retain and use its surplus cash holdings to fund the strategy.

5.5 Other relevant considerations

a) Exclusivity

Keycorp has agreed to the following exclusivity arrangements with Archer Capital for the period from 8 September 2010 to the earlier of termination of the Scheme Implementation Agreement and the End Date:

- i) Keycorp must not, and must use its best endeavours to ensure that its Representatives do not, without the written consent of Archer Capital, do any of the following:
 - A) procure, invite, encourage, continue, initiate or solicit an offer, approach, negotiation or discussions with (whether directly or indirectly, formally or informally);
 - B) enter into any contract, arrangement or understanding in whatever capacity with; or
 - C) facilitate or allow any enquiries, evaluation or due diligence by, any third party in relation to a Competing Proposal.
- ii) Keycorp must notify Archer Capital of:
 - A) any approach, inquiry or proposal made to Keycorp or any of its Representatives, and any attempt on the part of any person to initiate or continue any negotiations or discussions with Keycorp in relation to a Competing Proposal; or
 - B) any request for information relating to a Competing Proposal.
- iii) The exclusivity provisions do not apply to the extent that they restrict Keycorp and its Representatives from taking or refusing to take any action with respect to a bona fide Competing Proposal (which was not solicited or invited by Keycorp or its Representatives and was not otherwise brought about as a result of any breach of the exclusivity provisions) provided that the Keycorp Board, acting in good faith (and based on written legal advice), have determined, that:
 - A) the Competing Proposal is a Superior Proposal; and
 - B) failing to respond or taking or refusing to take that action in respect of that Competing Proposal would be likely to involve a breach of the fiduciary or statutory duties or obligations owed by any of the Keycorp Board or a breach of statutory obligations of Keycorp.
- iv) Subject to Keycorp complying with its disclosure obligations at law, Keycorp agrees not to accept or recommend a Competing Proposal to its shareholders unless it has notified Archer Capital of the terms of the Competing Proposal and has given Archer Capital 72 hours after such notification to provide a matching or Superior Proposal (whether by way of scheme of arrangement or otherwise) to the relevant Competing Proposal.

b) Break Fee

A Break Fee of \$400,000 will be payable by Keycorp to Archer Capital if:

- i) a Competing Proposal is recommended by Keycorp prior to the date of termination of the Scheme Implementation Agreement;
- ii) a Competing Proposal is announced prior to the date of termination of the Scheme Implementation Agreement and within 1 year after the announcement the Competing Proposal is completed, provided that no Break Fee is payable if, at all times prior to the termination of the Scheme Implementation Agreement, the Board of Keycorp did not recommend the Competing Proposal and actively defended the Competing Proposal;
- iii) any member of the Keycorp Board fails to recommend the Scheme, withdraws their recommendation that Keycorp Shareholders vote in favour of the Scheme, or makes a public statement indicating that they no longer support the Scheme (or that they support a Competing Proposal) in any case prior to the date of termination of the Scheme Implementation Agreement;

- iv) Archer Capital is entitled to terminate the Scheme Implementation Agreement where there is an unremedied material breach of certain provisions of the Scheme Implementation Agreement by Keycorp, and terminates the Scheme Implementation Agreement; or
- v) a Keycorp Material Adverse Change or a Keycorp Prescribed Occurrence occurs (other than as a result of events outside the control of the Keycorp) and as a result either the applicable conditions precedent is not fulfilled or the Scheme Implementation Agreement is terminated by Archer Capital.

Archer Capital agrees to pay Keycorp a Break Fee of \$400,000 if Keycorp is entitled to terminate the Scheme Implementation Agreement where there is an unremedied material breach of certain provisions of the Scheme Implementation Agreement by Archer Capital, and terminates the Scheme Implementation Agreement.

6. PROFILE OF KEYCORP

6.1 Background

Keycorp was founded in 1983 as a manufacturer of advanced secure keyboards. It was listed on the Australian Stock Exchange in July 1987. The Company developed a market leading position in the manufacture of EFTPOS terminals and expanded to include other payments solutions businesses, including EFTPOS Engineering, an EFTPOS servicing company, a smartcard division and a payments services business in Canada. Keycorp sold its smartcard business in May 2008 and its Canadian operation in September 2008 and ceased its manufacturing (other than to fulfil some residual customer obligations).

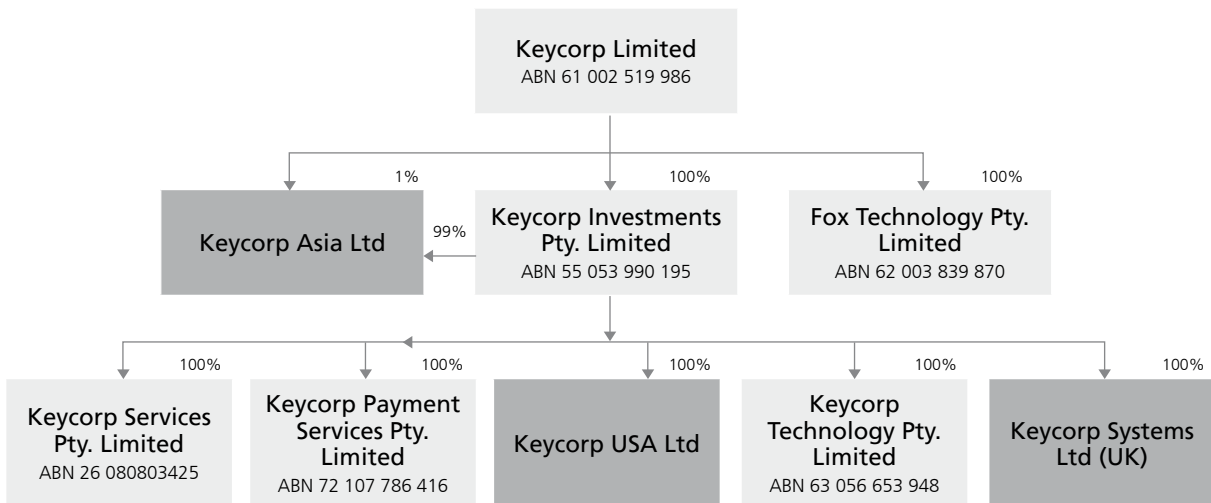
6.2 Business overview

Keycorp is the largest independent provider specialising in servicing and maintaining EFTPOS and related systems in end user premises throughout Australia. Services include installation, training and maintenance of payment systems including fully outsourced managed payment services. Keycorp also develops highly secure payments and transaction software and has an EMV installed base over 200,000 across multiple banks/acquirers and terminal types in Australia. The Company has developed sophisticated call and asset management systems that enable the provision of fully integrated help desk services in support of our customers.

Keycorp’s customers comprise financial institutions and major merchants.

The business is based in Fairfield, Victoria and has a facility in Epping, New South Wales. Keycorp employs 117 people and has a field service network across Australia of 175 technicians. In Victoria, Keycorp operates a repair and staging centre, technical level 1 and 2 service desks, warehousing and logistics as well as corporate functions such as management, finance and information technology. Software and product development is carried out principally in New South Wales.

6.3 Corporate structure



* Highlighted foreign companies are dormant and in the process of being deregistered.

6.4 Keycorp Directors

a) Mr Robert Bishop (Chairman, Non Executive Director)

Robert Bishop joined as a Director in January 2006 and was appointed Chairman on 1 June 2007. He has an extensive background in the financial services sector and is considered an authority on cards, payments, retail banking and distribution having held senior executive positions at National Australia Bank, Westpac and Citibank. He has served on numerous boards and advisory groups including MasterCard International, NCR Corporation, Equifax, Mondex International, Bankcard Australia and a number of Australian public and private companies.

During the last three financial years, Robert has been a director of the following listed companies, apart from Keycorp: IWL Limited (ASX: IWL) from August 2001 until December 2007, and is a current non-executive director of Investorfirst Limited, a listed stockbroker. Robert is a member of the Remuneration and Nominations Committee and was appointed as a member of the Audit and Risk Committee on 29 July 2009. The Board considers Robert to be an independent director.

b) Mr Joseph Bonin (Managing Director, Chief Executive Officer)

Joe Bonin was appointed Chief Executive Officer on 1 April 2009 and joined the Board as a Director on 1 July 2009. He joined Keycorp in June 2000 where he successfully expanded the customer service business into a multi-vendor Australia wide services organisation. In 2006 Joe was appointed Senior Vice President Services, Keycorp Canada Inc. where he assumed responsibility for Canada's largest service organisation to the payments and point of sale industry and in June 2008, returned to Australia where he was appointed Head of Operations with responsibility for all sales and services delivery, a role he held until his appointment as Chief Executive Officer. Prior to joining Keycorp, Joe held senior executive roles with organisations such as GE Capital, Toyota Australia and Ford Motor Company.

c) Mr David Kirton (Non Executive Director)

David Kirton was appointed as a Director on 7 August 2010. David is the Group Financial Controller of Telstra Enterprise & Government, and brings to the Keycorp Board experience in the Accounting and Finance disciplines across the Steel, Retail and Telecommunications industries. David holds a Bachelor Degree in Commerce from the University of Wollongong and is a Certified Practising Accountant, through CPA Australia. David became a member of the Audit & Risk Committee on 26 August 2010.

d) Mr Michael Ibrahim (Independent Director, Non Executive Director)

Michael Ibrahim joined as a Director in January 2006. He is a proven strategic international business leader with specific competencies in software and technology development, international foreign exchange, treasury and executive management. He has held senior executive positions at KPMG Consulting, Citibank and Goodman Fielder Limited. Michael is a qualified accountant, having commenced his career as a financial accountant with Chemical Bank. Most recently he has been engaged in a series of Managing Director level consulting relationships with a range of leading technology companies.

Michael has held no other listed company directorships during the past three financial years. Michael is Chairman of the Audit and Risk Committee and was appointed to the Remuneration and Nomination Committee on 29 July 2009. The Board considers Michael to be an independent director.

6.5 Summary of historical financial information

All financial information is prepared in accordance with the measurement and recognition requirements (but not all the disclosure requirements) of Australian Accounting Standards (including Australian Interpretations) adopted by the Australian Accounting Standards Board. The financial information contained in this section has been presented in abbreviated form. It does not contain all the disclosures usually provided in an annual financial report prepared in accordance with the Corporations Act. Keycorp's financial results for the year ended 30 June 2010 and 30 June 2009 are summarised below. Notes to and forming part of the Income Statement, Statement of Financial Position and Statement of Cashflows are set out in Keycorp's financial report for the year ended 30 June 2010 and the year ended 30 June 2009. A copy of these reports can be obtained from www.keycorp.net/FinancialReports.htm

a) Keycorp Historical Consolidated Income Statement

CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2010

	2010 \$'000	2009 \$'000
Continuing operations		
Revenue	46,629	52,094
Cost of Sales	(27,086)	(32,012)
Gross Profit	19,543	20,082
Sales & marketing expenses	(1,717)	(2,736)
Administration expenses	(4,909)	(9,460)
Research & development expenses	(2,226)	(2,716)
Restructuring expenses	150	(3,124)
Other expenses	(3,573)	(3,675)
Other Income	66	11
Total expenses excluding finance costs	(12,209)	(21,700)
Results from operating activities	7,334	(1,618)
Financial income	1,045	2,542
Financial expenses	(313)	(641)
Net financial income	732	1,901
Profit before income tax	8,066	283
Income tax expense	(2,515)	(65)
Profit from continuing operations	5,551	218
Profit of discontinued operation and gain on sale of discontinued operation, net of income tax	-	9,052
Profit for the period attributable to owners of the company	5,551	9,270

b) Management discussion and analysis of financial performance

Keycorp Limited and its controlled entities (the Group) generated a net profit after tax of \$5.6m for fiscal year ended 30 June 2010. This result was an increase of \$5.4m on the prior year after the \$9.1m gain on sale of the Group's Smartcard business is excluded from the prior period comparative figure. The result for the 2009/10 financial year was driven solely by trading activity rather than corporate transactions.

The profit from continuing operations for the 2009/10 financial year of \$5.6m was a significant improvement from the profit from continuing operations of \$0.2m in the prior year. The main driver of this result was the successful completion of the transformation of the business. This process included the sale of non-core businesses and the restructuring of the Group to implement a payments services oriented business model.

Revenues during the 2009/10 financial year decreased by 10% reflective of the stated business strategy to shift towards a higher margin services based business model. This continuing shift away from lower margin product revenue streams to higher margin services revenue resulted in an increase in margins from 38.5% in the prior year to 41.9% in the 2009/10 financial year. Another cause of revenue decline was the cessation of the Westpac contract.

The reduction in revenue occurred in product sales which decreased by 26% as well as a result of less EMV upgrade activity in the current period compared to the prior year. The reduction in EMV upgrade activity was planned for as the EMV industry standard for chip and pin technology reached maturation. In contrast, services revenues increased year on year by 2.5% despite the impact on reduced activity levels associated with EMV upgrades.

The successful completion of the Group's restructuring programme in the prior year allowed the Group to benefit from the full year impact of its reduced overhead base, commensurate with a services based business model. Savings of almost \$6m were achieved year on year across sales and marketing, administrative and research and development expenses.

Other expenses incurred were of a similar amount to the prior year with the largest element in the 2009/10 financial year comprising \$2m of costs associated with the expiry and settlement of the six year Westpac contract.

Cash generated from operations of \$16m 2009/10 financial year was a significant improvement of \$13.5m on the \$2.5 cashflow in the prior year. This result was reflective of the Group's profitability and the success of a number of initiatives to improve working capital. The Group's net cash position increased by over \$19m from a net cash position of \$6.1m at 30 June 2009 to \$25.3m at 30 June 2010. Greatly assisting the net cash position was the effect of the expiry of the Westpac contract in late May 2010 which resulted in the repayment of Mezzanine notes of \$7.6m and the release of a performance bond of \$3m.

Guidance for the 2010/11 financial year is for an earnings before interest and tax (EBIT) of a minimum of \$4.3 million with a range up to \$5 million. The guidance for the 2010/11 financial year is reflective of the shift to a services model where higher product sales associated with EMV technology in the prior 2009/10 financial year will not be repeated in the current 2010/11 financial year.

c) Keycorp Historical Consolidated Statement of Financial Position

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2010

	2010 \$'000	2009 \$'000
Assets		
Cash and cash equivalents	27,853	9,966
Trade and other receivables	4,308	10,460
Inventories	450	5,693
Net investment in finance leases	1,518	1,404
Investments	-	6,509
Other current assets	1,254	3,677
Total current assets	35,383	37,709
Net investment in finance leases	4,168	4,832
Property, plant and equipment	809	889
Deferred tax assets	3,606	4,926
Intangible assets	1,299	1,637
Other non current assets	271	441
Total non-current assets	10,153	12,725
Total assets	45,536	50,434
Liabilities		
Trade and other payables	2,441	8,016
Interest bearing liabilities	1,311	1,202
Employee benefits	1,254	1,239
Provisions	2,409	4,423
Income tax payable	2,136	949
Other current liabilities	643	880
Total current liabilities	10,194	16,709
Interest bearing liabilities	1,203	2,640
Employee benefits	30	30
Provisions	403	150
Other non current liabilities	331	695
Total non-current liabilities	1,967	3,515
Total liabilities	12,161	20,224
Net assets	33,375	30,210
Equity		
Issued capital	60,808	60,808
Reserves	67	74
Accumulated losses	(27,500)	(30,672)
Total equity	33,375	30,210

d) Keycorp Historical Consolidated Statement of Cash Flows

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2010

	2010 \$'000	2009 \$'000
Cash flows from operating activities		
Cash receipts from customers	57,296	55,029
Cash paid to suppliers and employees	(41,346)	(52,484)
Cash generated from operations	15,950	2,545
Interest received	1,059	1,310
Interest paid	(301)	(689)
Income taxes paid	(8)	(1,909)
Restructuring costs	(811)	(2,403)
Settlement costs of contractual arrangements	(3,435)	-
Net cash flows from operating activities	12,454	(1,146)
Cash flows from investing activities		
Payments for property, plant and equipment	(176)	(407)
Development expenditure	(109)	(213)
Proceeds from disposal of non-current assets	-	39
Acquisition of mezzanine notes	(1,179)	(1,035)
Proceeds from repayment of mezzanine notes	7,688	-
Disposal of discontinued operation	-	23,012
Repayment of promissory note	-	1,064
Net cash flows from investing activities	6,224	22,460
Cash flows from financing activities		
Repayment of borrowings - bank term loan	-	(10,000)
Finance lease liabilities - payments	(1,328)	(1,094)
Dividends paid	(2,434)	(4,868)
Proceeds from return of security deposit	3,000	-
Net cash flows used in financing activities	(762)	(15,962)
Net increase in cash and cash equivalents	17,916	5,352
Cash and cash equivalents at the beginning of the financial period	9,966	4,512
Effect of exchange rate fluctuations on cash held	(29)	102
Cash and cash equivalents at the end of the financial period	27,853	9,966

e) Material changes in Keycorp's financial position since 30 June 2010

The latest published financial statements of Keycorp are the financial statements for the year ended 30 June 2010 that were released to ASX on 27 August 2010.

To the knowledge of Keycorp Directors, there has been no material change to the financial position of Keycorp since 30 June 2010.

6.6 Keycorp securities on issue

a) Keycorp Shares

As at the date of this Scheme Booklet, Keycorp has a total of 81,127,585 ordinary shares on issue, held by approximately 1,619 Keycorp Shareholders.

b) Keycorp Options

At the date of this report unissued ordinary shares in Keycorp under option are:

Grant Date	Options on issue (i)	Exercise price	Exercisable after (ii), (iii) and (iv)	Expiry date
15 January 2006	33,333	\$1.4810	15.01.08	15.01.11
15 January 2006	33,333	\$1.4810	15.01.09	15.01.11
15 January 2006	33,334	\$1.4810	15.01.10	15.01.11
26 October 2006	40,000	\$0.8025	26.10.08	26.10.11
26 October 2006	40,000	\$0.8025	26.10.09	26.10.11
26 October 2006	40,000	\$0.8025	26.10.10	26.10.11
1 April 2009	333,333	\$0.2323	01.04.11	01.04.14
1 April 2009	333,333	\$0.2323	01.04.12	01.04.14
1 April 2009	333,334	\$0.2323	01.04.13	01.04.14
	1,220,000			

(i) Options on issue are those options that are capable of being exercised after the stated "exercisable after" date and exclude options which have been exercised by the option holder or which have lapsed.

(ii) In the event of a significant change to the structure or control of Keycorp, options on issue are capable of being exercised prior to the "exercisable after" date.

(iii) If a scheme of arrangement is proposed, options on issue can be cancelled or exchanged for shares or options in the acquiring company, failing which the options can be exercised upon the scheme becoming effective.

(iv) Rules pertaining to the option incentive plan may be waived or varied in relation to any participant at any time at the request of the Remuneration Committee.

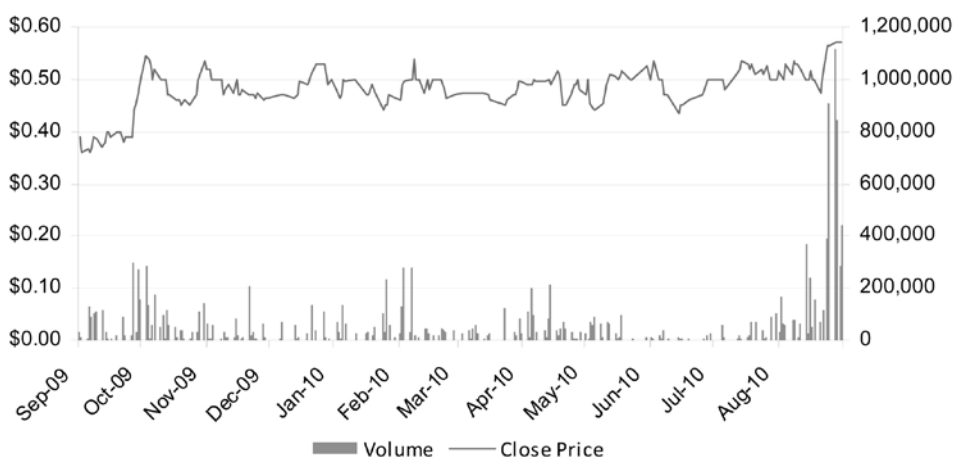
6.7 Keycorp dividend policy

Keycorp's stated dividend policy is to pay out between 50-70% of profit, after working capital is retained, each half year, returning a prudent amount to Shareholders, subject to major investment or acquisition requirements.

6.8 Recent share performance

The chart below sets out the daily trading volumes and closing price of Keycorp's shares over the last twelve months.

Keycorp Share trading volume and price (12 Months)



Prior to the announcement of the Archer Capital cash Offer on 9 September 2010, the highest price of Shares in the prior 12 month period has been \$0.545 in October 2009. Following that the share price traded lower at an average of \$0.48 and a low of \$0.44.

Daily volumes of Shares traded have exceeded 300,000 Shares (0.35% of the Shares on issue) on only one day in the 12 months before the announcement of the Archer Capital offer on 9 September 2010.

6.9 Keycorp's business risks

a) Mature market

Keycorp is the largest independent payments services company in Australia. There are few opportunities to grow market share or to increase revenue and earnings without expanding beyond the core market. Keycorp's strategy is to make acquisitions in adjacent segments to improve its payments capabilities and to broaden its range of services. This strategy may not be successful or may take longer than anticipated to implement.

b) Competition

Keycorp faces strong competition from international terminal manufacturers, Hypercom and Verifone. There is increased interest in the market segment from general IT services companies such as AWA. Competition may put pressure on margins over the next two to three years.

c) Key customers

Keycorp has a small base of loyal customers but there is concentration risk. The top 3 customers of Keycorp accounted for 72% (\$33.6m) of revenue in the 2009/10 financial year. These customers review their supply arrangements periodically. The loss of any one of the major customers would materially affect Keycorp's future earnings. Indicative of this is the fact that the end of the Westpac contract during the 2009/10 financial year has reduced future revenue materially. Westpac represented 38% of the 2009/10 financial year revenues.

d) Key personnel

The business is reliant on retaining key personnel. There is no guarantee they will stay with Keycorp.

e) Technology risk

Payments technology changes rapidly. The prices of EFTPOS terminals are falling year on year and at some stage servicing those terminals may cease to be cost effective for customers. In addition, security standards and software complexity increase over time. Keycorp is exposed to technology risk in relation to the terminal software it develops and deploys on terminals for its customers.

f) Security risk

Compromise of Keycorp's security would affect its reputation in the market and its ability to hold major customer relationships.

6.10 Continuously disclosing entity

Keycorp is obliged to comply with the continuous disclosure requirements of ASX. Keycorp's Annual Report for the year ended 30 June 2010 was released to ASX on 27 August 2010.

Copies of announcements made by Keycorp to ASX in the 12 months prior to the date of this Scheme Booklet are available the **ASX website** or on the Keycorp website.

The following information should be read in conjunction with the full text of this Scheme Booklet.

7.1 Background

Overland will acquire all Keycorp Shares held (as at the Scheme Record Date) by Scheme Shareholders if the Scheme is implemented. Overland is an Australian proprietary company established for the sole purpose of acquiring the Shares in Keycorp. Overland is a wholly-owned Subsidiary of Archer Capital.

The directors of Overland are Tim Spencer and Adam Foster.

7.2 Archer Capital

Archer Capital and its related funds and investments (**Archer**) represent one of Australia's leading private equity investment houses with approximately \$2bn in funds under management and/or advisement and a track-record dating back to 1997.

As successor to Australia's first major dedicated management buyout firm, the Byvest Management Buyout Group, Archer is an established market leader in leveraged buyout transactions in Australia. Since 1997, Archer's directors and executives have closed over 30 acquisitions involving total aggregate funding in excess of \$4.0bn.

Archer Capital is a private equity fund established to provide institutional investors with a vehicle for investment. The main focus of the fund is mid-market buyout opportunities in Australia and New Zealand. Investors consist mainly of large Australian superannuation funds and other Australian institutional investors.

Archer Capital is a constituent entity of Archer Capital Growth Fund 1. Archer Capital is a venture capital limited partnership managed by Archer Capital Pty Limited.

7.3 Interests in Overland held by the Overland Directors

As the date of this Scheme Booklet, none of the Overland Directors hold any interest in Overland securities.

7.4 Overland's intentions

This section sets out the intentions of Overland in relation to:

- the continuation of the business of Keycorp;
- any major changes to the business of Keycorp; and
- the future employment of the present employees of Keycorp,

in circumstances where the Scheme is implemented.

These statements of intention are based on the information concerning Keycorp, its business and the general business environment which is known to Overland at the time of preparation of this Scheme Booklet. Final decisions will only be made by Overland after having conducted a detailed review of Keycorp and its business if the Scheme becomes Effective. Accordingly, the statements set out in this section are statements of current intention only which may change as new information becomes available or circumstances change.

a) Continuing the business of Keycorp and Employees

i) Business

Overland intends to stabilise the core business and then invest in developing and growing the business, both organically and through acquisition.

Overland intends to invest in Keycorp and execute the growth strategy which includes the acquisition of complementary payment services businesses and investment in organic growth opportunities. Overland estimates Keycorp will require at least \$60 million in a mixture of debt and equity capital to implement the growth strategy.

ii) Employees

Overland's current intention is that present employees of Keycorp will continue to be employed by Keycorp after implementation of the Scheme.

iii) Keycorp to be delisted

If the Scheme becomes Effective, Overland will apply for Keycorp to be removed from the Official List of the ASX after the Implementation Date.

iv) Board of Directors

If the Scheme becomes Effective, Overland intends to replace the current Directors of Keycorp (other than Joe Bonin), with two Archer Capital representatives, an executive director and an Independent Director.

v) Corporate head office

Where the Scheme is implemented, the corporate head office for Keycorp will be Overland's current registered office.

vi) Management incentives

After implementation of the Scheme, senior employees may be invited to subscribe for equity in Overland. Overland is yet to determine which members of Keycorp's management will be invited to participate in Overland's equity.

7.5 Funding of Scheme Consideration

Overland will fund the Scheme Consideration using monies provided by Archer Capital. As detailed below, the total amount of funding available to Overland under these arrangements is sufficient to fund the Scheme Consideration.

a) Shareholders' capital

Overland has been provided with a guarantee by Archer Capital to provide equity financing to Overland on or before the Implementation Date.

At the date of this Scheme Booklet, Archer Capital has access to investment commitments in excess of the Scheme Consideration. Archer Capital is entitled to draw down from investors by giving them 10 Business Days' notice. On receiving drawdown notices, investors in Archer Capital have an unconditional obligation under legally enforceable trust deeds to provide the requested funds. Drawdown notices will be given to investors with the requisite period of notice prior to the Implementation Date.

b) Deed poll

Overland and Archer Capital have executed a deed poll dated 15 October 2010 in favour of each Scheme Shareholder. In summary, in the Deed Poll, Overland undertakes that subject to the Scheme becoming Effective and in consideration for the transfer of each Keycorp Share to it, it will provide or procure the provision of the Scheme Consideration to each Scheme Shareholder on the Implementation Date. Archer Capital has guaranteed to each Scheme Shareholder the due and punctual performance of the obligations of Overland under the Deed Poll.

A copy of the Deed Poll is contained in **Annexure D** of this Scheme Booklet.

7.6 Further information

For further information relating to Archer Capital, please visit Archer Capital's website.

8. IMPLEMENTATION OF THE SCHEME

8.1 Overall effect of the Scheme

The Scheme is to be implemented through the Scheme of Arrangement outlined in this Scheme Booklet between Keycorp and Keycorp Shareholders. Overland will acquire all of the issued Shares in Keycorp and Keycorp will become a wholly-owned Subsidiary of Overland.

If the Scheme becomes Effective, on the Implementation Date all the Scheme Shares will be transferred to Overland, and Keycorp will enter the name and address of Overland in the Keycorp Register as the holder of all the Scheme Shares. Each Scheme Shareholder, being a person who is registered as a Keycorp Shareholder on the Scheme Record Date, will be entitled to receive the Scheme Consideration in respect of each of their Scheme Shares.

The Scheme Consideration will be provided to Scheme Shareholders in accordance with the provisions of the Scheme.

8.2 People who are affected by the Scheme

If the Scheme becomes Effective, Scheme Shareholders will transfer all of their Scheme Shares to Overland in return for the Scheme Consideration for each Scheme Share that they hold.

8.3 Payment of Scheme Consideration

If the Scheme becomes Effective, the Scheme Consideration will, on the Implementation Date, be paid by cheque in Australian dollars, sent by prepaid post to the Scheme Shareholder's registered address (as at the Scheme Record Date). In the case of joint holders of Scheme Shares, the Scheme Consideration will be payable and posted to the Scheme Shareholder whose name appears first in the Keycorp Register. The Implementation Date is currently expected to be 8 December 2010. The Scheme Shareholders will not incur any broker fees or stamp duty in respect of the implementation of the Scheme.

8.4 If the Scheme does not proceed

If the Scheme does not proceed Keycorp will not become a wholly-owned subsidiary of Overland and Scheme Shareholders will not receive the Scheme Consideration and will continue to retain a direct interest in Keycorp and continue to collectively control Keycorp. In this case the advantages of the Scheme described in Section 5.2 will not be realised. See Section 5.3 for further details of the consequences of the Scheme not proceeding.

8.5 Steps in implementing the Scheme

- a) On 8 September 2010, Keycorp and Archer Capital executed the Scheme Implementation Agreement under which Keycorp agreed to propose the Scheme. A copy of the Scheme Implementation Agreement is reproduced in [Annexure C](#).
- b) Overland and Archer Capital have executed the Deed Poll in favour of Keycorp Shareholders. Pursuant to the Deed Poll, Overland covenants in favour of Scheme Shareholders to perform its obligations under the Scheme including, among other things, providing each Scheme Shareholder with their share of the Scheme Consideration. Archer Capital has covenanted to comply with its obligations under the Scheme Implementation Agreement and guaranteed to each Scheme Shareholder the due and punctual performance of the obligations of Overland under the Deed Poll. A copy of the Deed Poll is reproduced in [Annexure D](#).
- c) On 15 October 2010 the Court ordered that Keycorp convene the Scheme Meeting at Middletons, Level 25, South Tower, 525 Collins Street, Melbourne, Victoria on 19 November 2010 commencing at 11.00 am (AEDST) for the purpose of the Keycorp Shareholders voting on the Scheme.
- d) If the Scheme is approved by the requisite majority of Keycorp Shareholders at the Scheme Meeting, Keycorp will apply to the Court for an order approving the Scheme. Each Keycorp Shareholder has the right to appear at Court at the hearing of the application by Keycorp for orders approving the Scheme. The Court has discretion as to whether to grant the orders approving the Scheme, even if the Scheme is approved by the requisite majority of Keycorp Shareholders.

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- e) If the Court Order approving the Scheme is obtained, on or before 5.00 pm on the first Business Day following approval of the Scheme by the Court in accordance with section 411(4)(b) of the Corporations Act, Keycorp will lodge with ASIC an office copy of the Court Order. The date the office copy of the Court Order is lodged with ASIC will be the Effective Date.
- f) On the Business Day prior to the Implementation Date Overland must, in accordance with the Deed Poll, deposit in cleared funds into an Australian dollar denominated trust account in the name of Keycorp (**Trust Account**) an amount equal to the aggregate Scheme Consideration payable to all Scheme Shareholders.
- g) If the Scheme becomes Effective, then on the Implementation Date, in consideration for and subject to Overland depositing the Scheme Consideration into the Trust Account, all of the Scheme Shares, together with all rights and entitlements attaching to the Scheme Shares (which rights do not include the entitlement of the Scheme Shareholders to the dividend declared on 27 August 2010), will be transferred to Overland without the need for any further act by any Scheme Shareholder, by Keycorp effecting a valid transfer or transfers of the Scheme Shares to Overland under section 1074D of the Corporations Act or, if this procedure is not available for any reason, by:
- A) Keycorp delivering to Overland duly completed and executed share transfer forms (which may be a master transfer of all or part of the Scheme Shares) to transfer all of the Scheme Shares to Overland;
 - B) Overland executing and delivering the share transfer forms to Keycorp; and
 - C) as soon as practicable after the execution and delivery of the share transfer forms by Overland, Keycorp entering the name and address of Overland in the Keycorp Register as the holder of all of the Scheme Shares.
- h) On the Implementation Date, in consideration for the transfer to Overland of each Scheme Share, each Scheme Shareholder will be entitled to receive the Scheme Consideration in respect of each of their Scheme Shares, to be effected by Keycorp making payment of the Scheme Consideration to each Scheme Shareholder from the Trust Account.
- i) For the purposes of establishing the persons who are Scheme Shareholders, Keycorp will not accept for registration, nor recognise for any purpose, any transfer or transmission application in respect of Keycorp Shares received after the Scheme Record Date.

On completion of the steps above, Overland will hold all of the Keycorp Shares. In the event that the Scheme Implementation Agreement is terminated, the Scheme will not become Effective.

8.6 Effect of Scheme

The Scheme binds Keycorp and all Keycorp Shareholders from time to time and, to the extent of any inconsistency and to the extent permitted by law, overrides the constitution of Keycorp.

8.7 Enforcement of Deed Poll

Keycorp undertakes in favour of each Scheme Shareholder to enforce the Deed Poll against Overland and Archer Capital on behalf of and as agent and attorney for the Scheme Shareholders.

8.8 Scheme Conditions

The Scheme will be of no force and effect until the following conditions have been satisfied:

- a) all of the conditions set out in clause 3.1 of the Scheme Implementation Agreement (other than the condition that the Court approve the Scheme pursuant to section 411(4)(b) of the Corporations Act by the End date) have been satisfied or waived in accordance with the terms of the Scheme Implementation Agreement prior to 8.00am on 26 November 2010;
- b) as at 8.00am on 26 November 2010, the Scheme Implementation Agreement has not been terminated in accordance with its terms;
- c) the Court has approved the Scheme for the purposes of section 411(4)(b) of the Corporations Act with or without modification;
- d) such other conditions made or required by the Court under section 411(6) of the Corporations Act in relation to the Scheme as are acceptable to Overland and Keycorp have been satisfied; and
- e) the coming into effect, pursuant to section 411(10) of the Corporations Act, of the orders of the Court made under section 411(4)(b) of the Corporations Act (and, if applicable section 411(6) of the Corporations Act) in relation to the Scheme.

8.9 Status of Scheme Conditions

As at the date of this Scheme Booklet, Keycorp and Overland are not aware of any circumstances that would cause the outstanding conditions not to be satisfied.

8.10 Termination

As outlined in clause 9 of the Scheme Implementation Agreement, the Scheme Implementation Agreement may be terminated in circumstances including the following events:

- a) the Scheme Implementation Agreement shall automatically terminate upon the earlier of the following:
 - i) if the conditions set out in the Scheme Implementation Agreement have not been fulfilled by End Date, then upon the End Date; or
 - ii) if the Scheme Shareholders fail to approve the Scheme (as described in clause 3.1(e) of the Scheme Implementation Agreement), then upon the date of the Scheme Meeting; or
 - iii) if the Court does not approve the Scheme, then upon the date of the Second Court Date.
- b) by Archer Capital at any time before 8.00 am on the Second Court Date by written notice to Keycorp if:
 - i) Keycorp is in material breach of any of the Keycorp Warranties given by it in the Scheme Implementation Agreement or clause 3, clause 4.1, clause 4.4 or clause 5 of the Scheme Implementation Agreement, Archer gives notice stating an intention to terminate and Keycorp does not remedy that default in 5 Business Days from the time notice is received (or any shorter period ending at 5.00 pm on the date before the Second Court Date);
 - ii) a Keycorp Prescribed Event has occurred after 8 September 2010;
 - iii) a Keycorp Material Adverse Change has occurred after 8 September 2010;
 - iv) a Competing Proposal is announced and is recommended by the Keycorp Board; or
 - v) a Competing Proposal is announced which is superior to the Scheme, that Competing Proposal is not recommended by the Keycorp Board provided Archer Capital announces an alternative proposal for Keycorp which matches or is superior to that Competing Proposal.

-
- c) subject to the provisions regarding the Break Fee (described in Section 5.5(b) of this Scheme Booklet), by Keycorp at any time before 8.00 am on the Second Court Date by written notice to Archer Capital if:
- i) Archer Capital is in material breach of any of the warranties given by it in the Scheme Implementation Agreement or clause 3 or clause 4.2 of the Scheme Implementation Agreement, Keycorp gives notice stating an intention to terminate and Archer Capital does not remedy that default in 5 Business Days from the time the notice is received (or such shorter period ending at 5.00 pm on the day before the Second Court Date);
 - ii) an insolvency event occurs in relation to Archer Capital; or
 - iii) the Keycorp Board recommends to the Keycorp Shareholders any Superior Proposal.

Full details of the termination events are detailed in the Scheme Implementation Agreement contained in [Annexure C](#).

8.11 End Date

The Scheme will lapse and be of no further force or effect if the Scheme has not become Effective on or before 31 January 2011 or such later date as the Court approves with the consent of Overland and Keycorp.

8.12 Establishing Scheme Shareholders

a) Dealings prior to the Scheme Record Date

For the purpose of establishing the persons who are Scheme Shareholders, dealings in Keycorp Shares will be recognised by Keycorp provided that:

- i) in the case of CHESS dealings, the transferee is registered in the Keycorp Register as the holder of the Keycorp Shares by the Scheme Record Date; and
- ii) in all other cases, registrable transfers or transmission applications in respect of those Keycorp Shares are received at the place where the Keycorp Register is kept by the Scheme Record Date,

and Keycorp will not accept for registration, nor recognise for any purpose, any transfer or transmission application in respect of Keycorp Shares received after the Scheme Record Date, other than a transfer to Overland in accordance with the Scheme or its successors in title.

b) Dealings after the Scheme Record Date

For the purpose of determining entitlements to the Scheme Consideration the Keycorp Register will be determinative.

As and from the Scheme Record Date, each entry on the Keycorp Register relating to Keycorp Shares (other than an entry in respect of Overland) will cease to have any effect other than as evidence of an entitlement to Scheme Consideration.

From the Scheme Record Date, all certificates and holding statements for Scheme Shares held by Scheme Shareholders existing on the Scheme Record Date will cease to have effect as documents of title.

8.13 Suspension and termination of trading in Keycorp Shares

Under the Scheme, Keycorp must apply to ASX for suspension of the Keycorp Shares from official quotation on ASX with effect from the Business Day following the Effective Date. Following the Implementation Date, ASX will be then requested to remove Keycorp from the official list of ASX.

8.14 Covenants by Scheme Shareholders

Under the Scheme, each Scheme Shareholder without the need for any further act, irrevocably appoints Keycorp as its agent and attorney for the purpose of:

-
- a) executing any document or doing any other act necessary to give effect to the terms of the Scheme including, without limitation, the execution of the share transfer(s) to be delivered under the Scheme and the giving of the Scheme Shareholders consent to Keycorp, Overland and Archer Capital doing all things necessary, incidental or expedient to the implementation and performance of the Scheme; and
 - b) enforcing the Deed Poll against Overland and Archer Capital.

8.15 Warranties by Scheme Shareholders

The Scheme provides that each Scheme Shareholder is deemed to have warranted to Overland that:

- a) all their Scheme Shares (including any rights attaching to those Shares) which are transferred to Overland under the Scheme will, on the date of the transfer of them to Overland, be fully paid and free from all mortgages, charges, liens, encumbrances, pledges, security interests and other interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind; and
- b) they have full power and capacity to sell and to transfer their Scheme Shares together with any rights attaching to such shares.

8.16 Status of Scheme Shares

- a) On the Scheme becoming Effective and until Keycorp registers or procures the registration of Overland as the holder of all the Scheme Shares in the Keycorp Register:
 - i) Overland will be beneficially entitled to the Scheme Shares transferred to it under the Scheme;
 - ii) each Scheme Shareholder:
 - A) is deemed to have irrevocably appointed Overland as attorney and agent (and directed Overland in such capacity) to appoint an officer or agent nominated by Overland as their sole proxy and, where applicable, corporate representative to attend shareholders' meetings, exercise the votes attaching to the Scheme Shares registered in their name and sign any shareholders' resolutions, whether in person, by proxy or by corporate representative; and
 - B) must take all other actions in the capacity of a registered holder of Scheme Shares as Overland reasonably directs.

8.17 Keycorp Warranty and Indemnity Deed

Keycorp has also entered into a warranty and indemnity deed with Archer Capital under which Keycorp has provided certain warranties and indemnities to Archer Capital.

Archer Capital has agreed that Archer Capital and Overland are only entitled to make a claim against Keycorp under the deed in very limited circumstances (such as where the breach of warranty occurs as a result of Keycorp's fraud) and in any event only after the Scheme has become Effective and the Overland nominee directors have obtained control of the Keycorp Board.

The warranties broadly cover the status and validity of corporate actions by Keycorp, issued Keycorp capital, accuracy of the disclosures contained in Keycorp's data room and to be contained in the Keycorp Scheme Booklet, title to Keycorp assets (including intellectual property), material contracts, litigation and taxation.

Under the warranty deed Archer Capital has also released Keycorp Directors (and past Keycorp Directors) and employees (**Keycorp Officers**) from any claims in respect of the matters the subject of the deed except to the extent the Keycorp Officer acted without good faith and in wilful misconduct of their duties to Keycorp or fraudulently.

9. ADDITIONAL INFORMATION – KEYCORP

9.1 Interests in Keycorp held by Keycorp Directors

As at the date of this Scheme Booklet, the Keycorp Directors held the following interests in Keycorp securities.

	Keycorp Shares	Keycorp Options
Joe Bonin	66,300	1,220,000
Michael Ibrahim	129,716	-
Robert Bishop	181,814	-

9.2 Interests in Overland held by Keycorp Directors

As at the date of this Scheme Booklet, none of the Keycorp Directors hold any interests in any Overland securities.

9.3 Interests of Keycorp in Overland

As at the date of this Scheme Booklet, Keycorp has no interests in Overland securities.

9.4 Payments or other benefits to Keycorp Directors, secretaries or executive officers

Except as set out elsewhere in this Scheme Booklet, it is proposed that no payment or other benefit be made or given to any Director, secretary or executive officer of Keycorp or of any Related Body Corporate as compensation for loss of, or as consideration for or in connection with his or her retirement from, office as a Director, secretary or executive officer of Keycorp or of a Related Body Corporate, as the case may be, as a result of the Scheme.

9.5 Agreements or arrangements with Keycorp Directors

Except as set out Sections 9.4 and 9.6, there is no agreement or arrangement made between Keycorp and any Keycorp Director and any other person in connection with or conditional on, the outcome of the Scheme.

9.6 Keycorp Directors' interests in Overland contracts

Except as set out in this Section 9.6 or elsewhere in this Scheme Booklet, there is no agreement or arrangement made between any Keycorp Director and Overland in connection with or conditional on, the outcome of the Scheme.

It is Archer Capital's present intention that Joe Bonin will continue to be employed by Keycorp and may be invited to enter into new performance based equity and financial incentive arrangements with Overland in his role as an executive.

9.7 Effect of Scheme on creditors

Keycorp has paid and is paying all its creditors within normal terms of trade. It is solvent and is trading in an ordinary commercial manner. The Scheme will not adversely affect the interests of Keycorp's creditors.

9.8 No unacceptable circumstances

The Keycorp Board does not consider that the Scheme involves any circumstances in relation to the affairs of Keycorp that could reasonably be characterised as constituting "unacceptable circumstances" for the purposes of section 657A of the Corporations Act.

9.9 Other material information

Except as set out in this Scheme Booklet, there is no information material to the making of a decision in relation to the Scheme, being information that is within the knowledge of any Keycorp Director or director of any Related Bodies Corporate of Keycorp, at the time of lodging this Scheme Booklet with ASIC for registration, which has not previously been disclosed to Keycorp Shareholders.

10. ADDITIONAL INFORMATION – OVERLAND

a) Interests in Keycorp held by Overland and Archer Capital

Keycorp Shares

As at the date of this Scheme Booklet, neither Overland nor Archer Capital own any Keycorp Shares.

On 7 September 2010, Archer Capital entered into an option deed with Telstra Corporation Limited (Telstra), under which Telstra granted Archer Capital an option for Archer Capital or its nominee to purchase 16,144,389 Keycorp Shares owned by Telstra (approximately 19.9% of the total issued capital) in certain circumstances. This option agreement gives Overland a Relevant Interest in those shares for the purposes of the Corporations Act.

Except as disclosed above and elsewhere in this Scheme Booklet, neither Overland nor any of its Associates has provided, or agreed to provide, consideration for Keycorp Shares during the four months before the date of this Scheme booklet.

Keycorp Options

Under the Scheme Implementation Agreement, Keycorp has agreed to procure that by no later than 5 Business Days prior to the Second Court Date that the Keycorp Options are exercised in accordance with their terms or an agreement has been entered into with the holder of the Keycorp Options (being Joe Bonin) for the acquisition by Overland or Archer Capital of the Keycorp Options or the cancellation of the Keycorp Options, conditional on the implementation of the Scheme, on terms satisfactory to Archer Capital acting reasonably. The Keycorp Board has agreed that 1,000,000 options granted to Joe Bonin (on 1 April 2009) on his appointment as chief executive officer will vest after approval of the Scheme and prior to the Record Date, in accordance with the current terms of those options (as described in Section 6.6(b) above). The change of control that follows the Scheme is an event that triggers this earlier vesting. Provided the Scheme is approved by the Scheme Shareholders Joe Bonin will be entitled to exercise his options in accordance with their terms. Once these options are exercised, Joe Bonin will receive the same Scheme Consideration per Scheme Share as all other Scheme Shareholders will receive for each of their Scheme Shares. The balance of the Keycorp Options referred to in Section 6.6(b) will be cancelled upon approval of the Scheme as their exercise price per Keycorp Option exceeds the Scheme Consideration per Scheme Share.

b) Interests in Keycorp held by Overland Directors

As at the date of this Scheme Booklet, none of the Overland directors hold any interest in Keycorp Shares or Keycorp Options.

11. GENERAL

11.1 Consents

a) Interests of advisers

Other than as set out in this Section 11.1 or elsewhere in this Scheme Booklet, no person named in this Scheme Booklet as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Scheme Booklet holds, or held at any time during the last two years before the date of this Scheme Booklet, any interest in:

- i) the formation or promotion of Keycorp; or
- ii) any property acquired or proposed to be acquired by Keycorp in connection with its formation or promotion or in connection with the Scheme.

Other than as set out in this Section 11.1 or elsewhere in this Scheme Booklet, no amounts have been paid or agreed to be paid and no value or other benefit has been given or agreed to be given to any of these persons for services rendered by them in connection with the preparation of this Scheme Booklet or in connection with the formation or promotion of Keycorp or in connection with the Scheme.

b) Keycorp experts and fees

The persons named in this Scheme Booklet as performing a function in a professional or advisory capacity in connection with the Scheme and with the preparation of this Scheme Booklet on behalf of Keycorp are Middletons as legal adviser, SLM Corporate Pty Limited as financial adviser and Ironbark Group as strategic adviser.

Each of them will be entitled to receive professional fees charged in accordance with their normal basis of charging, together with a success fee for Ironbark Group if the Scheme proceeds. The fee paid to Grant Thornton which has provided an Independent Expert's Report is \$23,000.

c) Consents and disclaimers

- i) The following parties have given, and have not withdrawn before the time of registration of this Scheme Booklet by ASIC, their consent to be named in this Scheme Booklet in the form and context in which they are named:
 - A) SLM Corporate Pty Limited as financial adviser to Keycorp;
 - B) Middletons as legal advisor to Keycorp;
 - C) Ironbark Group as strategic adviser to Keycorp;
 - D) Grant Thornton as the Independent Expert and to the inclusion of the Independent Expert's report set out in **Annexure B**; and
 - E) Computershare Investor Services Pty Limited.
- ii) **Each person named in Section 11.1(c):**
 - A) has not authorised or caused the issue of this Scheme Booklet;
 - B) does not make, or purport to make, any statement in this Scheme Booklet or any statement on which a statement in this Scheme Booklet is based, other than as specified in Section 11.1(c); and
 - C) to the maximum extent permitted by law, expressly disclaims all liability in respect of, makes no representation regarding, and takes no responsibility for, any part of this Scheme Booklet other than a reference to its name and the statement (if any) included in this Scheme Booklet with the consent of that party as specified in Section 11.1(c).
- iii) Each of Overland and Archer Capital has given, and has not withdrawn before the time of registration of this Scheme Booklet by ASIC, its consent to be named in this Scheme Booklet in the form and context in which it is named, on the basis set out in the Responsibility Statement of the Section entitled "Important Notices".

GLOSSARY OF TERMS

A\$ or \$ means the lawful currency for the time being of the Commonwealth of Australia;

AEDST means Australian Eastern Daylight Savings Time;

Archer Capital means Archer Capital VCLP GF1, LP ILP-0000015;

ASIC means the Australian Securities and Investments Commission;

Associate has the meaning given in section 9 of the Corporations Act;

ASX means ASX Limited ACN 008 624 691 and where the context requires, the Australian Securities Exchange market operated by it;

Break Fee means \$400,000, as described in Section 5.5(b);

Business Day has the meaning given by the Listing Rules;

CHESS means the Clearing House Electronic Subregister System for the electronic transfer of securities, operated by ASX Settlement and Transfer Corporation Pty Limited ACN 008 504 532;

Competing Proposal has the meaning provided to that term in the Scheme Implementation Agreement (attached as [Annexure C](#));

Corporations Act means the Corporations Act 2001 (Cth);

Court means a court of competent jurisdiction under the Corporations Act;

Court Approval Date means the first day on which an application is made to the Court for an order approving the Scheme pursuant to section 411(4)(b) of the Corporations Act in relation to the Scheme;

Court Order means an order made by the Court pursuant to section 411(4)(b) of the Corporations Act approving the Scheme;

Deed Poll means the deed poll made by Overland and Archer Capital in favour of Scheme Shareholders, a copy of which is reproduced in [Annexure D](#);

Effective and **Effect** mean the coming into effect, under section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) of the Corporations Act in relation to the Scheme;

Effective Date means the date on which the Scheme becomes Effective;

End Date means 31 January 2011 or such other date as may be agreed between Keycorp and Archer Capital;

EMV means Europay, Mastercard & Visa security standard for integrated circuit cards in respect of payments;

Enterprise Value means the company's market capitalisation less its net cash (where 'net cash' means cash at bank less interest bearing liabilities);

Explanatory Statement means the explanatory statement for the purposes of section 412 of the Corporations Act, constituted by this Scheme Booklet;

Implementation Date means the date which is three Business Days after the Scheme Record Date or such other date as ordered by the Court or agreed between Keycorp and Archer Capital;

Independent Expert means Grant Thornton Corporate Finance Pty Ltd ABN 59 003 265 987 (AFSL 247140);

Independent Expert's Report means the independent expert's report prepared by the Independent Expert, a copy of which is reproduced in [Annexure B](#);

Keycorp or **Company** means Keycorp Limited ACN 002 519 986;

Keycorp Board or **Keycorp Directors** means the board of directors of Keycorp;

Keycorp Information means the information in this Scheme Booklet other than the Overland Information and the Independent Expert's Report;

Keycorp Material Adverse Change has the meaning provided to "Target Material Adverse Change" in the Scheme Implementation Agreement (attached as [Annexure C](#));

Keycorp Option means an option to acquire a Keycorp Share issued under the Keycorp Employee Share Option Incentive Plan;

Keycorp Prescribed Occurrence has the meaning provided to "Target Prescribed Occurrence" in the Scheme Implementation Agreement (attached as [Annexure C](#));

Keycorp Register means the register of members of Keycorp maintained in accordance with the Corporations Act;

Keycorp Share means a fully paid ordinary share of Keycorp;

Keycorp Share Registry means Computershare Investor Services Pty Ltd ACN 078 279 277;

Keycorp Shareholder means each person registered as a holder of Keycorp Shares in the Keycorp Register;

Keycorp Warranties means the warranties provided by Keycorp in clause 8.3 of the Scheme Implementation Agreement;

Listing Rules means the official listing rules of ASX;

Offer Price means \$0.58 cents per share;

Overland means Overland Transaction Services Pty Limited ACN 146 354 038;

Overland Board or **Overland Directors** means the board of directors of Overland;

Overland Information means the responses to the four questions set out under "Questions about Archer Capital and Overland" in Section 3 (Questions and answers), Section 7 (Profile of Overland) and Section 10 (Additional information – Overland);

Notice or **Notice of Meeting** means the notice of general meeting, a copy of which is contained in **Annexure F**;

Proxy Form means the proxy form for the Scheme Meeting enclosed with this Scheme Booklet;

Regulatory Authority means:

- a) ASIC, ASX, and the Australian Competition and Consumer Commission;
- b) a government or governmental, semi-governmental or judicial entity or authority;
- c) a Minister, department, office, commission, delegate, instrumentality, agency, board, authority or organisation of any government; and
- d) any regulatory (including self-regulatory) organisation established under statute.

Related Body Corporate or **Related Bodies Corporate**

has the meaning given to those terms in section 50 of the Corporations Act;

Relevant Interest has the meaning given to that term in sections 608 and 609 of the Corporations Act;

Representatives means, in relation to a party, all officers, employees, professional advisers and agents of the party or of its Related Entities (as that term is defined in the Scheme Implementation Agreement);

Scheme and **Scheme of Arrangement** means the scheme of arrangement to be established pursuant to the Scheme Implementation Agreement under Part 5.1 of the Corporations Act between Keycorp and the Keycorp Shareholders in respect of all of the Keycorp Shares, a copy of which scheme of arrangement is set out in Annexure E, subject to any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act;

Scheme Booklet means this scheme booklet dated 15 October 2010, including the Annexures to it and the Proxy Form for the Scheme Meeting;

Scheme Conditions means the conditions set out in clause 3.1 of the Scheme Implementation Agreement and summarised in Section 8.8;

Scheme Consideration means the consideration to be provided to Scheme Shareholders for the transfer to Overland of their Scheme Shares (namely \$0.58 cash for each Scheme Share held by a Scheme Shareholder), as set out in clause 4.2 of the Scheme Implementation Agreement and as described in Sections 3 and 8;

Scheme Implementation Agreement means the Scheme Implementation Agreement dated 8 September 2010 between Archer Capital and Keycorp, a copy of which is substantially reproduced in **Annexure C**;

Scheme Meeting means the meeting of Keycorp Shareholders ordered by the Court to be convened pursuant to section 411(1) of the Corporations Act to consider and, if thought fit, approve the Scheme (or any adjournment or postponement of it at which the Scheme is voted on);

Scheme Record Date means 7.00 pm on the fifth Business Day after the Effective Date;

Scheme Shares means all of the Keycorp Shares on issue on the Scheme Record Date;

Scheme Shareholder means each person registered in the Keycorp Register as the holder of Scheme Shares as at the Scheme Record Date;

Second Court Date means the first day of hearing of an application made to the Court for an order pursuant to section 411(4)(b) of the Corporations Act approving the Scheme or, if the hearing of such application is adjourned for any reason, means the first day of the adjourned hearing;

Subsidiary has the meaning given to that term in section 46 of the Corporations Act;

Superior Proposal means a Competing Proposal which:

- a) in the determination of the Keycorp Board acting in good faith is reasonably capable of being completed, taking into account both the nature of the Competing Proposal and the person or persons making it; and
- b) in the determination of the Keycorp Board acting in good faith and in order to satisfy what the Keycorp Board considers to be its fiduciary or statutory duties would, if completed substantially in accordance with its terms, result in a transaction more favourable to the Shareholders than the transactions contemplated by the Scheme Implementation Agreement.

ANNEXURE A – TAXATION IMPLICATIONS OF THE SCHEME

The following sets out a general description of the Australian income tax and Goods and Services Tax (“GST”) consequences for Keycorp Shareholders upon the implementation of the Scheme.

The comments are based upon the law in effect at the date of this Scheme Booklet. It is not intended to be an authoritative or complete statement of the income tax laws applicable to the particular circumstances of every Keycorp Shareholder.

The comments set out below are relevant to Keycorp Shareholders who hold Keycorp Shares as at the Scheme Record Date on capital account and to complying superannuation funds.

It does not deal with Keycorp Shareholders who:

- hold their Keycorp Shares as trading stock or on revenue account;
- may be subject to special tax rules, such as banks, insurance companies, tax exempt organisations, dealers in securities; or
- change their tax residency while holding Keycorp Shares.

Australia continues the process of major taxation reform. There is considerable uncertainty as to the breadth and ultimate effect of this reform, and the precise meaning of much of the new legislation is unclear and has not been tested before the courts.

Income Tax

Australian Capital Gains Tax

The disposal of Keycorp Shares by an Australian resident shareholder pursuant to the Scheme will constitute a capital gains tax (“CGT”) event for Australian CGT purposes. This CGT event, in our opinion, will occur on the Implementation Date.

The disposal of Keycorp Shares by Australian resident Keycorp Shareholders may result in a capital gain where the ‘capital proceeds’ from the disposal of Keycorp Shares exceed the ‘cost base’ of those Keycorp Shares or a capital loss where the ‘capital proceeds’ are less than the ‘reduced cost base’ of those Keycorp Shares.

Capital Proceeds

The ‘capital proceeds’ of the CGT event for the disposal of Keycorp Shares will be equal to the Scheme Consideration received by each Keycorp Shareholder in respect of the disposal of their Keycorp Shares on the Scheme Implementation Date.

Cost Base / Reduced Cost Base

The cost base of a Keycorp Share will generally be the cost of acquiring the share plus incidental costs associated with both the acquisition and disposal of the share.

The reduced cost base of a Keycorp Share will generally be the cost of acquiring the share plus incidental costs incurred in respect of both the acquisition and disposal of the share.

CGT Discount Concession

A Keycorp Shareholder who has beneficially owned their Keycorp Shares for more than 12 months prior to the Implementation Date and who is an individual, a trust or a complying superannuation fund may be entitled to reduce their capital gain by a discount percentage.

For Keycorp Shareholders that are individuals and trusts the discount percentage is 50%. For Keycorp Shareholders that are complying superannuation funds the discount percentage is 33.33%.

The CGT discount concession:

- does not apply to companies;
- is only applied after available capital losses have been applied to reduce any capital gain; and
- does not apply to capital losses.

The rules described above relating to discount capital gains and trusts are complex. Trustees should seek their own advice as to how the discount capital gains provisions apply to them and their beneficiaries, having regard to their own particular circumstances.

Non-Resident Shareholders

Keycorp Shareholders will not be subject to Australian CGT on any capital gain in respect of their Keycorp Shares if you are not a resident of Australia for the purposes of the Income Tax Assessment Act 1936, and:

- you have not used the Keycorp Shares in carrying on a business through an Australian permanent establishment at any time; and
- you (and your associates) do not hold 10% or more of Keycorp Shares on the Implementation Date and have not held 10% or more of Keycorp Shares throughout a 12 month period during the two years preceding the Implementation Date.

Foreign Keycorp Shareholders that have held 10% or more of Keycorp Shares, either alone or together with their associates should obtain specific advice on the application of the Australian CGT rules to any gain or loss realised on sale.

If you are a foreign Keycorp Shareholder, you should also obtain specific advice on the application of the laws of your country of residence and any Double Tax Treaty between your country of residence and Australia in determining the tax consequences of the disposal of your Keycorp Shares.

Goods and Services Tax (GST)

You will not be liable to pay GST on the Scheme Consideration you receive for your Keycorp Shares.

ANNEXURE B – INDEPENDENT EXPERT’S REPORT



Keycorp Limited

Independent Expert's Report

Scheme of Arrangement

8 October 2010



The Directors
Keycorp Limited
40-42 Montefiore Street
Fairfield
VIC 3078

8 October 2010

Dear Directors

EXECUTIVE SUMMARY

Introduction

Keycorp Limited (“Keycorp” or “the Company”) is a listed company trading on the Australian Securities Exchange (“ASX”). Keycorp’s principal activity is the provision of a total service solution for electronic funds transfer at point of sale terminals.

On 8 September 2010, Keycorp entered into a Scheme Implementation Agreement (“the Proposed Scheme”) with Archer Capital (“Archer”). Archer was established in 1996, and is an Australian private equity and investment house based in Sydney.

Under the Proposed Scheme, Archer is to acquire 100% of the shares in Keycorp for a cash consideration of \$0.58 per share (“the Scheme Consideration”) for each Keycorp Share.

The Proposed Scheme is subject to a number of conditions as outlined in the Scheme Implementation Agreement, including, but not limited to:

- Approval at the Scheme Meeting by the requisite majority of Keycorp Shareholders in accordance with Section 411(4)(a)(ii) of the Corporations Act 2001 (“the Act”);
- Court approval of the Proposed Scheme, with or without modification, pursuant to section 411(4)(b) of the Act;
- The Independent Expert concluding that the proposed scheme is in the best interests of Keycorp’s shareholders;
- Archer being satisfied that Keycorp’s relationships with its major customers are of good commercial standing and those customers to commit to provide any consents to the Proposed Scheme that may be required under the terms of their contracts; and

Holder of Australian Financial Services Licence No. 247140

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Our Ref: KEYCORP FINAL REPORT 7 OCTOBER 2010 ASIC

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- All necessary regulatory approvals being obtained.

Details of the Proposed Scheme are set out in the Scheme Booklet to which this report is attached.

The implementation date of the Proposed Scheme is currently expected to be 26 November 2010.

Background to the Proposed Transaction

The Directors of Keycorp hold the view that the best growth opportunities for the Company will be through strategic acquisitions of other companies that will enable Keycorp to expand its product offerings and customer base. The Company will need to raise additional equity and debt capital to fund their planned acquisition strategy.

Keycorp's small market capitalisation and the low level of liquidity in its shares had made additional equity capital difficult to source, particularly in the current market environment. Over the past year, Keycorp sounded interest among institutional investors to help fund its growth strategy however this was unsuccessful.

Over the last 18 months the Directors have received a number of unsolicited expressions of interest to acquire the Company. However, the Directors formed the view that these expressions of interests undervalued the Company and were not worth pursuing.

Accordingly, over the last few months, the Directors, with assistance from advisers, have co-ordinated a competitive process to seek proposals from potential acquirers. The offer from Archer for the Company's shares is the most attractive of the proposals received.

Scope

Keycorp has appointed Grant Thornton Corporate Finance Pty Ltd ("Grant Thornton") to prepare this Independent Expert Report ("IER") to express an opinion as to whether the Proposed Scheme is in the best interests of the shareholders of Keycorp ("the Keycorp Shareholders").

This IER has been prepared to assist the Directors of Keycorp ("the Directors") in making their recommendation to the Keycorp Shareholders in relation to the Proposed Scheme and to assist the Keycorp Shareholders to assess the merits of the Proposed Scheme. There is no statutory requirement for Keycorp to obtain an IER.

This IER is to be included with the Notice of Scheme Meeting and Scheme Booklet to be sent to Keycorp Shareholders to consider the merits of the Proposed Scheme.

Grant Thornton is independent of Keycorp and has no other involvement with, or interest in, the outcome of the Proposed Scheme.

Approach

In forming our opinion on the Proposed Scheme we have:



- Compared the Scheme Consideration pursuant to the Proposed Scheme to our assessed value of a Keycorp Share, including a premium for control; and
- Considered the other potential advantages and disadvantages of the Proposed Scheme to the Keycorp Shareholders.

Our Assessed Value of the Keycorp Shares

In our opinion, the value of Keycorp Shares on a controlling interest basis is assessed to be between \$0.54 and \$0.55 per share.

The Scheme Consideration of \$0.58 per share is higher than our assessed value of a Keycorp Share, including a premium for control, and therefore in our opinion the Scheme Consideration is fair to the Keycorp Shareholders.

Our assessment of the value of Keycorp's shares is for a controlling interest, which incorporates a premium for 100 percent control.

Reasonableness of the Proposed Scheme

As the Proposed Scheme is fair to the Keycorp Shareholders, it is also considered to be reasonable. Nonetheless, we have summarised some of the relevant likely advantages and disadvantages of the Proposed Scheme to the Keycorp Shareholders.

Summary

We have assessed the key advantages and disadvantages of the Proposed Scheme to the Keycorp Shareholders to be as follows:

Advantages

- The Scheme Consideration is fair.
- The Scheme Consideration is at a premium to the one month volume weighted average price ("VWAP") of \$0.51 per share prior to the initial announcement of the Proposed Scheme on 9 September 2010.
- The Proposed Scheme offers Keycorp's shareholders value certainty, in the form of a guaranteed cash consideration.

Disadvantages

The Directors have a plan to grow Keycorp through acquisition and have identified a number of businesses that could be acquired. If this strategy is able to be successfully executed, then it is possible that the value of Keycorp's shares may increase above the Scheme Consideration. Therefore, by participating in the Scheme, existing Keycorp shareholders are not being provided with an opportunity to participate in the upside that may result if the growth strategy is successfully implemented.

However, it should be noted that a growth strategy based on acquisition is not without risk.



If the Proposed Scheme is not Approved

In the event that the Proposed Scheme is not approved, it is the intention of the Directors that Keycorp will continue to be listed on the ASX. The business expects to continue to operate its core business activities and pursue a growth strategy through acquisitions.

However, it is possible that in the near term the value of the shares may fall below the value of the Scheme Consideration. Following the announcement of the Proposed Scheme Keycorp shares have traded in the range of \$0.57. This range compares to the one month and three month VWAP of \$0.51, and six month VWAP of \$0.49, prior to the announcement date.

If, however, the acquisition strategy is able to be successfully executed, then it is possible in the longer term that the value of Keycorp’s shares may increase above the Scheme Consideration. However, the ability to source the additional debt and equity finance that Keycorp will require to fund the planned acquisition strategy is not without risks in the current market environment.

In the event that the Company is able to fund its planned acquisition strategy, shareholders should be aware that there may be risk of dilution and also dividend payments may be limited, as the Company is expecting to retain and use its surplus cash holdings to fund its acquisition growth strategy.

Conclusion

In our opinion, having assessed the advantages and disadvantages of the Proposed Scheme to Keycorp’s Shareholders, we consider the Proposed Scheme to be in the best interests of Keycorp Shareholders, in the absence of a superior proposal.

Limitations and reliance on information

The opinion of Grant Thornton is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time. This report should be read in conjunction with the declarations outlined in Section 7.

This opinion should also be read in conjunction with the full text of the attached report.

Yours sincerely

GRANT THORNTON CORPORATE FINANCE PTY LTD

Liz Smith
Director

Peter Thornely
Director



Financial Services Guide

Grant Thornton Corporate Finance Pty Ltd

Grant Thornton Corporate Finance Pty Ltd (“Grant Thornton Corporate Finance”) carries on a business, and has a registered office, at Level 17, 383 Kent Street, Sydney NSW 2000. Grant Thornton Corporate Finance holds Australian Financial Services Licence No 247140 authorising it to provide financial product advice in relation to securities and superannuation funds to wholesale and retail clients.

Grant Thornton Corporate Finance has been engaged by Keycorp Limited as an independent expert to express an opinion as to whether the Proposed Transaction as defined in Section 1 of this report is in the best interests of the Non-Associated Shareholders of Keycorp.

Financial Services Guide

This Financial Services Guide (“FSG”) has been prepared in accordance with the Corporations Act, 2001 and provides important information to help retail clients make a decision as to their use of general financial product advice in a report, the services we offer, information about us, our dispute resolution process and how we are remunerated.

General financial product advice

In our report we provide general financial product advice. The advice in a report does not take into account your personal objectives, financial situation or needs.

Grant Thornton Corporate Finance does not accept instructions in relation to securities from retail clients. Grant Thornton Corporate Finance provides no financial services in relation to securities directly to retail clients and receives no remuneration from retail clients for financial services in relation to securities. Grant Thornton Corporate Finance does not provide any personal retail financial product advice directly to retail investors in relation to securities nor does it provide market-related advice directly to retail investors in relation to securities.

Remuneration

When providing the report, Grant Thornton Corporate Finance’s client is the Company. Grant Thornton Corporate Finance receives its remuneration from the Company. Grant Thornton Corporate Finance will receive a fee from Keycorp Limited based on commercial rates plus reimbursement of out-of-pocket expenses for the preparation of the report. Our directors and employees providing financial services receive an annual salary, a performance bonus or profit share depending on their level of seniority. Our fee is in no way contingent on the outcome of this report.

Except for the fees referred to above, no related body corporate of Grant Thornton Corporate Finance, or any of the directors or employees of Grant Thornton Corporate Finance or any of those related bodies or any associate receives any other remuneration or other benefit attributable to the preparation of and provision of this report.



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GPO Box 4984WW
Melbourne
Victoria 3001
Telephone: (03) 8663 6000
Facsimile: (03) 8663 6229

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Compensation arrangements

Grant Thornton Corporate Finance has professional indemnity insurance cover under its professional indemnity insurance policy. This policy meets the compensation arrangement requirements of section 912B of the Corporations Act.



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1. Introduction

1.1. Background

Keycorp Limited (“Keycorp” or “the Company”) is a listed company trading on the Australian Stock Exchange (“ASX”) operating in the electronic payment systems industry in Australia. Keycorp provides a total service solution for Electronic Funds Transfer Point of Sale (“EFTPOS”) terminals and other point of sales terminals and retail technologies.

Archer Capital Pty Ltd (“Archer”) was established in 1996, and is an Australian private equity and investment house based in Sydney.

1.2. The Proposed Scheme

On 8 September 2010, Keycorp entered into a Scheme Implementation Agreement (“the Proposed Scheme”) with Archer. Under the Proposed Scheme, Archer is offering \$0.58 in cash (“the Scheme Consideration”) for each Keycorp Share.

The Proposed Scheme is subject to a number of conditions as outlined in the Scheme Implementation Agreement, including, but not limited to:

- Approval at the Scheme Meeting by the requisite majority of Keycorp Shareholders in accordance with Section 411(4)(a)(ii) of the Corporations Act 2001 (“the Act”);
- Court approval of the Proposed Scheme, with or without modification, pursuant to section 411(4)(b) of the Act;
- The Independent Expert concluding that the proposed scheme is in the best interests of Keycorp’s shareholders;
- Archer being satisfied that Keycorp’s relationships with its major customers are of good commercial standing and those customers to commit to provide any consents to the Proposed Scheme that may be required under the terms of their contracts; and
- All necessary regulatory approvals being obtained.

1.3. Break fees

Each of Archer and Keycorp agree to pay the other party a break fee of \$400,000 as reimbursement costs if the Proposed Scheme does not proceed because of certain events. In the case of Keycorp, these events include:

- Keycorp is in material breach of any provision of the Scheme Implementation Agreement;
- The Keycorp Board of Directors recommend a Competing Proposal; or



- Any director of Keycorp makes a public statement withdrawing his support or recommendation of the Proposed Scheme.

1.4. Purpose of our report

The Board of Keycorp has appointed Grant Thornton to prepare this Independent Expert Report (“IER”) to express an opinion as to whether the Proposed Scheme is in the best interests of the Keycorp shareholders.

The Corporations Act does not require Keycorp to commission an independent expert report with respect to the Proposed Scheme. Notwithstanding, the Board of Keycorp has commissioned this report to assist the Keycorp Shareholders to assess the Proposed Scheme.

1.5. Basis of evaluation

The Act does not provide a definition as to the meaning of fair and reasonable. ASIC’s Regulatory Guide 111 (“RG111”) provides guidelines, for the purpose of reports under what is now Section 640 of the Act relating to takeover offers, in determining whether a transaction is fair and reasonable. Fairness relates to price whereas reasonableness will include the consideration of factors other than price.

The Act does not define the meaning of “fair and reasonable”. In preparing this report, Grant Thornton has considered relevant regulatory guides issued by ASIC, with particular reference to RG 111, which states, inter alia, that:

- An offer is considered fair if the value of the offer price or consideration is equal to or greater than the value of the securities that are the subject of the offer. The comparison should be made assuming 100% ownership of the target company and irrespective of whether the consideration offered is scrip or cash and without consideration of the percentage holding of the offeror or its associates in the target company; and
- An offer is considered reasonable if it is fair. If the offer is not fair it may still be reasonable after considering other significant factors which justify the acceptance of the offer in the absence of a higher bid.

In arriving at our opinion as to whether the Proposed Scheme is fair, Grant Thornton has compared the Scheme Consideration offered pursuant to the Proposed Scheme to our assessed value of a Keycorp Share on a controlling interest basis.

In considering whether the Proposed Scheme is reasonable, we have considered a number of factors, including:

- Whether the Proposed Scheme is fair; and
- The other advantages and disadvantages of the Proposed Scheme to Keycorp Shareholders.

Generally, a transaction will be fair and reasonable where the benefits of the transaction proceeding outweigh the disadvantages.

1.6. Definition of Fair Market Value

For the purpose of our opinion, fair market value is defined as the amount at which the business would change hands between a knowledgeable willing buyer and a knowledgeable willing seller, neither being under a compulsion to buy or sell. Special value is defined as the amount a special purchaser is willing to pay in excess of the fair market value. Such special purchasers may be willing to pay a premium over the fair market value as a result of the potential economies of scale, reduction in competition or other synergies they may enjoy arising from the acquisition of the asset.

1.7. Independence

Grant Thornton is independent of Keycorp, its Directors and all other relevant parties associated with the Proposed Scheme. Grant Thornton has no involvement with, or interest in, the outcome of the approval of the Proposed Scheme. Grant Thornton is entitled to receive a fee based on commercial rates and including reimbursement of out-of-pocket expenses for the preparation of this report. Except for this fee, Grant Thornton will not be entitled to any other pecuniary or other benefit, whether direct or indirect, in connection with the issuing of this IER. The payment of this fee is in no way contingent upon the success or failure of the Proposed Scheme.

1.8. Limitations and reliance on information

The opinion of Grant Thornton is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time. This report should be read in conjunction with the declarations outlined in Section 7.

Our procedures and enquiries do not include verification work nor constitute an audit in accordance with Australian Auditing Standards, nor do they constitute a review in accordance with the Standards on Review Engagements issued by the Auditing and Assurance Standards Board.

This report constitutes general financial product advice only and in undertaking our assessment, we have considered the likely impact on shareholders of Keycorp as a whole. We have not considered the potential impact of the Proposed Scheme on individual shareholders. Individual shareholders have different financial circumstances and it is neither practicable nor possible to consider the implications of the Proposed Scheme on individuals.

The decision as to whether or not to approve the Proposed Scheme is a matter for each shareholder of Keycorp based on their own views of the value of Keycorp and expectations about future market conditions, Keycorp's performance, risk profile and investment strategy. If shareholders are in doubt about the action they should take in relation to the Proposed Scheme, they should seek their own professional advice.

2. Industry Overview

2.1. Introduction

Keycorp operates in the electronic payment systems industry in Australia and provides a total service solution for EFTPOS terminals and other point of sales (“POS”) terminals and retail technologies.

In value terms, Australia’s finance system is dominated by non-cash activity. Approximately \$3.7 trillion passes through Australia’s non-cash payment system on a monthly basis, an amount three times the size of Australia’s GDP.

More than 700,000 EFTPOS terminals are used by millions of Australians on a daily basis.

The key factors currently impacting the industry are discussed briefly below.

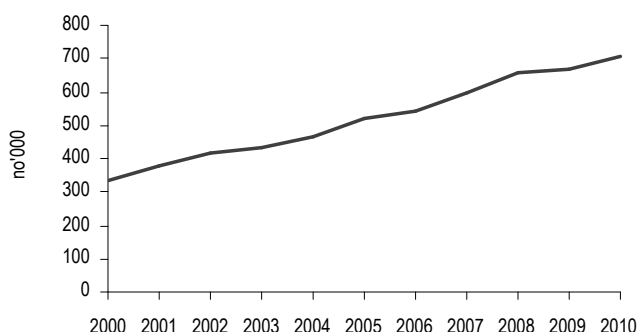
2.2. Industry players

There are several participants in the industry including:

- Retail merchants, which engage with the banks to provide payment terminals;
- Payment service providers (such as Keycorp) which provide the hardware, software and ongoing support. The service providers are directly engaged by the banks; and
- Telecommunication providers, which are engaged by the banks to provide data transfer services.

2.3. Historical performance of the EFTPOS market

As illustrated in the chart below, the number of EFTPOS terminals in Australia has increased from 334,000 in 2000 to 712,000 terminals in June 2010.



The EFTPOS market is comprised of Hardware and Software, Hardware Services and Merchant Services. Keycorp estimate the Hardware market has experienced a decline in value over the past 4

years of approximately 17% due to declining margins on equipment as a result of equipment commoditisation.

Keycorp expect the value of the EFTPOS services market to moderately rise in line with the increased number of EFTPOS terminals.

2.4. Demand determinants

Demand within the industry is largely driven by the following factors:

- **New technology:** Technology remains an important driver for change in the industry. Concern over rising levels of fraud has seen significant chip and PIN roll-outs in Australia over the past five years.
 - The introduction of the EMV security standard for chip based transactions generated significant activity in the industry in 2009. EMV is the international standard (developed by Europay, Mastercard and Visa) for the operation of chip cards and point of sale devices and replace the magnetic strips. The EMV Chip and Pin security standard was introduced into Australia to increase security of EFTPOS payments. In late 2008, Australian banks began updating their fleets of EFTPOS terminals to make them compliant with EMV Chip and Pin. This was a large driver of revenue growth for Keycorp (particularly Westpac fleet updates) over the 2009 financial year and the first half of the 2010 financial year. The updates are now largely complete with EMV Chip and Pin no longer generating growth opportunities.
 - The roll out of contactless devices over the next few years may drive further activity in the industry. Contactless devices are unsecured payment devices (no signature or pin) designed for cash payments of less than \$100. Keycorp recently secured a contract for the initial rollout of 30,000 devices across Australia by one of Australia's largest banks.

Keycorp expect significant growth in contactless devices in the future. Indeed market surveys have shown considerable consumer interest in the technology due to its faster way to pay and because it cuts down queue times. However there is limited market evidence available regarding the take up of this technology overseas.

- **Customers:** New entrants, new technology and regulatory pressures will heighten the competitive pressures within the payments market. Continued pressure on pricing as well as meeting the ever-rising expectations for improved convenience, simplicity, security and speed are expected to bring challenges for companies operating in the industry.



2.5. Competition

Barriers to entry in this industry are relatively high. The key barriers to entry include the reputational advantage of the incumbent players, access to proven technology, technical know-how and access to a highly skilled and specialised workforce. Brand and track record are key factors in winning contracts with banks and large retailers. Security of payments is paramount and thus reputation and experience are vital.

Keycorp's major competitors include large global companies such as Verifone Holdings Inc, Hypercom Corporation and Ingenico S.A, which are the largest payment solutions companies in the world.

Keycorp's smaller competitors include divisions of AWA Limited ("AWA") (operates in NSW) and Toll Holdings Limited ("Toll") (a national operator).

The strengths and weaknesses of Keycorp vis-à-vis its competitors are:

- Keycorp's product distribution agreements mean it can offer clients flexibility in a range of products, unlike the OEMs who tend to only offer their own product offerings;
- Keycorp is solely focused on support services to the EFTPOS market, unlike other service providers such as AWA and Toll where EFTPOS services only comprise a small portion of their total business; and
- Keycorp's service focus.

2.6. Recent developments

In the past 2 years EFTPOS has given up 10% of its market share to Visa and Mastercard, whose card schemes can be used online, when the cardholder is not present (i.e. over the phone), and internationally.

EFTPOS Payments Australia Limited ("EPAL") has given approval for an EFTPOS security upgrade to make the system more compatible with global payments systems.

The EFTPOS debit card system will be radically modernised to allow overseas use and make it more efficient for everyday purchases. For consumers and merchants, the upgrade will make it more efficient and will enable remote transactions, as well as online and international purchases.

Central to the upgrade will be a migration to chip based rather than magnetic strip transactions using the global EMV security standard. The EMV chip technology will make EFTPOS more secure and provide a basis for innovation.

EPAL sees an opportunity to win increased market share from cash, since unlike New Zealand and the UK, Australians still use cash for most transactions under \$20.

As part of its reforms to the payments system, the Reserve Bank has been insistent that bank and merchant owners of EFTPOS work to modernise the system and maintain it as an alternative to international schemes. Contactless functions will be the initial focus for the EMV project.

3. Overview of Keycorp

3.1. History

Keycorp was established in 1983 as a manufacturer of advanced secure keyboards. The Company was initially a provider of hardware which included the design, manufacture and distribution of smartcards and EFTPOS terminals. Keycorp also developed and provided the required software applications. In 2001 Keycorp began a services offering, via its acquisition of EFTPOS Engineering (a company which specialised in maintaining EFTPOS and point of sale terminals in merchant premises around Australia) from Verifone. Thus Keycorp began offering EFTPOS support services and fleet management alongside its hardware and software offering from this time.

Services and fleet management grew to become Keycorp's largest contributor to profitability. A major watershed in Keycorp's history was the signing of a 5 year agreement with Westpac in mid 2004 to manage the bank's fleet of EFTPOS terminals, being one of the largest contracts ever won by Keycorp. The hardware offering by contrast diminished in profitability.

Keycorp's historical focus on hardware eventually resulted in an unprofitable business with negative cash flow, which culminated in a breach of banking covenants in FY07A. This was due to significant capital expenditure being required for research and development to keep up with fast moving technological change, costs in standardising products for foreign markets (Keycorp was providing hardware to Canada, New Zealand, Asia and UK), and lack of critical mass.

Keycorp undertook various board and management changes with the Chairman and Managing Director ("MD") positions changing in mid 2007, and the Chief Executive Officer and Chief Financial Officer positions changing in 2007 and again in 2009.

In mid 2007, the new Chairman and MD charted a new strategic direction for the Company. As a result, Keycorp undertook a comprehensive transformation program during the 2008 and 2009 financial years, disposing of Smartcard, EFTPOS Manufacturing and other non-core overseas business units.

As a result of the transformation program, Keycorp has shifted its focus from hardware to a services business model for the local Australian market. Its principal activities are now payments software and services (end user support), with a secondary focus on hardware distribution as a platform for software and services. The greater focus on the services offering is expected to drive benefits such as higher margins, annuity based revenue and less ongoing capital expenditure.

However, the Company's profitability is forecast to decline in FY11 as Westpac's legacy product supply and support agreement expired during the 2010 financial year and has not been renewed.

3.2. Operations

Keycorp's customer base is predominantly banks and retailers, for which it provides the following.

Service solutions

- Includes installation, maintenance, help desk support, logistics and asset management services for EFTPOS and other retail POS terminals.
- Service solutions are a high margin business with minimal capital expenditure requirements and annuity style income stream.

Software

- Develops and provides software for both EFTPOS terminals as well as branch technologies and card loyalty schemes.
- Keycorp tailors its software for the hardware used by its customers.

Hardware

- Hardware is considered ancillary to the Services and Software offering.
- Keycorp recognise that an attractive product offering is a platform to sell its software, and thus has distribution agreements in place with a number of OEMs, offering customers choice and flexibility regarding their EFTPOS hardware.

3.3. Revenue model

Approximately 65% to 70% of Keycorp's annual revenue is contracted and the balance is project based. The nature of the project and contracted revenue is as follows:

Projects (non recurring)	<p>Shorter Term Arrangements</p> <ul style="list-style-type: none"> • Usually on an order by order basis • Predominantly product sales • Services of a once off basis e.g. Upgrades • Typically from customers under the long term arrangements
Contracted (annuity style)	<p>Longer Term Arrangements</p> <ul style="list-style-type: none"> • Contractual terms of minimum 3 years up to 5 years • Includes managed payment services • Billings on a monthly fee basis <ul style="list-style-type: none"> - Installed & maintained fleet basis - Includes product, software & services

3.4. Customers

Keycorp's major customers include some of the major Australian banks and regional financial institutions.

Keycorp has a high dependency on a small number of customers. In the 2009 financial year, 2 customers contributed 68% of total revenue, and in the 2010 financial year three customers contributed 72% of total revenue. In 2010, Keycorp lost its major contract with its largest customer Westpac, which contributed approximately 38% of revenues in that financial year.

3.5. Historical Financial Performance

The following table shows an overview of the actual ("A") consolidated historical financial performance of Keycorp for the financial years ended 30 June 2007 ("FY07"), 30 June 2008 ("FY08"), 30 June 2009 ("FY09") and 30 June 2010 ("FY10").

A\$'000	FY07A	FY08A	FY09A	FY10A
Continuing operations				
Revenue	41,392	37,204	52,094	46,629
Cost of sales	(23,452)	(22,600)	(32,012)	(27,086)
Gross Profit	17,940	14,604	20,082	19,543
Gross margin	43.3%	39.3%	38.5%	41.9%
Other income	1,434	-	11	66
Operating expenses	(26,943)	(17,438)	(19,125)	(11,306)
EBITDA from continuing operations	(7,569)	(2,834)	968	8,303
EBITDA margin	-18.3%	-7.6%	1.9%	17.8%
Depreciation, amortisation and impairment	(3,306)	(3,114)	(2,586)	(969)
EBIT from continuing operations	(10,875)	(5,948)	(1,618)	7,334
EBIT margin	-26.3%	-16.0%	-3.1%	15.7%
Net interest income/(expense)	(445)	(2,349)	1,901	732
Profit from continuing operations before income tax	(11,320)	(8,297)	283	8,066
Income tax benefit/(expense)	2,650	4,009	(65)	(2,515)
Profit from continuing operations after income tax	(8,670)	(4,288)	218	5,551
Discontinued operations				
Profit/(loss) from discontinued operations after income tax	(2,847)	4,186	9,052	-
Profit / (Loss) for the year	(11,517)	(102)	9,270	5,551

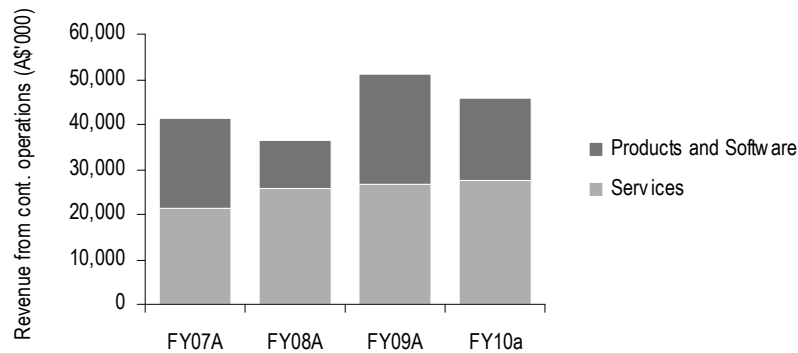
Source: Keycorp Limited 2007 Annual Report, Keycorp Limited 2008 Annual Report, Keycorp Limited 2009 Annual Report, Keycorp Limited Appendix 4E Preliminary Financial Report for the year ended 30 June 2010

We make the following comments in relation to Keycorp's historical income statement:

- Keycorp began a transformation program in FY07, with the aim of becoming a leading provider of services to the payments and retail industry. Keycorp undertook acquisitions, divestments and cost cutting strategies over FY07 to FY09 to generate a strong operating profit from continuing operations in FY10.
- FY10A however saw the cessation of Keycorp's major contract with Westpac. This was a six year agreement to manage, support and upgrade Westpac's fleet of EFTPOS terminals. Accordingly Keycorp is forecasting a significant reduction in EBITDA in the 2011 financial year ("FY11"), as a result of the loss of this Westpac contract, and declining activity in the EMV upgrade cycle.

Revenue

- Revenue has fluctuated from FY07 to FY10. As shown in the graph below, services revenue has remained relatively stable due to the annuity style, long term contracts. The major revenue fluctuations are due largely to product and software sales.



- The revenue decline in FY08 was due to reduced hardware sales. Revenue from services actually increased by \$4.3 million over FY07 due to a high volume of new customer projects and terminal upgrades. However, hardware sales declined from \$19.9 million in FY07 to \$11.2 million in FY08. This was largely due to the lumpy nature of hardware sales.
- Revenue growth in FY09 was primarily due to successfully maximising the opportunity associated with EMV payment upgrades. Several customers had commenced large scale upgrades to their EFTPOS terminals for the new EMV Chip and Pin security standard throughout FY09, driving demand for new hardware and software, and this continued through the first half of FY10.
- Revenue declined in the second half of FY10 as a result of the wind down of the Westpac contract, as well as less product and software sales from EMV Chip and Pin upgrade activity compared with FY09. Approximately 38% of total revenue for FY10 was derived from Westpac. The major part of the Westpac contract ceased during FY10, with the balance of the Westpac work expected to cease in May 2011.

Profitability (EBITDA)

- Keycorp has improved its EBITDA performance from a loss of \$7.5 million in FY07 to a profit of \$8.3 million in FY10, due to the following:
 - FY07 was the last year of Keycorp’s old business model. This business model had suffered from challenging trading conditions and increased competition in the Smartcards market.
 - In FY08, Keycorp reduced its operating losses by disposing of its Optimal Services Group (“OSG”) in Canada and Smartcards businesses and ceasing product manufacture. These changes significantly reduced Keycorp’s operating expenses.
 - In FY09 Keycorp continued to focus on cost reductions, including the relocation of head office functions. The relocation activities included moving its finance and human resources to the Melbourne office and moving the payment solutions sales and development function in Sydney to more appropriate facilities.
 - The FY10 results reflect a full year of the business pursuing a business model focused on service capabilities. The re-focus of the business towards a service model has resulted in gross margin improvements and a large reduction in overhead costs. The level of EBITDA achieved in FY10 is not expected to be achieved again in the short to medium term, as a result of the loss of the Westpac contract and reduction in EMV Chip and Pin upgrade activity.

Discontinued operations

- In FY07 the company completed its exit of the unprofitable product manufacture and sale business;
- In FY08 and FY09 Keycorp disposed of its Canadian OSG business and the Smartcard businesses. Both businesses had limited growth prospects in their respective markets and would have required ongoing capital investment. In particular we note that:
 - The OSG business was acquired by Keycorp in FY07. However, the business contributed a total loss after tax of approximately \$3.0 million during the 9 months in which it was operated during FY07.
 - Increased competition, a challenging political landscape, and declining margins prompted the sale of the Smartcards business segment.
 - In May 2008, Keycorp acquired StepNexus and MAOSCO in the UK who managed MULTOS, a highly secure global operating standard that enabled smartcards to be used for a range of applications such as EMV Chip (chip card banking), national and Government ID, military and health cards and e-passports. Whilst the MULTOS business benefited the Smartcard business, it became apparent that the political landscape in many countries, including Australia, would hamper the introduction of any large-scale ID smartcard rollouts.



Accordingly, in FY09 Keycorp decided to dispose of StepNexus and MAOSCO along with the Smartcards business.

- The large profit on disposal of discontinued operations in FY09 relates to the sale of the Smartcards businesses.

3.6. Forecasts for FY11

Keycorp have provided broad EBIT guidance for FY11 of between \$4.3 million to \$5.0 million, which equates to an EBITDA of between \$4.98 million to \$5.68 million.

The FY11 forecast EBITDA is significantly lower than that achieved in FY10A due to the cessation of the Westpac contract, and the higher product sales associated with EMV technology in the first half of FY10A, which are not expected to be repeated in FY11.

It should be noted that both the low and high forecast estimates include some continued contribution from the Westpac services agreement until May 2011.

The upper end of the EBIT forecast is dependent upon Keycorp being successful with tenders for several large scale opportunities, the outcomes of which are unknown. Due to the small size of the EFTPOS market, and small number of players (i.e. 4 large banks), if these opportunities do not materialise they will be difficult to replace. Accordingly, there is uncertainty attached to the high end of Keycorp's earnings guidance estimates.

**3.7. Consolidated Historical Balance Sheet of Keycorp**

The following table shows the consolidated historical financial position of Keycorp as at 30 June 2008, 30 June 2009 and 30 June 2010.

A\$'000	Note	30-Jun-09	30-Jun-10
Assets			
Current assets			
Cash and cash equivalents	1	9,966	27,853
Trade and other receivables	1	10,460	4,308
Inventories	1	5,693	450
Net investment in finance leases		1,404	1,518
Investments	1	6,509	-
Other current assets	1	3,677	1,254
Total current assets		37,709	35,383
Non-current assets			
Net investment in finance leases		4,832	4,168
Property, plant and equipment		889	809
Deferred tax assets		4,926	3,606
Intangible assets		1,637	1,299
Other non current assets		441	271
Total non-current assets		12,725	10,153
Total assets		50,434	45,536
Liabilities			
Current liabilities			
Trade and other payables	1	(8,016)	(2,441)
Interest bearing loans and borrowings		(1,202)	(1,311)
Employee benefits		(1,239)	(1,254)
Provisions	2	(4,423)	(2,409)
Income tax payable	3	(949)	(2,136)
Other current liabilities		(880)	(643)
Total current liabilities		(16,709)	(10,194)
Non-current liabilities			
Interest bearing loans and borrowings		(2,640)	(1,203)
Employee benefits		(30)	(30)
Provisions	2	(150)	(403)
Other non current liabilities		(695)	(331)
Total non-current liabilities		(3,515)	(1,967)
Total liabilities		(20,224)	(12,161)
Net assets		30,210	33,375

Source: Keycorp Limited 2009 Annual Report and Keycorp Limited Appendix 4E Preliminary Financial Report for the year ended 30 June 2010

We make the following comments with respect to Keycorp's balance sheet:

Note 1: Movements largely attributable to the Westpac contract

- The large cash holding as at 30 June 2010 has arisen as a result of cash deposits being released upon cessation of the Westpac contract. Cash from operations also improved significantly due to the new business structure.
- Trade and other receivables declined in FY10 due largely to the cessation of the major component of the Westpac contract.
- Inventories declined in FY10 as the terminated Westpac contract had a heavy inventory requirement. Inventories were also high in FY09A due to hardware required in relation to the EMV upgrades which occurred in the first half of FY10.
- Investments relate to mezzanine notes Keycorp subscribed to under the terms of its agreement with Westpac, which matured in May 2010. On 27 May 2010 Keycorp announced to the market its A\$10.6 million cash inflow from the maturity of these mezzanine notes and the release of the cash backed security deposit.
- Trade and other payables declined largely due to less inventory purchasing required due to cessation of the Westpac contract, as well as the completion of EMV upgrade activity in the first half of FY10.

Note 2: Provisions

- Keycorp's provisions include restructuring and other provisions that do not relate to the ordinary operations of the business. These provisions are abnormal in nature and are expected to be settled within a reasonably short period of time. The provisions at 30 June 2010 include:
 - A restructuring provision of \$277k: this includes employee termination benefits as a result of the business reorganisation and the termination of the Westpac contract; and
 - Other provisions of \$1.94 million relating to lease restoration costs, legal provisions and onerous contract obligations.

Note 3: Income tax payable

The income tax liability of \$2.14 million as at 30 June 2010 represents income tax due for FY09 and FY10.

Keycorp have not settled their tax liability on the basis that they may be able to utilise past tax losses, however the utilisation of these losses is uncertain. Keycorp has tax losses which have been incurred by the Company and the Company is working through the legislation with its tax advisers to determine whether the losses are available for use by the Company. These tax losses have not been recognised as an asset in Keycorp's balance sheet as the Company is not satisfied that it is



probable that such losses meet the legislative requirements necessary for the losses to be available for use by the Company.

3.8. Consolidated Historical Financial Cash Flows of Keycorp

The following table shows the consolidated historical financial cash flows of Keycorp for FY07, FY08, FY09 and FY11.

A\$'000	FY07A	FY08A	FY09A	FY10A
Cash flow from operating activities				
Cash receipts from customers	100,483	111,628	55,029	57,296
Cash paid to suppliers and employees	(111,262)	(106,751)	(52,484)	(41,346)
Cash generated from operations	(10,779)	4,877	2,545	15,950
Interest received	817	708	1,310	1,059
Interest paid	(747)	(1,498)	(689)	(301)
Income taxes paid	1,331	-	(1,909)	(8)
Settlement of R&D syndicate claim	(3,220)	-	-	-
Restructuring costs	(2,628)	(898)	(2,403)	(811)
Settlement costs of contractual arrangements	-	-	-	(3,435)
Net cash from operating activities	(15,226)	3,189	(1,146)	12,454
Cash flows from investing activities				
Payments for property, plant and equipment	(3,140)	(814)	(407)	(176)
Development expenditure	(3,805)	(2,050)	(213)	(109)
Proceeds from disposal of non-current assets	128	75	39	-
Disposal of discontinued operations	-	(503)	23,012	-
Acquisition of mezzanine notes	(59)	(119)	(1,035)	(1,179)
Proceeds from repayment of mezzanine notes	-	-	-	7,688
Repayment of promissory note	-	5,134	1,064	-
Acquisition of subsidiaries	-	(2,977)	-	-
Acquisition of OSG business including related acquisition costs	(952)	-	-	-
Net cash from investing activities	(7,828)	(1,254)	22,460	6,224
Cash flows from financing activities				
Advancement/ (Repayment) of borrowings - Bank term loan	11,500	(1,500)	(10,000)	-
Finance lease liabilities - new leases in the year	1,611	4,200	-	-
Finance lease liabilities - payments	(611)	(2,065)	(1,094)	(1,328)
Repurchase and cancellation of own shares	-	(297)	-	-
Dividends paid	-	-	(4,868)	(2,434)
(Payment of)/ Proceeds from security deposit	(3,000)	-	-	3,000
Net cash from financing activities	9,500	338	(15,962)	(762)
Net increase/(decrease) in cash and cash equivalents	(13,554)	2,273	5,352	17,916
Cash and cash equivalents at 1 July	15,846	2,346	4,512	9,966
Effect of exchange rate fluctuations on cash held	54	(107)	102	(29)
Cash and cash equivalents at 30 June	2,346	4,512	9,966	27,853

Source: Keycorp Limited 2007 Annual Report, Keycorp Limited 2008 Annual Report, Keycorp Limited 2009 Annual Report, Keycorp Limited Keycorp Limited Appendix 4E Preliminary Financial Report for the year ended 30 June 2010

We make the following comments with respect to Keycorp's cash flows:

- The cash flows from operating activities in FY07 and FY09 include cash flows from discontinued operations.
- In addition, the cash flows from operations were abnormally high during FY10 as a result of the reduction in the required level of working capital as a result of the loss of the Westpac contract.
- Positive cash flows from operations of \$12.4 million were reported in for FY10 compared to negative operating cash outflows of \$15.2 million in FY07. The improved cash flows from operations have been driven by reduced overhead costs and improved margins from a service oriented business.
- Cash flows have also improved since FY07 due to the cessation of manufacturing, and the sale of the OSG and Smartcards businesses over FY08 and FY09.

3.9. Share Capital

Keycorp has 81,127,585 ordinary shares on issue as at 13 September 2010. The details of the top 5 shareholders in Keycorp as at 13 September 2010 are as shown in the table below:

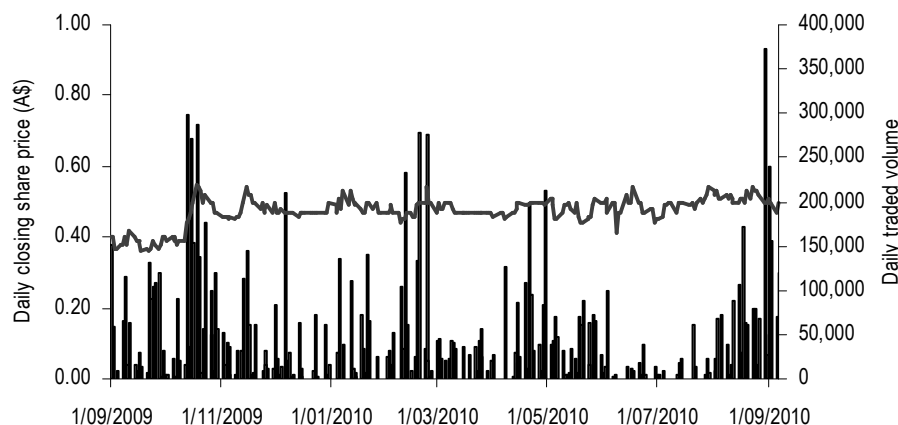
Shareholder	No of Ordinary, Fully Paid Shares Held	% Held of Issued Ordinary Capital
Telstra Corporation Limited	39,082,000	48.17%
Mr Bernard Owen Stephens, Mrs Erin Josephine Stephens, Stephens Group S/F A/C	5,000,000	6.16%
Merrill Lynch (Australia) Nominees Pty Ltd	3,886,199	4.79%
Rubicon Nominees Pty Ltd	1,561,439	1.92%
BWS Pty Ltd	1,000,000	1.23%

Source: Keycorp Limited shareholder register

Telstra Corporation Limited is the largest shareholder in Keycorp holding 48.17% of the issued shares.

3.10. Share Price History

The following chart illustrates the movement in Keycorp’s daily share price and volume between 1 September 2009 and 7 September 2010.



Source: Bloomberg LLP sourced on 9 September 2010

The monthly share price and traded volume of Keycorp from 1 September 2009 to 7 September 2010 is summarised in the following table:

Month/Period	Low Price (A\$)	High Price (A\$)	Closing Price (A\$)	Total monthly volume traded	% of monthly volume traded to issued shares
Period 1 September 2010 to 7 September 2010	0.47	0.51	0.50	634,500	0.8%
Aug-10	0.49	0.53	0.50	1,391,600	1.7%
Jul-10	0.45	0.54	0.54	169,536	0.2%
Jun-10	0.41	0.54	0.44	239,152	0.3%
May-10	0.44	0.51	0.50	796,715	1.0%
Apr-10	0.45	0.51	0.49	1,100,000	1.4%
Mar-10	0.47	0.51	0.47	535,065	0.7%
Feb-10	0.43	0.55	0.50	1,350,000	1.7%
Jan-10	0.47	0.53	0.47	676,315	0.8%
Dec-09	0.46	0.50	0.50	632,097	0.8%
Nov-09	0.45	0.54	0.47	683,280	0.8%
Oct-09	0.38	0.56	0.47	1,920,000	2.4%
Sep-09	0.36	0.42	0.40	1,150,000	1.4%

Source: Yahoo Finance and Bloomberg LLP, sourced on 9 September 2010

We note the following with regard to Keycorp’s share price history and volume:

- The lowest traded price during the past 12 months has been \$0.36 per share in September 2009 and the highest traded price has been \$0.56 per share in October 2009. We note that the increase in share price in October 2009 was as a result of an announcement made by Keycorp on 12 October 2009, upgrading its FY10 EBIT estimate by 30.0% from \$5.0 million (announced on 31 August 2009) to \$6.5 million.

- The volume weighted average price (VWAP) of the Keycorp as at 7 September 2010 (calculated on the closing price and daily volume) is as follows:
 - 1 month VWAP: \$0.51
 - 3 month VWAP: \$0.51
 - 6 month VWAP: \$0.49

- We note that the traded volume of Keycorp shares represents a low level of liquidity, as the monthly trading volume during the past 12 months has been in the range of 0.2% to 2.4% of Keycorp's issued shares.

3.11. Share Options

Options currently on issue are detailed in the table below:

Grant date		Expiry date of option	Number of options	Exercise price (\$)
15-January-2006	Tranche 1	15-January-2011	109,999	1.48
15-January-2006	Tranche 2	15-January-2011	109,999	1.48
15-January-2006	Tranche 3	15-January-2011	110,002	1.48
26-October-2006	Tranche 1	26-October-2011	183,332	0.80
26-October-2006	Tranche 2	26-October-2011	183,334	0.80
26-October-2006	Tranche 3	26-October-2011	183,334	0.80
01-April-2009	Tranche 1	01-April-2014	333,333	0.23
01-April-2009	Tranche 2	01-April-2014	333,333	0.23
01-April-2009	Tranche 3	01-April-2014	333,334	0.23

Source: Keycorp Limited Appendix 4E Preliminary Financial Report for the year ended 30 June 2010

3.12. Growth opportunities

Short to medium term growth opportunities for Keycorp are limited within its current service offering as its customer base is largely limited to the major Australian banks.

Keycorp is seeking to grow its business organically and via acquisition in the following areas:

- Retail - Keycorp is seeking to gain traction in the retail space with a service and maintenance offering for their POS systems (registers and EFTPOS). These are often serviced by internal IT teams, thus the ability to penetrate this market is uncertain.
- Banks – there are opportunities to win service contracts with key banks in Australia which are not currently clients, however these opportunities are limited in nature
- Payment gateways – Keycorp has plans to provide the infrastructure and support for merchants to transact with customers online. However, Keycorp would need to enter this market through an acquisition, as Keycorp does not have the capability to provide this from within its current business.
- Complementary services –Keycorp could leverage its merchant services capabilities by acquiring businesses outside the payments sector.



Accordingly, in the absence of further business acquisitions, the growth opportunities for Keycorp are considered to be limited. There are risks associated with any acquisition strategy and historically Keycorp has had mixed success with the acquisitions that it has undertaken.

4. Valuation Methodologies

4.1. Common Valuation Methodologies

The basic premise of value for the purpose of this section is underpinned by the concept of fair market value. The term ‘fair market value’ is defined as ‘the price expressed in terms of cash equivalents, at which property would change hands between a hypothetical willing and able buyer and a hypothetical willing and able seller, acting at arm’s length in an open and unrestricted market, when neither is under compulsion to buy or sell and when both have reasonable knowledge of the relevant facts’¹.

4.2. Valuation Methodologies

RG 111 outlines the appropriate methodologies that a valuer should consider when valuing assets or securities for the purposes of, amongst other things, share buy-backs, selective capital reductions, schemes of arrangement, takeovers and prospectuses. These methods are listed below and broadly categorised as:

- Market based approach
 - the capitalisation of earnings method;
 - the quoted price of listed securities; and
 - the amount a potential acquirer may be prepared to pay for the business.
- Income based approach - the discounted cash flow (“DCF”) method; and
- Asset based approach - orderly realisation of assets.

Each of these methodologies has application in different circumstances. The decision as to which methodology to use generally depends on the methodology most commonly adopted in valuing the asset in question and the availability of appropriate information.

4.2.1 Market-based approach

Market-based methods estimate a company’s fair market value by considering the market price of transactions involving guideline companies, or the market value of guideline publicly traded companies. Market-based methods involve the capitalisation of maintainable earnings by a multiple that reflects the risks associated with those earnings.

Methodologies using capitalisation multiples of earnings or cash flows are commonly applied when valuing businesses where a future “maintainable” earnings stream can be established with a degree of confidence. Generally, this applies in circumstances where the business is relatively mature, has a

¹ International Glossary of Business Valuation Terms 2001



proven track record, expectations of future profitability, and has relatively steady growth prospects. Such a methodology is generally not applicable where a business is in a start-up phase, has a finite life or is likely to experience a significant change in growth prospects and risks in the future.

Capitalisation multiples can be applied to either estimates of future maintainable EBITDA, EBIT or NPAT. The appropriate multiple to be applied to such earnings is usually derived from stock market trading multiples of shares in companies that are considered to be comparable and from precedent transactions within the industry. The multiples derived from these sources need to be reviewed in the context of the differing profiles and growth prospects between the company being valued and those considered comparable. When valuing controlling interests in a business, an adjustment is also required to incorporate a premium for control. The earnings from any non-trading or surplus assets are excluded from the estimate of the maintainable earnings and the value of such assets is separately added to the value of the business in order to derive the total value of the company.

4.2.2 Income Approach: DCF method

Under the DCF methodology, the value of an asset is calculated as the net present value of the estimated future cash flows including a terminal value, if appropriate. In order to arrive at the net present value, cash flows are discounted using a discount rate, which reflects the risks associated with the cash flow stream.

This approach is commonly used to value mining companies or where an asset has a finite life and the future cash flows can be forecast with a reasonable degree of confidence. Additionally, this methodology is adopted for the valuation of projects and assets where it is not possible to estimate “maintainable” earnings as the business is in a state of transformation, start-up or rapid growth.

4.2.3 Asset-Based approach

An asset-based methodology is applicable in circumstances where neither a capitalisation of earnings nor a DCF methodology is appropriate. It is commonly used in circumstances where the earnings of the company do not support the net asset base, for example property holding companies or companies holding shares in other companies. It can also be applied where a business is no longer a going concern or where an orderly realisation of assets and distribution of the proceeds is proposed. Using this methodology, the value of the net assets of the company would be adjusted for the time, cost and taxation consequences of realising the company’s assets.

4.3. Selection of methodology

We have selected the capitalisation of future maintainable earnings method to value Keycorp because Keycorp is a mature business that is expected to generate reasonably stable earnings from core operations over the next few years.

4.4. Valuation cross check

Keycorp is a listed Australian company and is quoted on the ASX. We have utilised the market value of listed securities approach to cross check our values under the future maintainable earnings method.

5. Valuation of Shares

5.1. Introduction

We have valued Keycorp using the capitalisation of future maintainable earnings method. We have then added back the surplus assets and deducted any debt to determine our valuation of the Company.

Our valuation is set out below.

5.2. The Capitalisation of Future Maintainable Earnings Method

The capitalisation of future maintainable earnings method estimates fair market value of the business by capitalising future maintainable earnings using an appropriate multiple. To value the Keycorp businesses using the capitalisation of future maintainable earnings requires the determination of the following:

- An estimate of earnings; and
- An appropriate earnings multiple.

5.3. Valuation of Keycorp

5.3.1 Estimate of Earnings

We do not consider Keycorp's FY10 historical earnings to be a suitable basis to estimate maintainable earnings. This is due to the loss of the Westpac contract, which accounted for approximately one-third of annual revenue in FY10, and to the EMV upgrade activity which is not expected to continue in FY11.

We consider the Company's forecast earnings guidance for FY11 to be a suitable estimate for maintainable earnings as it:

- Reflects the reduced size of the business, as a result of the loss of the Westpac contract;
- Is reflective of the shift in business towards a services model; and
- Removes the distorting effect of higher product sales associated with EMV technology in the first half of FY10A, which will not be repeated in FY11.

As mentioned in Section 3.6 of this report, Keycorp announced to the market on 27 August 2010 that it expects its EBIT for the FY11 to be in the range of \$4.3 million to \$5.0 million. This equates to an EBITDA in the range of \$4.98 million to \$5.68 million for FY11.

The high end EBITDA forecast of \$5.68 million is only expected to be achieved if Keycorp is successful with tenders that it has submitted in respect to several large scale opportunities. Due to

the size of the market and small number of potential customers, should these tenders not be successful, this potential revenue will be difficult to replace with other opportunities.

5.3.2 Earnings Multiple

In selecting an appropriate earnings multiple, we have considered:

- Transaction multiples of recent comparable company acquisitions that have occurred in the relevant industry; and
- Current trading multiples of comparable publicly listed companies.

Comparable Transactions - Earnings based transaction multiples

The transaction multiples of comparable companies provide guidance as to the price that potential acquirers might be willing to pay for a controlling interest in a company. A brief description of the selected transactions is included in Appendix 3 to this report.

Our observations of controlling multiples paid in comparable transactions in Australia are listed in the table below:

Announcement Date	Completion Date	Target Company	Bidder Company	Enterprise Value AUD(m)	Revenue AUD(m)	EBITDA AUD(m)	EBITDA Multiple (historic)	EBITDA Multiple (forecast)	Control Premia % ²	
29-Oct-09	19-Jan-10	KLM Group Ltd	Programmed Maintenance Services Ltd	28.1	161.3	3.2 *	8.7 *		40.0%	
29-Oct-08	19-Dec-08	Ingena Group Ltd	UXC Ltd	19.1	14.4	3.4 *	5.7 *		-11.4%	
05-Feb-08	05-Mar-08	Getronics Australia Pty Ltd ¹	UXC Ltd	23.0	126.0	n/a	n/a	3.5		
08-Feb-07	08-Feb-07	ACG Group Pty Ltd	Hypercom Corporation	16.0	23.1	n/a	n/a			
23-Dec-05	11-May-06	Volante Group Ltd	Commander Communication Ltd	137.3	443.0	31.1	4.4		13.5%	
							Mean:	6.3 *	3.5	14.0%
							Median:	5.7 *	3.5	13.5%

*Refer to comments below.

1. There was no historical multiple disclosed however UXC Executive Chairman stated the prospective earnings multiple is in their target range of 3.0 to 4.0 times EBITDA.

2. Control premium % is based on share price 4 weeks prior to announcement date, or prior to rumour date if this is greater than 4 weeks prior to announcement. KLM premium based on VWAP for 30 days to 28 October 2009 because it is a thinly traded stock.

* We are of the opinion that the multiples recorded for the acquisitions of KLM Group Limited (“KLM”) and Ingena Group Limited (“Ingena”), and thus the overall averages, are overstated in the above table due to the target company EBITDA levels being significantly lower than their normalised EBITDA levels at the date of the transactions.

A brief description of the comparable transactions is included in Appendix 3 to this report.

We make the following observations regarding the multiples achieved in the comparable transactions above:

- KLM’s EBITDA of \$3.2 million for FY09 is abnormally low as it was adversely affected by \$2.6 million in EBITDA losses incurred in the first half of FY09 due to losses on bad contracts in Victoria and Queensland and disruption costs associated with a new IT system. If these losses



were normalised, we estimate the implied historical EBITDA multiple for this transaction to be in the region of 4.0 to 5.0 times.

- We estimate that the multiple paid for the Ingena may be less than 4.0 times forecast EBITDA. Ingena had made two acquisitions in the second half of FY08, thus the FY08 EBITDA of \$3.4 million does not reflect a full years contribution from these acquisitions. We note that at the time of the transaction Ingena was forecasting revenue and NPAT in FY09 to more than double over FY08 and triple over FY08 figures in FY10. The forecast FY09 EBITDA figures are not available in the public domain, however if we assumed this translated to double the level of EBITDA in FY08, this would imply a forecast EBITDA multiple for this transaction in the range of 3.0 times.

Whilst Ingena was smaller than Keycorp, it is more diversified with management consulting, software and systems integration and technical services. Ingena also enjoyed stronger EBITDA margins.

- We note that UXC Limited (“UXC”) acquired Getronics Australia Pty Ltd (“Getronics”) at between 3.0 to 4.0 times its forecast EBITDA for the second year following the acquisition. Getronics was larger than Keycorp, and only one third of their business was similar in nature to Keycorp. The price paid by UXC was reflective of Getronics historically low margins, the need to address its cost base and the need to invest in supporting infrastructure. Getronics did, however, have a blue chip customer base.
- We note that Hypercom Corporation (“Hypercom”) acquired ACG Group Pty Ltd (“ACG”) for \$16.0 million. We consider the ACG transaction to be the most comparable amongst the set since it was a competitor to Keycorp in the EFTPOS support services space. At the time of the transaction, it had similar operations and like Keycorp the business was headquartered in Melbourne, with its sales and development team in Sydney. The financial performance of ACG is not available in the public domain, however we understand that ACG contributed annual sales revenue of A\$23.1 million to Hypercom in the first year of its acquisition. Thus Hypercom paid \$16.0 million for ACG which generated \$23.1 million revenue.
- Volante Group Limited (“Volante”) is significantly larger than Keycorp. At the time of the acquisition, Volante had won several new services contracts which would have a material impact on its earnings in the following year, and was making progress towards reducing costs and growing its services business.

Comparable Companies - Earnings based trading multiples

We have undertaken a search of comparable companies in Australia and New Zealand. Whilst none of the companies are directly comparable, the trading multiples of comparable listed companies operating in the payments and IT service industries supply industry provides guidance as to an appropriate earnings multiple to be used for valuing Keycorp.

A brief description of the comparable companies selected is included in Appendix 3 to this report.

These trading multiples are based on listed market price, which represents their value on a minority marketable interest.

Company Name	Fiscal Year End	Currency	Current Market Cap (\$'m)	Current EV (\$'m)	Forecast - less than 1 year		
					Revenue (\$'m)	EBITDA (\$'m)	EV/EBITDA (times)
Integrated Research Ltd	06/2010	AUD	56	47	41	15	3.2 *
Hansen Technologies Ltd	06/2010	AUD	114	96	58	17	5.5 *
UXC Ltd	06/2010	AUD	160	237	720	50	4.7
ASG Group Ltd	06/2010	AUD	204	210	174	31	6.8
SmartPay Ltd	03/2010	NZD	26	39	n/a	9	4.6 *
						Mean:	5.0
						Median:	4.7
						* Mean:	4.4

We make the following comments in relation to the comparable companies and the multiples identified above:

- Whilst none of the above companies are directly comparable to Keycorp, Integrated Research Limited (“Integrated”), Hansen Technologies Limited (“Hansen”) and SmartPay Ltd (“SmartPay”) are considered to be the most comparable to Keycorp. We have assessed this having regard to their size, geographic locations, nature of business activities and client base. We note that these three companies are trading on an average of 4.4 times FY11 forecast EBITDA.
- Integrated is expecting the payments segment to be a growth area for its business with the company investing in Research and Development (“R&D”), marketing and sales in FY10 to exploit this opportunity. EBITDA is forecast to grow by 20% in FY11, and 8% in FY12. By contrast Keycorp is forecasting an EBITDA decline. However, it should be noted that Integrated shares are relatively illiquid with approximately 57% of its share capital being owned by one individual.
- Hansen achieved a 20% growth in its EBITDA in FY10 as a result of winning a number of major new projects. Hansen also owns technology which is expected to leave it well positioned to capitalise on market opportunities expected as a result of legislative changes with respect to “smart-metering”, which reportedly will require the majority of energy utility companies to upgrade or change billing systems.

Hansen is also significantly larger than Keycorp with EBITDA of \$17 million forecast for FY11, compared with Keycorp’s forecast EBITDA of between \$4.98 million and \$5.68 million. Hansen also achieved higher EBITDA margins of close to 30%, whereas Keycorp’s EBITDA margins are less than 20%.

- SmartPay Limited is New Zealand’s leading merchant services provider, and its recent acquisition of ProvencoCadmus’ payments division gave it traction in the Australian market with a significant customer base. We consider SmartPay to be the closest comparator to Keycorp amongst the set as since the last financial year SmartPay turned around its EBITDA from a loss to a profit (like Keycorp in FY09). SmartPay’s market guidance for the FY11 financial year is EBITDA of between NZ\$7M and NZ\$10M (which is slightly higher than Keycorp). We note that SmartPay



has grown via acquisition and in FY10 alone acquired three businesses, grew its transaction processing capability and won or renewed contracts with many major nationwide retailers.

We also note that SmartPay have provided a wide range for its forecasts, being forecast EBITDA of between NZ\$7.0M and NZ\$10M. At the low end of its EBITDA forecasts it is trading on multiple of 5.5 times FY11 EBITDA and at the high end its implied EBITDA multiple is 3.9 times. The multiple of 4.6 times included in the table above represents the mid range of its EBITDA forecasts.

- We consider UXC Limited (“UXC”) to be too large and diversified to be reasonably comparable to Keycorp. Only a very small division within UXC could be considered somewhat comparable to Keycorp, however it contributes less than 10% of total EBITDA.
- ASG Group Limited (“ASG”) is the least comparable amongst the companies identified based on its size and business activities. ASG is an independent provider of IT solutions (applications and infrastructure management outsourcing, IT infrastructure implementation, business intelligence, business and IT consulting) for commercial and government enterprises. ASG integrated three acquisitions in FY10, and has secured more than \$220 million in new contracts for FY11. ASG has provided guidance of at least a 40% revenue increase in FY11.
- The multiples represent trading in minority parcels and therefore exclude any premium for control.

5.3.3 Selection of an Appropriate Multiple

Based on our analysis of comparable companies we consider a suitable multiple for Keycorp, on a controlling interest basis to be in the range of 4.5 times to 5.0 times forecast EBITDA:

This multiple has been assessed having regard to the following:

- The comparable transactions identified occurred at expected forecast multiples of between 3.0 times and 5.0 times.
- The listed companies that are considered most comparable to Keycorp are trading at an average multiple of 4.4 times EBITDA. However, these comparable companies were all forecasting strong growth, whereas Keycorp forecasts its EBITDA to decline as a result of the loss of its major customer. Nonetheless, it should be noted that this average EBITDA trading multiple of 4.4 times reflects trading in minority interests and therefore excludes any premium for control.
- The significant reliance that Keycorp still has on a small number of customers.
- The limited growth opportunities for Keycorp in its existing market segments. To grow organically, Keycorp will need to expand its project offerings and its customer base.

There are significant risks attached to Keycorp being able to achieve its high end forecast earnings range because the high end of the earnings range assumes that Keycorp will be successful in recent tenders it has submitted for a couple of larger opportunities. Therefore, there is a high degree of uncertainty attached to the higher earnings forecast.

Keycorp's low end earnings estimates for FY11 still include some expected earnings contribution from Westpac. Therefore, Keycorp will need to win new projects or contracts in order to be able to maintain its profitability, even at the low end of the expected FY11 level in FY12 and beyond.

We consider it appropriate to apply our lower EBITDA multiple at 4.5 times to Keycorp's high end earnings estimates for FY11 to reflect the additional risks attached to the business achieving and maintaining earnings at this level. Our higher multiple of 5.0 times EBITDA has been applied to Keycorp's lower forecast EBITDA earnings estimates, to reflect the relatively lower risk associated with the business being able to sustain revenues at this level.

5.3.4 Enterprise Value

The enterprise value of Keycorp derived from the capitalisation of future maintainable earnings method is between \$24.9 million and \$25.6 million as summarised in the table below:

Keycorp		\$'000	\$'000
		Low value	High value
Estimate of earnings - EBITDA	(A\$'000)	4,980	5,680
Earnings multiple	Times	5.0	4.5
Enterprise Value	(A\$'000)	24,900	25,560

5.4. Equity valuation

To arrive at the equity valuation of Keycorp, it is necessary to add the amount of available cash or deduct net debt from the enterprise value.

Keycorp has approximately \$28.4 million of cash on hand at 31 August 2010 being the date of Keycorp's most recent management accounts at the date of this report. However, a reasonably high proportion of this cash is committed to pay a number of items, which are considered to be outside the normal operations of Keycorp.

Therefore, in assessing the current net debt position of Keycorp, we have adjusted for these abnormal commitments. We have also adjusted for other items that are expected to have a material impact on the available cash balance of Keycorp at the date of our report.

We have assessed Keycorp's available net cash to be \$19.169 million as calculated in the table below.

Surplus cash		\$'000
Bank balance at 31 August 2010		28,431
Interest bearing liabilities - current & non-current		(2,514)
Income tax liability	A	(1,740)
Abnormal provisions required to be paid out	B	(3,385)
Dividend declared for 30 June 2010 - payment date 24 September 2010	C	(1,623)
Total surplus cash		19,169

The adjustments that we have made in determining the net debt position are explained below.

- A. As discussed in Section 3 of this report Keycorp's income tax liability at 30 June 2010 is abnormally high as the Company has delayed paying its tax on the basis that it may be able to utilise past tax losses. We consider a normal income tax liability as at 30 June 2010 would just be the liability for the latest quarter ended 30 June 2010.
- B. Keycorp has approximately \$3.38 million in other abnormal cost commitments at the date of this report. These abnormal commitments relate to items such as:
- Employee termination benefits required following the loss of the Westpac contract;
 - Final payments required to be made to Westpac as part of an asset reconciliation process as a result of the terminated agreement;
 - Additional working capital adjustments that will be required to achieve the forecast earnings for FY11;
 - Legal claims that are expected to be settled in the short term; and
 - Other claims which are not directly connected to the ongoing operations of the Company.
- C. Keycorp declared a final dividend for 30 June 2010 of 2.0 cents per share. Accordingly the amount of \$1.63 million will be required to be paid from cash.

5.4.3 Tax Losses

Recent tax legislation, which received royal assent on 3 June 2010, has amended rules applying to capital losses incurred by the Company. The Company is working through the legislation with its tax advisors to determine whether these losses are available for its use. Subject to further analysis, should such losses be determined to be available to Keycorp, the maximum amount available is currently capped at approximately \$12.86 million as capital losses which may only be offset against capital gains. Deferred tax assets have not been recognised in respect of these potential tax capital losses as the Company is not satisfied that it is probable that such losses meet the legislative requirements necessary for the losses to be available for use by the Company.

There is still significant uncertainty as to if and when Keycorp will be able to utilise these capital tax losses. We do not consider that there is sufficient certainty in relation to Keycorp's ability to use these capital tax losses to attribute any value to the capital tax losses in our valuation of Keycorp.

5.4.4 Value of the Shares

The assessed value of the Shares has been determined to be between \$0.54 and \$0.55 per share as calculated in the table below:

Keycorp		\$'000	\$'000
		Low value	High value
Enterprise Value	(A\$'000)	24,900	25,560
Plus: Surplus cash		19,169	19,169
Equity Value		44,069	44,729
Number of Shares ('000)		81,128	81,128
Assessed value per share		0.54	0.55

5.5. Comparison of the assessed value to the current trading price

We have cross checked our valuation of Keycorp to the recent market prices of Keycorp. We note that the VWAP for the month to 7 September 2010, which was the day before the Proposed Scheme was announced, was \$0.51 per share. The closing price on 7 September 2010 was also \$0.51 per share.

Our assessed value of Keycorp of between \$0.54 and \$0.55 cents per share is higher than the trading price of Keycorp's shares before the Proposed Scheme was announced. The listed share price represents the share price on a minority interest basis, however we have valued Keycorp on a controlling interest basis, including a premium for control.

A premium for control is applicable when the acquisition of control of a company or business would give rise to benefits such as the ability to realise synergistic benefits, access to cash flows, and control of the board of directors and dividends of the company.

Levels of control premium paid vary from business to business. In some situations, the premium may be greater than others due to synergies or other benefits the acquirer expects to realise.

Evidence from studies indicates that premiums on successful takeovers have frequently been in the range of 20% to 40%, and that premiums vary from transaction to transaction. Not all acquisitions are completed at a premium, and some transactions are undertaken at negative control premiums, as evidenced in the acquisition of Ingena (as shown in the table at page 23 of this report).



The offer from Archer represents a 13% premium over the VWAP for the month to 7 September 2010, and an 18% premium over the VWAP for the six months to 7 September 2010, which we consider to be reasonable for Keycorp, as we consider a control premium for Keycorp would be lower than average because of the following factors:

- The Company’s history of volatile earnings;
- The small size of the business (particularly after the loss of Westpac as a customer);
- The limited organic growth opportunities;
- The significant key customer reliance; and
- The Keycorp business comprising less than 60% of the total equity value. That is, no control premium would be payable on the surplus cash component of the equity value.

6. Our Assessment of the Proposed Scheme

6.1 Background to the Proposed Transaction

The Directors of Keycorp hold the view that the best growth opportunities for the Company will be through strategic acquisitions of other companies that will enable Keycorp to expand its product offerings and customer base. The Company will need to raise additional equity and debt capital to fund their planned acquisition strategy.

Keycorp's small market capitalisation and the low level of liquidity in its shares had made additional equity capital difficult to source, particularly in the current market environment. Over the past year, Keycorp sounded interest among institutional investors to help fund its growth strategy however this was unsuccessful.

Over the last 18 months the Directors have received a number of unsolicited expressions of interest to acquire the Company. However, the Directors formed the view that these expressions of interests undervalued the Company and were not worth pursuing.

Accordingly, over the last few months, the Directors, with assistance from advisers, have co-ordinated a competitive process to seek proposals from potential acquirers. The offer from Archer for the Company's shares is the most attractive of the proposals received.

6.2 Approach

In forming our opinion on the Proposed Scheme we have:

- Compared the Scheme Consideration pursuant to the Proposed Scheme to our assessed value of a Keycorp Share, including a premium for control; and
- Considered the other potential advantages and disadvantages of the Proposed Scheme to the Keycorp Shareholders.

6.3 Our Assessed Value of the Keycorp Shares

In our opinion, the value of Keycorp Shares on a controlling interest basis is assessed to be between \$0.54 and \$0.55 per share.

The Scheme Consideration of \$0.58 per share is higher than our assessed value of a Keycorp Share, including a premium for control, and therefore in our opinion the Scheme Consideration is fair to the Keycorp Shareholders.

Our assessment of the value of Keycorp's shares is for a controlling interest, which incorporates a premium for 100 percent control.

6.4 Reasonableness of the Proposed Scheme

As the Proposed Scheme is fair to the Keycorp Shareholders, it is also considered to be reasonable. Nonetheless, we have summarised some of the relevant likely advantages and disadvantages of the Proposed Scheme to the Keycorp Shareholders.



6.5 Summary

We have assessed the key advantages and disadvantages of the Proposed Scheme to the Keycorp Shareholders to be as follows:

6.6 Advantages

- The Scheme Consideration is fair.
- The Scheme Consideration is at a premium to the one month VWAP of \$0.51 per share prior to the initial announcement of the Proposed Scheme on 9 September 2010.
- The Proposed Scheme offers Keycorp's shareholders value certainty, in the form of a guaranteed cash consideration.

6.7 Disadvantages

The Directors have a plan to grow Keycorp through acquisition and have identified a number of businesses that could be acquired. If this strategy is able to be successfully executed, then it is possible that the value of Keycorp's shares may increase above the Scheme Consideration. Therefore, by participating in the Scheme, existing Keycorp shareholders are not being provided with an opportunity to participate in the upside that may result if the growth strategy is successfully implemented.

However, the growth strategy is not without risk. Keycorp would try to achieve growth in value via acquisitions, however funding this growth, and successfully generating returns may be difficult.

6.8 If the Proposed Scheme is not Approved

In the event that the Proposed Scheme is not approved, it is the intention of the Directors that Keycorp will continue to be listed on the ASX. The business expects to continue to operate its core business activities, and pursue a growth strategy through acquisitions.

In this situation:

- Keycorp will have incurred costs, estimated at \$450,000, in relation to the Proposed Scheme;
- Keycorp will continue to be exposed to the risks the business currently faces in relation to the small market size it operates in and risks with respect to successfully implementing its growth strategy, in particular the risks around executing and integrating new businesses acquisitions;
- It is possible that in the near term the value of the shares may fall below the value of the Scheme Consideration. Following the announcement of the Proposed Scheme Keycorp shares have traded in the range of \$0.57. This range compares to the one month and three month VWAP of \$0.51, and six month VWAP of \$0.49, prior to the announcement date;
- There may be risk of dilution and impact on future dividend payments as future acquisitions will require debt and/or equity raising; and
- Future dividend payments may be limited if Keycorp pursues its growth strategy via acquisition, as the Company would be likely to retain and use its cash to fund its acquisition growth strategy.



6.9 Conclusion

In our opinion, having assessed the advantages and disadvantages of the Proposed Scheme to Keycorp's Shareholders, we consider the Proposed Scheme to be in the best interests of Keycorp Shareholders, in the absence of a superior proposal.



6. Qualifications, Declarations and Consents

7.1 Disclosure of Communications

Neither the firm nor any member of the firm has had any shareholding in or is associated with Keycorp. Grant Thornton is entitled to a fee for its professional services in preparing this report. The fee for this report will be charged on a “time cost” basis in accordance with our standard schedule of hourly rates and disbursement charges.

An advance draft of this report was provided to Keycorp. As a result, certain changes were made to factual statements in the report. However, there were no alterations to the methodology, valuations or conclusions.

7.2 Qualifications and Declarations

Grant Thornton is licensed under the Corporations Act as an investment adviser and licensed dealer in securities.

Our opinions are based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.

Our report is also based upon financial and other information provided by Keycorp and other publicly available information. We have considered and relied upon this information and believe that the information provided is reliable, complete and not misleading and we have no reason to believe that material facts have been withheld. The information provided was evaluated through analysis, enquiry and review for the purpose of forming an opinion on the Proposed Scheme from the perspective of existing shareholders in Keycorp. However, in assignments such as this, time is limited and we do not warrant that our enquiries have identified or verified all the matters which an audit, extensive examination or ‘due diligence’ investigation might disclose. None of these additional tasks have been undertaken.

An important part of the information based in forming an opinion of the kind expressed in this report is the opinions and judgment of management. This type of information has also been evaluated through analysis, enquiry and review to the extent practical. However, it must be recognised that such information is not always capable of external verification or validation.

We in no way guarantee the achievability of the forecasts or of future profits. Forecast projections are by their nature inherently uncertain. They are predictions by management of future events that cannot be assured and are based on assumptions of future events, many of which are beyond the control of management. Actual results may vary significantly from the forecasts and future profit projections.

We have assumed that the forecasts have been prepared fairly and honestly based on the information available to management at the time and within the practical constraints and limitations



of such forecasts. We have assumed that the forecasts do not reflect any material bias, either positive or negative. We have no reason to believe that these assumptions are inappropriate.

7.3 Indemnity

Keycorp has agreed to indemnify Grant Thornton in relation to any claim arising from or in connection with its reliance on information or documentation provided by or on behalf of Keycorp which is false or misleading or omits material particulars or arising from any failure to supply relevant documents or information.

Appendix 1 - Sources of Information

In preparing this IER, we have had access to the following principal sources of information:

- Keycorp Ltd company announcements;
- Keycorp Limited annual report for 2005, 2006, 2007, 2008 and 2009;
- Appendix 4E (listing Rule 4.3A) Preliminary Financial Report) For the year ended 30 June 2010
- Keycorp Limited management accounts for FY07, FY08, FY09 and FY10;
- Management discussions;
- Australian Bureau of Statistics;
- Industry websites;
- Yahoo Finance;
- Bloomberg LLP; and
- www.mergermarket.com



Appendix 2 – Abbreviations Used

AASB	Australian Accounting Standards Board
AFSL	Australian Financial Services License
Keycorp	Keycorp Limited
ASX	Australian Stock Exchange
Company	Keycorp Limited
DCF	Discounted Cash Flow
EBIT	Earnings Before Interest and Tax
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
EPS	Earnings Per Share
FSG	Financial Services Guide
FY06A	Actual results for 1 July 2005 to 30 June 2006
FY07A	Actual results for 1 July 2006 to 30 June 2007
FY08A	Actual results for 1 July 2007 to 30 June 2008
FY09A	Actual results for 1 July 2008 to 30 June 2009
FY10A	Actual results for 1 July 2009 to 30 June 2010
FY11 or FY11F	Forecast results for 1 July 2010 to 30 June 2011
Grant Thornton	Grant Thornton Corporate Finance Pty Ltd
IER	Independent Expert Report
K	Thousands
M	Millions
NZ	New Zealand
Proposed Scheme	Scheme Implementation Agreement
UK	United Kingdom
VWAP	Volume weighted average price

Appendix 3 – Comparable Transactions and Companies Descriptions

A brief description of the comparable transactions outlined in Section 5 of this report is as follows:

Comparable Transactions

KLM Group Ltd

KLM Group Ltd is an Australian based company engaged in the design, supply and installation of electrical data, audio visual and communications cabling.

Ingena Group Limited

Ingena Group Ltd ("Ingena") provides a range of professional IT services to large Australian enterprises and government. Ingena has built a blue chip client base, including long term relationships with leading public and private sector organisations in Victoria and Canberra. In June 2008, the company secured membership of the Victorian Government eServices Panel, enabling Ingena to provide services to State of Victoria on a project basis. Other clients include Telstra, ANZ and Medicare Australia.

Getronics Australia Pty Ltd

Getronics Australia Pty Ltd ("Getronics") was established in 1972 as Wang Australia, before being purchased in 1999 by Getronics NV, which was acquired in 2007 by KPN NV. Getronics is an Australian provider of workspace management, communication and professional information and communication technology services ("ICT"). The business has two divisions including communications and professional services and managed services. The company has multi year service agreements with high profile, blue chip customers such as RTA, Queensland Health, Optus, Medibank, Tabcorp, the Department of Defence and Energy Australia.

ACG Group Pty Ltd

ACG Group Pty Ltd was an Australian based provider of installation and technical support for point of sale equipment.

Volante Group Ltd

Volante Group Ltd is an Australian listed provider of computer products and computer technology related services. Volante has three business divisions including:

- Professional services: provides ICT infrastructure design and management, software applications integration and development, strategic consulting;
- Managed services: provides a full range of ICT infrastructure and application outsourcing services; and



- Product solutions: which supplies and assembles ICT software, software licences and technical support services.

Comparable Companies

Integrated Research Limited

Integrated Research Limited develops, sells and supports system and application management software products. The Group's software is used by customers for a variety of services, including storage management, data collection, performance tracking and event automation

Hansen Technologies Limited

Hansen Technologies Limited develops, supports and integrates billing systems software for the telecommunications and utilities sectors in Australia. The Company also provides IT outsourcing services such as facilities management and develops software and services for workforce management.

UXC Limited

UXC Limited provides asset and data management for utilities such as electricity distribution, mobile telephony and industrial design. The Company also provides business solutions such as IT security, data storage, consulting implementation, integration and infrastructure services.

ASG Group Limited

ASG Group Limited is an information technology company involved in the outsourcing of computer infrastructure, application development, technical support and systems integration services.

SmartPay Limited

SmartPay Limited is a developer and distributor of electronic prepay solutions including network distribution for mobile phones, international calling cards, internet services, gift cards and a range of other products. SmartPay is New Zealand's leading merchant services provider, and the acquisition of ProvencoCadmus' payments division gave it traction in the Australian market with a significant customer base.



ANNEXURE C – SCHEME IMPLEMENTATION AGREEMENT

CONFORMED COPY

Scheme implementation agreement

Keycorp Limited

Target

Archer Capital VCLP GF 1, LP

Archer

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Scheme implementation agreement

Dated 8 September 2010

Parties

Keycorp Limited ABN 61 002 519 986 of 40-42 Montefiore Street, Fairfield, VIC 3078 (**Target**)

Archer Capital VCLP GF1, LP of Suite 7, Pier 2/3, 13 Hickson Road, Dawes Point NSW 2000 (**Archer**)

Background

- A The Bidder proposes to acquire all of the Scheme Shares for a cash consideration of A\$0.58 per Scheme Share pursuant to a scheme of arrangement under section 411 of the Corporations Act between the Target and the holders of Target Shares.
- B The Target has agreed to propose the Scheme and issue the Explanatory Memorandum at the request of Archer, and the Target and Archer have agreed to implement the Scheme on the terms and conditions of this Agreement.
- C The Bidder will be a wholly-owned subsidiary of Archer.

Operative Provisions

1 Definitions and interpretation

1.1 Definitions

In this Agreement:

AIFRS means Australian equivalents to International Financial Reporting Standards.

Announced Dividends means the final dividend of \$0.02 per Target Share announced by the Target on 27 August 2010.

Announcement means the agreed joint announcement by Archer and the Target in the form attached in Annexure C.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited ACN 008 624 691 and where the context requires, the market operated by ASX Limited.

Bidder means a wholly owned subsidiary of Archer to be incorporated after the date of this Agreement.

Archer Information means all information regarding the Bidder and Archer and its Related Entities that is required by the Corporations Act and the Regulatory Guides to be included in the Explanatory Memorandum including all the information that would be required under sections 636(1)(c), (f), (h), (i), (k)(ii), (l) and (m) of the Corporations Act to be included in a bidder's statement if Archer were offering the Scheme Consideration as consideration under a takeover bid.

Archer Warranties means the warranties made by Archer set out in clause 8.1.

Break Fee means the fee of \$400,000 payable (if any) pursuant to clause 9.5.

Business Day means a day that is not a Saturday, Sunday or public holiday and on which banks are open for business generally in Victoria, Australia.

Competing Proposal means a proposed transaction or arrangement which would, if entered into or completed substantially in accordance with its terms, be inconsistent with the Transaction, or pursuant to which a person other than Archer or any of its Related Entities would:

- (a) directly or indirectly acquire, have a right to acquire or otherwise acquire an economic interest in, all or a substantial part of the business of the Target Group;
- (b) acquire a Relevant Interest in more than 20% of Target Shares or otherwise acquire control of the Target or the Target Group within the meaning of section 50AA of the Corporations Act; or
- (c) otherwise acquire or merge with the Target whether by way of takeover offer, scheme of arrangement, shareholder approved acquisition, capital reduction, share buy back, sale or purchase of assets, joint venture, reverse takeover, dual-listed company structure or other synthetic merger or any other transaction or arrangement.

Condition means each condition specified in clause 3.1.

Confidentiality Agreement means the confidentiality agreement between the Target and Archer dated 28 June 2010.

Corporations Act means the Corporations Act 2001 (Cth).

Court means the Supreme Court of Victoria or such other court of competent jurisdiction as the Target and Archer agree in writing.

Deed Poll means a deed poll to be executed by the Bidder and Archer in favour of the Target Shareholders, substantially in the form set out in Annexure B or in such other form as the Target and Archer agree in writing.

Due Diligence Materials means the written information (including any responses to questions raised by Archer) and documents provided to Archer by the Target to allow Archer to undertake due diligence in respect of the Target Group in accordance with the provisions of the Exclusivity Deed, an index of which has been initialled by the parties, and any other written information (including any responses to questions raised by Archer) and documents provided to Archer by the Target under clause 10.

Effective means, when used in relation to the Scheme, the coming into effect, pursuant to section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) of the Corporations Act in relation to the Scheme.

Effective Date means the date on which the Scheme becomes Effective.

End Date means 31 January 2011 or such other date agreed in writing between the Target and Archer.

Excluded Shareholders means Bidder and its Related Entities (if they hold Target Shares) and any person who holds Target Shares on behalf of, or for the benefit of, Bidder or any of its Related Entities.

Exclusivity Deed means the deed dated 11 August 2010 under which the Target has granted certain exclusive due diligence rights to Archer.

Exclusivity Period means the period between the date of this Agreement and the earlier of (a) the date of termination of this Agreement and (b) the End Date (or any other date as agreed in writing by Archer and the Target).

Explanatory Memorandum means the explanatory memorandum to be prepared by the Target in respect of the Scheme in accordance with the terms of this Agreement and to be dispatched to the Target Shareholders.

First Court Date means the first day of hearing of an application made to the Court for an order pursuant to section 411(1) of the Corporations Act convening the Scheme Meeting or, if the hearing of such application is adjourned for any reason, means the first day of the adjourned hearing.

Implementation Date means the date which is 3 Business Days after the Record Date or such other date as the Target and Archer agree in writing.

Indemnified Losses means, in relation to any fact, matter or circumstance, all losses, costs, damages, expenses and other liabilities arising out of or in connection with that fact, matter or circumstance including all legal and other professional expenses on a solicitor-client basis incurred in connection with investigating, disputing, defending or settling any claim, action, demand or proceeding relating to that fact, matter or circumstance (including any claim, action, demand or proceeding based on the terms of this Agreement).

Independent Expert means the independent expert to be engaged by the Target to express an opinion on whether the Scheme is in the best interests of the Target Shareholders.

Independent Expert's Report means the report from the Independent Expert commissioned by the Target Board after announcement of the transactions contemplated by this Agreement.

Insolvency Event means in relation to Archer any event which is equivalent in Archer's place of incorporation to any of the events referred to in paragraphs (j) to (l) (inclusive) of the definition of Target Prescribed Occurrence.

Key Employee means the employees identified by Archer and agreed with the Target.

Listing Rules means the official listing rules published by ASX.

Policy means the directors and officers insurance policy effected by the Target at the date of this Agreement.

Record Date means 7.00 pm on the date which is 5 Business Days after the Effective Date.

Regulatory Authority means:

- (a) any government or local authority and any department, minister or agency of any government; and

- (b) any other authority, agency, commission or similar entity having powers or jurisdiction under any law or regulation or the listing rules of any recognised stock or securities exchange.

Regulatory Conditions means the Conditions set out in clauses 3.1(a) and 3.1(b).

Regulatory Guides means all regulatory guides published by ASIC and in force at the date of this Agreement.

Related Entity of a corporation means:

- (a) a related body corporate of that corporation within the meaning of section 50 of the Corporations Act;
- (b) a trustee of any unit trust in relation to which that corporation, or a corporation referred to in paragraph (a), directly or indirectly:
- (i) controls the right to appoint the trustee;
 - (ii) is in a position to control the casting of, more than one half of the maximum number of votes that might be cast at a meeting of holders of units in the trust; or
 - (iii) holds or is in a position to control the disposal of more than one half of the issued units of the trust.

Relevant Interest has the meaning given in the Corporations Act.

Representatives means, in relation to a party, all officers, employees, professional advisers and agents of the party or of its Related Entities.

Scheme means a scheme of arrangement under Part 5.1 of the Corporations Act between the Target and the Scheme Shareholders substantially in the form set out in Annexure A or in such other form as the Target and Archer agree in writing.

Scheme Consideration means A\$0.58 cash in respect of each Scheme Share.

Scheme Meeting means the meeting to be convened by the Court in relation to the Scheme pursuant to section 411(1) of the Corporations Act (or any adjournment or postponement of it at which the Scheme is voted on).

Scheme Share means a Target Share on issue and held by a Scheme Shareholder on the Record Date.

Scheme Shareholder means each Target Shareholder (other than the Excluded Shareholders) as at the Record Date.

Second Court Date means the first day of hearing of an application made to the Court for an order pursuant to section 411(4)(b) of the Corporations Act approving the Scheme or, if the hearing of such application is adjourned for any reason, means the first day of the adjourned hearing.

Subsidiary means a subsidiary of the Target within the meaning given to that term in the Corporations Act.

Superior Proposal means a Competing Proposal which:

- (a) in the determination of the Target Board acting in good faith is reasonably capable of being completed, taking into account both the nature of the Competing Proposal and the person or persons making it; and
- (b) in the determination of the Target Board acting in good faith and in order to satisfy what the Target Board considers to be its fiduciary or statutory duties would, if

completed substantially in accordance with its terms, result in a transaction more favourable to the Scheme Shareholders than the transactions contemplated by this Agreement.

Target Board means the board of directors of the Target.

Target Group means the Target and each Subsidiary.

Target Information means all information included in the Explanatory Memorandum, other than the Archer Information.

Target Material Adverse Change means one or more changes, events, occurrences or known matters which have, will have or will be reasonably likely to have:

- (a) the effect of a diminution in the consolidated working capital (being current assets less current liabilities) of the Target and all its subsidiaries, taken as a whole (calculated on the basis of AIFRS and in the same manner as the Target's financial statements as at 30 June 2010), of more than 10% as compared to that disclosed in the Target's audited financial statements as at 30 June 2010, adjusted for the Announced Dividends; or
- (b) the effect of a diminution in the consolidated net assets of the Target and all its subsidiaries, taken as a whole (calculated on the basis of AIFRS and in the same manner as the Target's financial statements as at 30 June 2010), of at least 10% as compared to that disclosed in the Target's audited financial statements as at 30 June 2010, adjusted for payment of the Announced Dividends; or
- (c) a diminution in the consolidated annual earnings before interest and tax (calculated on the basis of AIFRS and in the same manner as the Target's financial statements as at 30 June 2010), for the Financial Year ending 30 June 2011 of the Target and all its subsidiaries, taken as a whole, of at least \$500,000, as compared with the Target's position if the event had not occurred; or
- (d) the result that the Target is unable to carry on its business in substantially the same manner as it is currently carried on or that its trading prospects or future value will be affected in a materially adverse manner,

other than:

- (e) the execution of the Transaction Documents or announcement of the Scheme and the completion of the transaction contemplated by them; or
- (f) an event, occurrence or change fairly disclosed in the Due Diligence Materials or in any announcement on ASX made by Target prior to the parties entering into this Agreement.

Target Option means an option to acquire a Target Share issued under the Target Option Plan.

Target Option Plan means the Keycorp Employee Share Option Incentive Plan.

Target Prescribed Occurrence means the occurrence of any of the following events:

- (a) the Target converting all or any of its securities into a larger or smaller number of securities;
- (b) the Target or a Subsidiary resolving to reduce its capital in any way;
- (c) the Target or a Subsidiary:
 - (i) entering into a buy-back agreement; or

- (ii) resolving to approve the terms of a buy-back agreement under subsection 257C(1) or 257D(1) of the Corporations Act;
- (d) the Target or a Subsidiary issuing shares, or granting an option over its shares or agreeing to make such an issue or grant such an option, including under any existing employee share plans of the Target;
- (e) the Target or a Subsidiary issuing, or agreeing to issue, convertible notes;
- (f) the Target agreeing to pay, declaring or paying a dividend to its members (other than the Announced Dividends);
- (g) the Target or a Subsidiary disposing, or agreeing to dispose, of the whole, or a substantial part, of its business or property;
- (h) the Target or a Subsidiary charging, or agreeing to charge, the whole, or a substantial part, of its business or property;
- (i) without the prior written consent of Archer (which may not be unreasonably withheld), the Target acquiring any assets for an amount which exceeds \$1,000,000 in aggregate;
- (j) an application being made to court or a resolution being passed or an order is made for the winding up or dissolution of the Target or a Subsidiary;
- (k) the Target or a Subsidiary proposing or taking any steps to implement a scheme of arrangement or other compromise or arrangement with its creditors or any class of them;
- (l) a receiver, receiver and manager, liquidator, provisional liquidator, administrator, trustee or similar officer being appointed in respect of the Target or a Subsidiary or any of its assets;
- (m) there being issued any material proceedings commenced against the Target and the Target has failed to have those proceedings withdrawn or dismissed prior to the Second Court Date (except for any litigation the commitments which have been fairly disclosed to Archer);
- (n) the Target making any change to its Constitution without the consent of Archer; or
- (o) the resignation of a Key Employee or, except as required by law or otherwise permitted under this Agreement or with the prior written consent of Archer (which may not be unreasonably withheld), any member of the Target Group with respect to a Key Employee:
 - (i) materially altering the terms of employment,
 - (ii) paying retention payments, or
 - (iii) terminating their employment.

Target Shares means fully paid ordinary shares in the capital of the Target.

Target Shareholder means a person who is registered in the Target Share Register as a holder of Target Shares.

Target Share Register means the register of members of the Target maintained by or on behalf of the Target in accordance with section 168(1) of the Corporations Act.

Target Share Registry means Computershare Investor Services Pty Limited of Level 3, 60 Carrington Street, Sydney, Australia, 2000.

Target Warranties means the warranties made by the Target set out in clause 8.3.

Timetable means the indicative timetable in relation to the Scheme set out in Schedule 1, or such other indicative timetable as the Target and Archer agree in writing.

Transaction means the acquisition by Archer (or a Related Entity of Archer) of the Scheme Shares for the Scheme Consideration pursuant to the Scheme.

Transaction Documents means:

- (a) this Agreement;
- (b) the Scheme; and
- (c) the Deed Poll.

1.2 Best and reasonable endeavours

Any provision of this Agreement which requires a party to use best endeavours or all reasonable endeavours to procure that something is performed or occurs or does not occur does not include any obligation:

- (a) to pay any money or to provide any financial compensation, valuable consideration or any other incentive to or for the benefit of any person except for payment of any applicable fee for the lodgement or filing of any relevant application with any Regulatory Authority; or
- (b) to commence any legal action or proceeding against any person, except where that provision expressly specifies otherwise.

1.3 Business Day

If the day on which any act to be done under this Agreement is a day other than a Business Day, that act must be done on the next Business Day except where this Agreement expressly specifies otherwise.

1.4 Interpretation

In this Agreement headings are for convenience only and do not affect interpretation and, unless the contrary intention appears:

- (a) a word importing the singular includes the plural and vice versa, and a word of any gender includes the corresponding words of any other gender;
- (b) the word **including** or any other form of that word is not a word of limitation;
- (c) if a word or phrase is given a defined meaning, any other part of speech or grammatical form of that word or phrase has a corresponding meaning;
- (d) a reference to a **person** includes an individual, the estate of an individual, a corporation, an authority, an association or parties in a joint venture, a partnership and a trust;
- (e) a reference to a party includes that party's executors, administrators, successors and permitted assigns, including persons taking by way of novation and, in the case of a trustee, includes any substituted or additional trustee;
- (f) a reference to a document (including this Agreement) is to that document as varied, novated, ratified or replaced from time to time;
- (g) a reference to a party, clause, schedule, exhibit, attachment, or annexure is a reference to a party, clause, schedule, exhibit, attachment, or annexure to or of this Agreement, and a reference to this Agreement includes all schedules, exhibits, attachments, and annexures to it;

- (h) a reference to an agency or body if that agency or body ceases to exist or is reconstituted, renamed or replaced or has its powers or function removed (**obsolete body**), means the agency or body which performs most closely the functions of the obsolete body;
- (i) a reference to a statute includes any regulations or other instruments made under it (**delegated legislation**) and a reference to a statute or delegated legislation or a provision of either includes consolidations, amendments, re-enactments and replacements;
- (j) a reference to time is a reference to the time in Victoria, Australia;
- (k) a reference to **A\$, \$** or **dollar** is to Australian currency; and
- (l) this Agreement must not be construed adversely to a party just because that party prepared it or caused it to be prepared.

2 Obligations in relation to Scheme

2.1 Target to propose Scheme

The Target agrees to propose the Scheme on and subject to the terms and conditions of this Agreement. Archer agrees to assist the Target to propose the Scheme on and subject to the terms and conditions of this Agreement.

2.2 The Target and Archer to Implement Scheme

The Target and Archer agree to implement the Scheme on and subject to the terms and conditions of this Agreement.

2.3 Scheme Consideration

- (a) Archer covenants in favour of the Target (in the Target's own right and separately as trustee for each of the Scheme Shareholders) that, in consideration for the transfer to the Bidder of Scheme Shares held by Scheme Shareholders under the terms of the Scheme, Archer will procure that the Bidder will deposit in clear funds into an Australian dollar denominated trust account in the name of the Target (**Trust Account**) an amount equal to the aggregate Scheme Consideration payable to all Scheme Shareholders in accordance with the terms of the Scheme.
- (b) The Target covenants in favour of the Bidder and Archer that:
 - (i) the Target will hold the aggregate Scheme Consideration deposited by the Bidder into the Trust Account on trust for the Scheme Shareholders (except that any interest on the amount less bank fees and other charges will be for the account of the Bidder); and
 - (ii) on the Implementation Date and subject to the Bidder having complied with clause 2.3(a), the Target will pay or procure the payment of the Scheme Consideration to each Scheme Shareholder from the Trust Account, in accordance with the terms of the Scheme.

3 Conditions precedent

3.1 Conditions

The obligations of the Target under clause 4.1(k) and of Archer under clause 4.2(i) do not become binding on the parties and have no force or effect, and the Scheme must not take place until each of the conditions listed in the first column of the following table has been either satisfied or waived in accordance with clause 3.5:

Condition	Right to waive
(a) before 8:00 am on the Second Court Date, ASIC and ASX issue or provide such consents or approvals or do other acts which Archer and the Target agree are necessary to implement the Transaction. If such consents, approvals or doing of other acts are subject to conditions, those conditions must be acceptable to Archer and the Target;	Archer and Target
(b) no temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction, no preliminary or final decision, determination, or order issued by any Regulatory Authority and no other legal restraint preventing any of the transactions contemplated by this Agreement is in effect as at 8.00am on the Second Court Date;	Archer and Target
(c) no Target Material Adverse Change has occurred after the date of this Agreement and before 8.00am on the Second Court Date;	Archer
(d) no Target Prescribed Occurrence has occurred after the date of this Agreement and before 8.00am on the Second Court Date;	Archer
(e) a resolution of the Scheme Shareholders has been passed at a duly convened Scheme Meeting of the Target Shareholders to approve the scheme contemplated by the Transaction Documents by the majorities required under section 411(4)(a)(ii) of the Corporations Act;	None
(f) no Target Warranty has become materially incorrect before 8.00am on the Second Court Date;	Archer
(g) no Archer Warranty has become materially incorrect before 8.00am on the Second Court Date;	Target
(h) the Court approves the Scheme in accordance with section 411(4)(b) of the Corporations Act;	None
(i) the Independent Expert provides the Independent Expert's Report to the Target Board stating that in its opinion the Scheme is in the best interests of the Target Shareholders, and the Independent Expert does not change its conclusion or withdraw its report by notice in writing to the Target prior to 8.00am on the Second Court Date;	Target
(j) all options and performance rights held in respect of Target shares having been exercised, cancelled or transferred in accordance with their terms as described in clause 4.4; and	Archer

Condition	Right to waive
(k) by no later than 10 Business Days after the date of this agreement, Archer has met with the major customers as agreed with the Target and confirmed to Archer's satisfaction, acting reasonably, that the relationships are of good commercial standing and received a commitment from those customers to provide any consents required under their contracts to the implementation of the Scheme.	Archer

3.2 General obligations in relation to Conditions

Without prejudice to any other obligations of the parties under this Agreement:

- (a) the Target must use best endeavours to ensure that the Conditions set out in clauses 3.1(a), 3.1(c) and 3.1(d) continue to be satisfied at all times until 8.00 am on the Second Court Date, that the Conditions set out in clauses 3.1(f) and 3.1(j) are satisfied as at the times set out in those clauses; that each of the Conditions set out in clause 3.1(e), 3.1(h) and 3.1(i) is satisfied;
- (b) Archer must use best endeavours to ensure that each of the Conditions set out in clauses 3.1(g), and 3.1(k) is satisfied at the times set out in that clause; and
- (c) the parties shall not take any action that will or is likely to hinder or prevent the satisfaction of any Condition except to the extent that such action is required to be done or procured pursuant to, or is otherwise permitted by, this Agreement or is required by law.

3.3 Obligations in relation to Regulatory Conditions

Each party must use all reasonable endeavours to ensure that the Regulatory Conditions are satisfied as soon as practicable after the date of this Agreement and continue to be satisfied at all times until 8.00 am on the Second Court Date.

3.4 Notice in relation to satisfaction of Conditions

Each party must within 1 Business Day after becoming aware of the satisfaction of any Condition notify each other party of the satisfaction of that Condition and provide reasonable evidence the Condition has been satisfied.

3.5 Waiver of Conditions

A Condition may be waived and may only be waived:

- (a) if one party is specified in the second column of the table in clause 3.1 opposite that Condition, by that party by notice to **each** other party; or
- (b) if more than one party is specified in the second column of the table in clause 3.1 opposite that Condition, by written agreement between all of those parties.

A party entitled to waive or to agree to waive a Condition under this clause 3.5 may do so in its absolute discretion. A party that waives or agrees to waive a Condition is not prevented from bringing a Claim against any other party in respect of any breach of this Agreement that caused that Condition not to be satisfied.

4 Implementation of Scheme

4.1 Target's obligations

The Target must take all steps reasonably necessary to implement the Scheme as soon as is reasonably practicable after the date of this Agreement and so as to complete the transaction substantially in accordance with the Timetable, and in particular the Target must:

- (a) state when the transaction is announced (on the basis of statements made to it by each of the directors of the Target) that each of the directors of the Target recommends to holders of Target Shares that the Scheme is in the interests of the Target and Target Shareholders and that Target Shareholders vote in favour of all resolutions to be proposed at the Scheme Meeting or approve the Scheme (subject to the Independent Expert concluding that the Scheme is in the best interests of the Target Shareholders and no Superior Proposal being announced in respect of the Target or the Target Shares) and Bidder agrees that the statement to that effect in the Announcement, when released, satisfies that obligation;
- (b) prepare the Explanatory Memorandum in accordance with all applicable requirements, including in particular the requirements of the Corporations Act, the Regulatory Guides and the Listing Rules, in consultation with Bidder as to the content and presentation of the Explanatory Memorandum. This consultation must include obtaining Bidder's consent to the inclusion of the Archer Information, providing a draft of the Explanatory Memorandum to Archer, providing Archer with a reasonable opportunity to provide suggested amendments to that draft prior to the provision of a draft of the Explanatory Memorandum to ASIC under clause 4.1(d)(i) and if such suggested amendments relate to Archer Information, the Target must consider in good faith such suggested amendments unless such suggested amendments would render the Explanatory Memorandum misleading or deceptive;
- (c) promptly appoint the Independent Expert and provide all assistance and information reasonably requested by the Independent Expert in connection with the preparation of the Independent Expert's Report for inclusion in the Explanatory Memorandum;
- (d) as soon as reasonably practicable but no later than 14 days before the First Court Date provide an advanced draft of the Explanatory Memorandum to:
 - (i) ASIC for its review and approval for the purposes of section 411(2) of the Corporations Act; and
 - (ii) Archer;
- (e) apply to ASIC for the production of statements in writing pursuant to section 411(17)(b) of the Corporations Act stating that ASIC has no objection to the Scheme;
- (f) as soon as practicable after preparation of the final form of the Explanatory Memorandum, convene a meeting of the Target Board for the purpose of approving the Explanatory Memorandum;
- (g) provided the approval referred to in clause 4.1(d)(i) has been received from ASIC, lodge all documents with the Court and take all other reasonable steps to ensure that

an application is heard by the Court for an order under section 411(1) of the Corporations Act directing the Target to convene the Scheme Meeting;

- (h) request that the explanatory statement included in the Explanatory Memorandum in relation to the Scheme be registered by ASIC in accordance with section 412(6) of the Corporations Act;
- (i) take all reasonable steps necessary to comply with the orders of the Court including, as required, dispatching the Explanatory Memorandum to the Target Shareholders and convening and holding the Scheme Meeting;
- (j) if the resolution submitted to the Scheme Meeting in relation to the Scheme is passed by the majorities required under section 411(4)(a)(ii) of the Corporations Act, apply to the Court for orders approving the Scheme;
- (k) if the Scheme is approved by the Court:
 - (i) promptly lodge with ASIC an office copy of the orders approving the Scheme in accordance with section 411(10) of the Corporations Act;
 - (ii) close the Target Share Register as at the Record Date and determine entitlements to the Scheme Consideration in accordance with the Scheme;
 - (iii) promptly register all transfers of Scheme Shares to Archer in accordance with the Scheme; and
 - (iv) promptly do all other things contemplated by or necessary to give effect to the Scheme and the orders of the Court approving the Scheme;
- (l) from the First Court Date until the Second Court Date, promptly inform Archer if it becomes aware that the Explanatory Memorandum contains a statement which is misleading or deceptive in a material respect or contains a material omission;
- (m) between the date of this Agreement and 8.00am on the Second Court Date, not take any action which would constitute or permit a Target Prescribed Occurrence to occur, except in accordance with this agreement;
- (n) no later than the Second Court Date, open an Australian dollar denominated bank account in the name of the Target for the purposes of holding the Scheme Consideration on trust for Scheme Shareholders in accordance with the terms of the Scheme; and
- (o) use its best endeavours to facilitate meetings between Archer and key customers and obtain any required consents in relation to key customer contracts, provided that where the Target has complied with its obligations to use best endeavours to facilitate customer meetings or obtain consents, the fact that a meeting has not occurred or a customer consent has not been obtained will not be a material breach by the Target of its obligations under this Agreement.

4.2 Archer's obligations

Archer must take, and must procure that the Bidder takes, all steps reasonably necessary to assist the Target to implement the Scheme as soon as is reasonably practicable and so as to complete the transaction substantially in accordance with the Timetable, and in particular Archer must:

- (a) Incorporate the Bidder as a wholly-owned subsidiary of Archer before the Target lodges the Explanatory Memorandum;

- (b) provide to the Target the Archer Information in a form appropriate for inclusion in the Explanatory Memorandum;
- (c) promptly provide all assistance and information reasonably requested by the Independent Expert to enable it to prepare its report for inclusion in the Explanatory Memorandum;
- (d) as soon as reasonably practicable after receipt from the Target of a draft of the Explanatory Memorandum in accordance with clause 4.1(b) provide any suggested changes to the Archer Information in that draft;
- (e) as soon as reasonably practicable after receipt from the Target of the draft of the Explanatory Memorandum provided in accordance with clause 4.1(d), either:
 - (i) confirm in writing to the Target that Archer Information in the form and context in which it appears in the draft of the Explanatory Memorandum is not misleading or deceptive in any material respect and does not contain any material omission; or
 - (ii) provide to the Target the changes required to ensure that Archer Information in the form and context in which it appears in the Explanatory Memorandum is not misleading or deceptive in any material respect and does not contain any material omission;
- (f) provide to the Target all such further or new information of which Archer becomes aware after the Explanatory Memorandum has been dispatched (until the date of the Scheme Meeting) that is required to ensure that Archer Information in the form and context in which it appears in the Explanatory Memorandum is not misleading or deceptive in any material respect and does not contain any material omission;
- (g) prior to the First Court Date, enter and procure that the Bidder enters into the Deed Poll and deliver the executed Deed Poll to the Target;
- (h) procure that, if necessary, it is represented at the Court hearings convened for the purposes of section 411(4)(b) of the Corporations Act; and
- (i) if the Scheme becomes Effective, pay the Scheme Consideration to the Scheme Shareholders on the Implementation Date in accordance with the Scheme.

4.3 Reconstitution of Target Board

The Target will use its reasonable endeavours, as soon as practicable after:

- (a) the Effective Date, to take all actions necessary to appoint such number of Bidder nominees to the Target Board such that those Bidder nominees control the Target Board (subject to those persons having provided a consent to act as directors of the relevant companies), and
- (b) implementation of the Scheme, to procure that any director of a Subsidiary as designated by Archer in writing and each director of the Target in office on the Implementation Date (other than Archer nominees) resigns their office.

4.4 Target Options

- (a) The Target must procure by no later than 5 Business Days prior to the Second Court Date, that:
 - (i) the Target Options are exercised in accordance with their terms; or
 - (ii) an agreement has been entered into with the holders of the Target Options for the acquisition by the Bidder or Archer of the Target Options or the cancellation

of the Target Options, conditional on the implementation of the Scheme, on terms satisfactory to Bidder acting reasonably.

- (b) The Target agrees that, on request from Archer, Archer be reasonably consulted on, and be permitted to attend, any discussion or negotiations with holders of Target Options with a view to facilitating the entry into such binding agreements.
- (c) The Target agrees that it will not amend the terms of the agreements referred to in clause 4.4(a) without the written consent of Archer.

4.5 Content of Explanatory Memorandum

- (a) The parties agree that the Explanatory Memorandum must contain statements to the effect that:
 - (i) the Target is responsible for the content of the Explanatory Memorandum other than, to the maximum extent permitted by law, the Independent Expert's Report and all information provided to the Target by or on behalf of the Bidder or Archer (as the case may be); and
 - (ii) the Bidder and Archer are responsible for all Archer Information provided by or on behalf of the Bidder and Archer to the Target for inclusion in the Explanatory Memorandum, provided they have consented to the form and content of the information in which it appears in the Explanatory Memorandum.
- (b) If the parties disagree on the form or content of the Explanatory Memorandum:
 - (i) they must consult in good faith to try to settle an agreed form of the Scheme Booklet; and
 - (ii) failing agreement within 5 Business Days, the dispute must be referred to the respective chairmen of the parties.
- (c) If within 5 Business Days of referral to the respective chairmen there is still no agreement between the parties, the final form and content of the:
 - (i) Target Information shall be determined by the Target, acting reasonably; and
 - (ii) Archer Information shall be determined by Archer, acting reasonably.

4.6 Conduct of Court proceedings

- (a) The Target and Archer are entitled to separate representation at all Court proceedings affecting the Transaction.
- (b) No party has any right or power to give undertakings to the Court for or on behalf of any other party without that party's consent.

5 Conduct of business and requests for access

5.1 Conduct of business

- (a) Except to the extent expressly consented to by Archer, from the date of this Agreement up to and including the Implementation Date (or sooner termination of this Agreement), the Target must use all reasonable endeavours to procure that each entity of the Target Group:
 - (i) conducts its businesses and operations in the ordinary and usual course consistent with its past business practices;
 - (ii) preserves its business operations and the services of its employees;

- (iii) does not acquire or dispose of any material assets for an amount which exceeds \$1,000,000, in aggregate.

5.2 Permitted activities

Nothing in clause 5.1 restricts the Target or any member of the Target Group from undertaking anything that:

- (a) is required or contemplated to be undertaken pursuant to the Transaction Documents, or which is otherwise permitted by the Transaction Documents;
- (b) is considered necessary by the Target or a Subsidiary to respond to prevailing market conditions in a reasonable manner consistent with the manner in which the entity has responded in the past;
- (c) has been approved in writing by Archer, such approval not to be unreasonably withheld or delayed; or
- (d) is otherwise required by law.

6 Recommendation and announcements

6.1 Target Director intentions

So far as it is within its power and control to do so, the Target must procure that each member of the Target Board announces in the Announcement and in the Explanatory Memorandum his or her intention to vote in favour of the Scheme any Target Shares in which they have a Relevant Interest and in respect of which they have power to vote subject to:

- (a) no Superior Proposal being made; and
- (b) the Independent Expert concluding that the Scheme is in the best interests of the Target Shareholders.

6.2 Change of recommendation or intentions

Subject to clause 9 and clause 11, the Target Board may change its recommendation if:

- (a) a Superior Proposal is made; and
- (b) the Independent Expert does not conclude that the Scheme is in the best interests of the Target Shareholders.

6.3 Initial Announcements

Immediately after the execution of this Agreement, the Target must issue the Announcement to the ASX.

6.4 Subsequent Announcements

The Target agrees not to make any other announcement or disclosure in relation to the Scheme without Archer's reasonable input and consent, provided that this clause 6.4 shall not restrict the Target in complying with its ASX disclosure obligations at law (including ASX Listing Rule requirements). The Target agrees to consult with Archer as to the form and content of the disclosure and take Archer's reasonable comments into account where any disclosure is required to be made.

7 Liability of directors and employees

7.1 Liability of directors and employees

Each party releases all rights against, and agrees that it will not make any claim against, each past or present director and employee of the other party in relation to information provided to the first party in relation to the transactions contemplated by this Agreement except to the extent that such director (past or present) or employee has acted without good faith and in wilful misconduct of their duties.

7.2 Directors' and officers' insurance

Archer acknowledges that the Target will by no later than the Implementation Date pay all premiums required so as to ensure that insurance cover is provided under the Policy on those terms until 7 years from the Effective Date. The extension of cover will be on terms that such extension cannot be amended to the detriment of the insureds or cancelled by any insured or the insurer under the Policy.

7.3 Obligations in relation to directors' and officers' insurance

From the Implementation Date, the Target must not:

- (a) vary or cancel the Policy; or
- (b) unless required under the Policy, commit any act or omission that may prejudice any claim by a director or officer of the Target under the Policy as extended pursuant to clause 7.2 above.

Nothing in clause 7.2 or clause 7.3 shall require Archer or the Target to incur any additional premium after the Implementation Date or require the Target to not fulfil its contractual obligations under the Policy.

8 Warranties and indemnities

8.1 Warranties by Archer

Archer warrants to the Target as at the following times that each of the following warranties is true and correct:

- (a) as at the date of this Agreement and as at the Second Court Date:
 - (i) the Bidder will be a company properly incorporated and validly existing under the laws of Australia;
 - (ii) the Bidder will take all corporate actions necessary to enable it to execute, deliver and perform its obligations under the Scheme;
 - (iii) Archer has taken all corporate actions necessary to enable it to execute, deliver and perform its obligations under this Agreement;
 - (iv) each Transaction Document constitutes (or will when executed constitute) valid legal and binding obligations of the Bidder and Archer and is enforceable or will be enforceable against the Bidder and Archer in accordance with its respective terms;
 - (v) Archer is aware that the Target and its Representatives will rely on the Archer Information for the purposes of preparing the Explanatory Memorandum and proposing the Scheme in accordance with the requirements of the Corporations Act;

- (b) as at the First Court Date, the Archer Information in the form and context approved or amended by Archer under clause 4.2(e) is not misleading or deceptive in any material respect and does not contain any material omission; and
- (c) on each date from the First Court Date until the Implementation Date, Archer has complied with its obligations under clause 4.2(f).

8.2 Archer indemnity

Archer indemnifies the Target against any Indemnified Loss suffered or incurred by the Target by reason of:

- (a) any breach of any of the representations and warranties of Archer in clause 8.1; and
- (b) any breach by Archer of any covenant or undertaking:
 - (i) on the part of Archer under this Agreement; or
 - (ii) on the part of Archer or the Bidder under the Deed Poll.

8.3 Warranties by the Target

The Target warrants to Archer as at the following times that each of the following warranties is true and correct:

- (a) as at the date of this Agreement and as at the Second Court Date:
 - (i) the Target is a company properly incorporated and validly existing under the laws of Australia;
 - (ii) the Target has taken all corporate actions necessary to enable it to execute, deliver and perform its obligations under this Agreement; and
 - (iii) each Transaction Document constitutes (or will when executed constitute) valid legal and binding obligations of the Target and is enforceable against the Target in accordance with its terms;
- (b)
 - (i) as at the date of this Agreement, the Target is not and has not been in breach of its continuous disclosure obligations under the Listing Rules and the Corporations Act; and
 - (ii) as at the Second Court Date, at all times between the date of this Agreement and the Second Court Date the Target is not and has not been in breach of its continuous disclosure obligations under the Listing Rules and the Corporations Act;
- (c) as at the date of this Agreement, the First Court Date, the Scheme Meeting and the Second Court Date the Explanatory Memorandum (except to the extent it reflects Archer Information) will not contain any statement which is misleading or deceptive in any material respect nor contain any material omission having regard to applicable disclosure requirements;
- (d) as at the date of this Agreement there are:
 - (i) 81,127,585 Target Shares on issue;
 - (ii) 1,220,000 Target Options on issue,

and except as set out in clause 8.3(d) the Target has not issued (and is not required to issue) any other securities or instruments which are still outstanding (or may become outstanding) and which may convert into Target securities;

- (e) as at the date of this Agreement, so far as each of the Target Board, the Chief Executive Officer, the Chief Financial Officer and the national operations manager of the Target, are aware, the Due Diligence Materials given to Archer as part of its due diligence enquiries are in all material respects true, accurate and complete and not misleading or deceptive (including by omission);
- (f) as at the Scheme Meeting and as at the Second Court Date that on each date from the First Court Date until the Second Court Date, the Target has complied with its obligations under clause 4.1(l).

8.4 Target indemnity

The Target indemnifies Archer against any Indemnified Loss suffered or incurred by Archer by reason of any breach of any of the representations and warranties of the Target in clause 8.3.

8.5 Notifications

Each party will promptly advise the other in writing if it becomes aware of any fact, matter or circumstance which constitutes or may constitute a breach of any of the representations or warranties given by it under this clause 8.

8.6 Status of representations and warranties

Each representation and warranty in this clause 8:

- (a) is severable;
- (b) will survive the termination of this Agreement; and
- (c) is given with the intent that liability there under will not be confined to breaches which are discovered prior to the date of termination of this Agreement.

8.7 Status and enforcement of indemnities

Each indemnity in this Agreement:

- (a) is a continuing obligation, separate and independent from the other obligations of the parties, and survives termination, completion or expiration of this Agreement; and
- (b) is given to the party to which it is expressed to be given, and as trustee for each Representative of that party, and a reference to a loss in an indemnity given to a party includes a loss suffered or incurred by a Representative of that party;

and it is not necessary for a party to incur expense or to make any payment before enforcing a right of indemnity conferred by this Agreement.

9 Termination

9.1 Termination by Archer

Archer may terminate this Agreement at any time before 8.00 am on the Second Court Date by written notice to the Target if:

- (a) the Target is in material breach of any of the Target Warranties or any of clause 3, clause 4.1, clause 4.4 or clause 5 of this Agreement before that time, provided that Archer is only entitled to terminate if it has given notice to the Target setting out the relevant circumstances and stating an intention to terminate and the relevant circumstances have continued to exist for 5 Business Days (or any shorter period

ending at 5.00 pm on the day before the Second Court Date) from the time such notice is received by the Target;

- (b) a Target Prescribed Occurrence has occurred after the date of this Agreement;
- (c) a Target Material Adverse Change has occurred after the date of this Agreement;
- (d) a Competing Proposal is announced after the date of this Agreement and is recommended by the Target Board; or
- (e) a Competing Proposal is announced after the date of this Agreement which is superior to the Scheme, that Competing Proposal is not recommended by the Target Board provided Archer announces an alternative proposal for the Target which matches or is superior to that Competing Proposal.

9.2 Termination by Target

Subject to clause 9.5, the Target may terminate this Agreement at any time before 8.00 am on the Second Court Date by notice in writing to Archer by written notice to Archer if:

- (a) Archer is in material breach of an Archer Warranty, either clause 3 or clause 4.2 of this Agreement before that time, provided that the Target is only entitled to terminate if it has given notice to Archer setting out the relevant circumstances and stating an intention to terminate and the relevant circumstances have continued to exist for 5 Business Days (or any shorter period ending at 5.00 pm on the day before the Second Court Date) from the time such notice is received by Archer;
- (b) an Insolvency Event occurs in relation to Archer;
- (c) the Target Board recommends to the Target Shareholders any Superior Proposal.

9.3 Automatic Termination

Notwithstanding any other provision of this Agreement to the contrary, this Agreement shall automatically terminate upon the earlier of the following:

- (a) if the Conditions have not been fulfilled by End Date, then upon the End Date, or
- (b) if the Scheme Shareholders fail to approve the Scheme (as described in clause 3.1(e)), then upon the date of the Scheme Meeting; or
- (c) if the Court does not approve the Scheme, then upon the date of the second court date as detailed in the Timetable.

9.4 Effect of termination

If this Agreement is terminated then:

- (a) the provisions of this Agreement shall cease to have effect except for the provisions of clauses 1, 9, 11, 13, 15 and 16 which will survive termination;
- (b) each party retains the rights it has against the others in respect of any breach of this Agreement occurring before termination; and
- (c) Archer must return to the Target all confidential information in relation to the Target in its possession in accordance with the terms and conditions of the Confidentiality Agreement.

9.5 Break Fees

- (a) The Target agrees to pay Archer the Break Fee if:

- (i) a Competing Proposal is recommended by the Target prior to the date of termination of this Agreement;
 - (ii) a Competing Proposal is announced prior to the date of termination of this Agreement and within 1 year after the announcement the Competing Proposal is completed, provided that no Break Fee is payable if, at all times prior to the termination of this Agreement, the board of the Target did not recommend the Competing Proposal and actively defended the Competing Proposal;
 - (iii) any member of the Target Board fails to recommend the Scheme, withdraws their recommendation that the Target shareholders vote in favour of the Scheme, or makes a public statement indicating that they no longer support the Scheme (or that they support a Competing Proposal) in any case prior to the date of termination of this Agreement;
 - (iv) Archer terminates this Agreement in accordance with clause 9.1(a);
 - (v) a Target Material Adverse Change or a Target Prescribed Occurrence occurs (other than as a result of events outside the control of the Target) and as a result either of the conditions in clauses 3.1(c) and 3.1(d) is not fulfilled or this Agreement is terminated by Archer.
- (b) Archer agrees to pay the Target the Break Fee if the Target is entitled to terminate and terminates this Agreement in accordance with clause 9.2(a).

10 Ongoing due diligence access

Target agrees to:

- (a) promptly provide to Bidder all information and access reasonably requested by Bidder to conduct ongoing due diligence; and
- (b) provide, at the request of Archer, access to any non-public price sensitive information that prior to the date of this Agreement had been withheld by the Target.

11 Exclusivity

11.1 Termination of Exclusivity Deed

The parties agree that:

- (a) the Exclusivity Deed be terminated, such termination to take effect from the date of this Agreement,
- (b) the termination of the Exclusivity Deed does not prejudice any rights or obligations under the Exclusivity Deed that accrued prior to such termination; and
- (c) from the date of this Agreement, the Exclusivity Deed be replaced by the exclusivity provisions in clause 11.2.

11.2 Exclusivity arrangements

During the Exclusivity Period:

- (a) Subject to clause 11.2(c), the Target must not, and must use its best endeavours to ensure that its Representatives do not, without the written consent of Archer, do any of the following:

- (i) procure, invite, encourage, continue, initiate or solicit an offer, approach, negotiation or discussions with (whether directly or indirectly, formally or informally);
 - (ii) enter into any contract, arrangement or understanding in whatever capacity with; or
 - (iii) facilitate or allow any enquiries, evaluation or due diligence by, any third party in relation to a Competing Proposal.
- (b) The Target must notify Archer of:
- (i) any approach, inquiry or proposal made to the Target or any of its Representatives, and any attempt on the part of any person to initiate or continue any negotiations or discussions with the Target in relation to a Competing Proposal; or
 - (ii) any request for information relating to a Competing Proposal.

A notice given to Archer under this clause must include the key commercial features of any proposal (except if prohibited by a prior confidentiality agreement) and must be kept confidential by Archer in accordance with the terms of the Confidentiality Agreement.

- (c) The provisions of clause 11.2(a) do not apply to the extent that they restrict the Target and its Representatives from taking or refusing to take any action with respect to a bona fide Competing Proposal (which was not solicited or invited by the Target or its Representative and was not otherwise brought about as a result of any breach by it of its obligations under clause 11.2(a)) provided that the Target Board, acting in good faith (and based on written legal advice), has determined, that:
- (i) the Competing Proposal is a Superior Proposal; and
 - (ii) failing to respond or taking or refusing to take that action in respect of that Competing Proposal would be likely to involve a breach of the fiduciary or statutory duties or obligations owed by any the Target Board or a breach of statutory obligations of the Target.
- (d) Subject to the Target complying with its disclosure obligations at law, the Target agrees not to accept or recommend a Competing Proposal to its shareholders unless it has notified Archer of the terms of the Competing Proposal and has given Archer 72 hours after such notification to provide a matching or superior proposal (whether by way of scheme of arrangement or otherwise) to the relevant Competing Proposal. The Target must ensure that, if it accepts a Competing Proposal, it is able to disclose sufficient of the terms of that proposal to Archer to enable Archer to put forward a matching or superior proposal.

12 Confidentiality

12.1 Termination of Confidentiality Agreement

The parties agree that

- (a) the Confidentiality Agreement be terminated, such termination to take effect from the date of this Agreement,

- (b) the termination of the Confidentiality Agreement does not prejudice any rights or obligations under the Confidentiality Agreement that accrued prior to such termination; and
- (c) from the date of this Agreement, the Confidentiality Agreement be replaced by the confidentiality provisions in clause 12.2.

12.2 Confidentiality

No party may disclose the existence or contents of this Agreement or Due Diligence Materials except:

- (a) in the Announcement;
- (b) in the Explanatory Memorandum;
- (c) to that party's Representatives or professional advisers; or
- (d) to the extent required by any applicable law (including as a result of any actions taken by the parties that are contemplated by this Agreement) or the rules of any stock exchange (provided the disclosing party consults with the other party as to the form and content of any disclosure required and uses its best endeavours to minimise the extent of such disclosure).

13 Notices

13.1 How notice to be given

Each communication (including each notice, consent, approval, request and demand) under or in connection with this Agreement:

- (a) may be given by personal service, post, facsimile or email;
- (b) must be in writing;
- (c) must be addressed as follows (or as otherwise notified by that party to each other party from time to time):

- (i) if to the Target: Keycorp Limited

Address: 40-42 Montefiore Street, Farifield
Victoria 3078
Fax number: +61 3 9403 1688
Email address: jbonin@keycorp.net
For the attention of: Mr Joe Bonin

with a copy to: Middletons
Address: Lv 25, 525 Collins Street, Melbourne
Victoria 3000
Fax: +61 3 9205 2055
Email address: Andrew.gaffney@middletons.com
For the attention of: Andrew Gaffney

- (ii) if to Archer:

Address: Suite 7, Pier 2/3, 13 Hickson Road,
Dawes Point NSW 2000
Fax number: +61 2 9241 3151
Email address: tspencer@archercapital.com.au

For the attention of: Timothy Spencer

with a copy to:

Address: Corrs Chambers Westgarth
GPO Box 9925
Sydney NSW 2001

Fax: +61 2 9210 6611

For the attention of: Sandy Mak

- (d) (in the case of personal service, post or facsimile) must be signed by the party making it or (on that party's behalf) by the solicitor for, or any attorney, director, secretary or authorised agent of, that party; and
- (e) (in the case of email) must be in pdf or other format that is a scanned image of the original of the communication, including a handwritten signature, and be attached to an email that states that the attachment is a communication under this Agreement; and
- (f) must be delivered by hand or posted by prepaid post to the address, sent by fax to the number, or sent by email to the email address, of the addressee, in accordance with this clause 13.1.

13.2 When notice taken to be received

Each communication (including each notice, consent, approval, request and demand) under or in connection with this Agreement is taken to be received by the addressee:

- (a) (in the case of prepaid post sent to an address in the same country) on the third day after the date of posting;
- (b) (in the case of prepaid post sent to an address in another country) on the fifth day after the date of posting by airmail;
- (c) (in the case of fax) at the time in the place to which it is sent equivalent to the time shown on the transmission confirmation report produced by the fax machine from which it was sent;
- (d) (in the case of delivery by hand) on delivery; and
- (e) (in the case of email) unless the party sending the email knows or reasonably ought to suspect that the email and the attached communication were not delivered to the addressee's domain specified in the email address notified for the purposes of this clause 13, 24 hours after the email was sent,

but if the communication would otherwise be taken to be received on a day that is not a working day or after 5.00 pm, it is taken to be received at 9.00 am on the next working day ("working day" meaning a day that is not a Saturday, Sunday or public holiday and on which banks are open for business generally, in the place to which the communication is posted, sent or delivered).

14 Entire agreement

The Transaction Documents constitute the entire agreement between the parties in relation to their subject matter including the sale and purchase of the Shares and supersede all previous agreements and understandings between the parties in relation to their subject matter.

15 General

15.1 Amendments

This agreement may only be varied by a document signed by or on behalf of each party.

15.2 Assignment

A party cannot assign or otherwise transfer any of its rights under this Agreement without the prior consent of each other party.

15.3 Consents

Unless this Agreement expressly provides otherwise, a consent under this Agreement may be given or withheld in the absolute discretion of the party entitled to give the consent and to be effective must be given in writing.

15.4 Costs

Except as otherwise provided in this Agreement, each party must pay its own costs and expenses in connection with negotiating, preparing, executing and performing each Transaction Document.

15.5 Counterparts

This agreement may be executed in any number of counterparts and by the parties on separate counterparts. Each counterpart constitutes an original of this Agreement, and all together constitute one agreement.

15.6 Further acts and documents

Each party must promptly do all further acts and execute and deliver all further documents (in form and content reasonably satisfactory to that party) required by law or reasonably requested by another party to give effect to this Agreement.

15.7 No merger

A party's rights and obligations do not merge on completion of any transaction under this Agreement.

15.8 Severance

If any provision or part of a provision of this Agreement is held or found to be void, invalid or otherwise unenforceable (whether in respect of a particular party or generally), it will be deemed to be severed to the extent that it is void or to the extent of violability, invalidity or unenforceability, but the remainder of that provision will remain in full force and effect.

15.9 Stamp duties

Archer:

- (a) must pay, or procure that the Bidder will pay, all stamp duties and any related fines and penalties in respect of this Agreement, the performance of this Agreement and each transaction effected by or made under this Agreement;
- (b) must pay, or procure that the Bidder will pay, to the Target on demand the amount of any Indemnified Loss suffered or incurred by the Target arising out of or in connection with any failure to comply with clause 15.9(a); and
- (c) is authorised to apply for and retain the proceeds of any refund due in respect of stamp duty paid under this clause.

15.10 Waivers

Without limiting any other provision of this Agreement, the parties agree that:

- (a) failure to exercise or enforce, or a delay in exercising or enforcing, or the partial exercise or enforcement of, a right, power or remedy provided by law or under this Agreement by a party does not preclude, or operate as a waiver of, the exercise or enforcement, or further exercise or enforcement, of that or any other right, power or remedy provided by law or under this Agreement;
- (b) a waiver given by a party under this Agreement is only effective and binding on that party if it is given or confirmed in writing by that party; and

no waiver of a breach of a term of this Agreement operates as a waiver of another breach of that term or of a breach of any other term of this Agreement.

16 Governing law, and jurisdiction and service of process

16.1 Governing law

This agreement is governed by the law applying in Victoria, Australia.

16.2 Jurisdiction

Each party irrevocably:

- (a) submits to the non exclusive jurisdiction of the courts of Victoria, Commonwealth courts having jurisdiction in that state and the courts competent to determine appeals from those courts, with respect to any proceedings that may be brought at any time relating to this Agreement; and
- (b) waives any objection it may now or in the future have to the venue of any proceedings, and any claim it may now or in the future have that any proceedings have been brought in an inconvenient forum, if that venue falls within clause 16.2(a).

Schedule 1

Timetable

Event	Date
Target lodges draft Explanatory Memorandum with ASIC	Monday 20 September 2010
First Court Date	Monday 11 October 2010
Dispatch of Explanatory Memorandum completed	Friday 15 October 2010
Scheme Meeting	Wednesday 17 November 2010
Second Court Date	Friday 19 November 2010 (or as soon as possible after all of the Regulatory Conditions have been satisfied, if later)
Effective Date	Monday 22 November 2010 (or the Business Day after the Second Court Date)
Suspension of trading	At close of trade on the Effective Date
Record Date	7.00 pm on Friday 26 November 2010 (or the 4th Business Day after the Effective Date)
Implementation Date	Wednesday 1 December 2010 (or the 3rd Business Day after the Record Date)
End Date	31 January 2011

Executed as an agreement.

Executed by Keycorp Limited in accordance with section 127 of the Corporations Act 2001 (Cth):

Signature of director

Full name of director

Signature of company secretary/director

Full name of company secretary/director

Executed by Archer Capital VCLP GF 1, LP, by its general partner Archer VCMP GF 1, LP, by its general partner GP-VCMP GF1 Pty Ltd in New South Wales:

Signature of officer

Full name of officer and office held

Signature of officer

Full name of officer and office held

Annexure A Scheme

(Same as Attachment "E" of this Scheme Booklet)

Annexure B Deed Poll

(Same as Attachment "D" of this Scheme Booklet)

Annexure C Announcement

KEYCORP LIMITED

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 www.Keycorp.net

KEYCORP ANNOUNCES: CASH OFFER FROM ARCHER CAPITAL**FOR IMMEDIATE RELEASE***Melbourne, 9 September 2010***Highlights:**

- Cash offer from Archer Capital for all Keycorp shares at \$0.58 per share (Value of \$0.60 cum the announced 2010 annual dividend).
- Proposed acquisition to be implemented via a Scheme of Arrangement requiring shareholder approval.
- Directors intend to vote in favour of the scheme
- Offer represents a substantial premium to both Keycorp's Enterprise Value and the Volume Weighted Average Price (VWAP).
- Scheme booklet to be issued to shareholders in due course.
- Shareholder meeting to be held in November 2010.

Keycorp Limited (ASX: KYC) has entered into a binding agreement with Archer Capital VCLP GF 1, LP ('Archer') for the proposed acquisition by an Archer wholly-owned subsidiary of all the shares in Keycorp.

Under the recommended offer, Keycorp shareholders will receive \$0.58 cash per share. This offer is over and above the \$0.02 per share dividend that was announced by the company on 27 August 2010.

The proposed acquisition will be implemented via a Scheme of Arrangement and is subject to a number of conditions, including Keycorp shareholder approval and court approval. The attachment to this announcement sets out the key terms of the scheme implementation agreement, executed between Keycorp and Archer on 8 September 2010.

Each Keycorp Director recommends that shareholders vote in favour of the scheme in the absence of a superior proposal and subject to the independent expert's report concluding the scheme is in the best interests of Keycorp shareholders. Subject to those same qualifications, each Director of Keycorp intends to vote in favour of the scheme with respect to their eligible individual shareholdings.

Archer is one of Australia's leading private equity investment houses with funds under management or advisement in excess of \$2 billion and has the longest track record of any leveraged buyout manager in Australia. Archer has a longstanding interest in the payments sector and is attracted to Keycorp's leading position in the Australian EFTPOS market, its high quality management team and its considerable potential for future organic and investment driven growth.

Archer will guarantee and indemnify Keycorp in respect of the obligations and liabilities of its subsidiary under each of the relevant transaction documents. The acquisition will be entirely funded by Archer from its Growth Fund 1.

The cash consideration of \$0.58 per Keycorp share represents a substantial premium of:

- 42% to the underlying Enterprise Value¹ of Keycorp of \$0.19 per share on 7 September 2010, representing the market capitalisation of Keycorp less net cash;
- 14.9% to the closing price of \$0.505 per share on 7 September 2010, being the last trading day prior to this announcement (an 18.8% premium, including the dividend payable);



- 14.4% to the three month volume weighted average price to 7 September 2010 of \$0.507 per share (an 18.3% premium, including the dividend payable).
- 20.8% to the 12 month volume weighted average price to 7 September 2010 of \$0.48 per share (a 25% premium, including the dividend payable).

Keycorp Chairman Robert Bishop said: “The Board believes that Keycorp’s next phase of growth is best executed in a private context by a well-capitalised and supportive investor such as Archer. The offer represents a very good opportunity for Keycorp shareholders to immediately realise the value of the various business actions implemented recently. The team at Keycorp has delivered solid results over the past two years, however, it needs to be acknowledged that the company’s recently stated earnings guidance and growth strategy, particularly via complementary acquisitions, is not without risk. As a Board, in the absence of a superior proposal and subject to the conclusions of the independent expert’s report, we are unanimously of the view that Archer’s proposal is in the best interests of all shareholders.”

Keycorp Chief Executive Officer Joe Bonin said: “Over the past eighteen months, we have examined numerous options to better address the requirements of significant business growth and preservation of shareholder value within the current capital structure. We believe Archer’s strong financial position and longer term view provides a more appropriate capital structure to support growth via acquisition that will benefit Keycorp’s customers, employees and partners more than is achievable under the current capital structure and small market capitalisation.”

Grant Thornton has been engaged to prepare an independent expert’s report and to provide an opinion as to whether the proposed transaction is in the best interests of Keycorp shareholders.

A scheme booklet with full details of the transaction, including the Independent Expert’s report, is expected to be dispatched to Keycorp shareholders in October 2010. The shareholder meeting to approve the scheme is expected to be held in November 2010. A more detailed timetable for the approval and implementation of the transaction, as well as voting procedures will be included in the scheme booklet.

Ironbark Corporate Advisory and SLM Corporate are acting as corporate advisors and Middleton’s Lawyers is acting as legal adviser to Keycorp.

Keycorp shareholders will also be able to receive information and ask questions on the proposed transaction through a dedicated information line accessed by calling 1800 648 622 (toll free for shareholders calling from within Australia) and +61 2 8256 3377 (for shareholders calling from overseas).

This information line will commence from 9.00am September 13, and will be updated as the transaction progresses.

ENDS

About Keycorp

Keycorp (ASX:KYC) is the largest provider specialising in servicing and maintaining EFTPOS and point-of-sale systems in end user premises throughout Australia. Services include installation, training and maintenance of payment systems including fully outsourced managed payment services. Keycorp also develops highly secure payments and transaction software and has the widest EMV installed base across multiple banks/acquirers and terminal types in Australia. The company has developed sophisticated call and asset management systems that enable the provision of fully integrated help desk services in support of our customers. For further information see: <http://www.Keycorp.net> or contact:

Mr Rob Bishop
Chairman
Keycorp Limited
Tel: + 61 3 9403 1777 or Fax: + 61 3 9403 1688

¹ Underlying Enterprise Value of the business is calculated as the \$0.505 share price on 7 September 2010 less \$0.315 per share in net cash (cash on hand less interest bearing liabilities) at 30 June 2010.



Scheme Implementation Agreement Summary

Summary

Keycorp Limited (**Keycorp**) and Archer Capital VCLP GF1, LP (**Archer**) have entered into a Scheme Implementation Agreement (Scheme Agreement). Under the Scheme Agreement, the bidder will be a wholly-owned subsidiary of Archer to be incorporated after the date of the Agreement (**Bidder**). The Bidder proposes to acquire all of the Scheme Shares for a cash consideration of A\$0.58 per Scheme Share. Archer has agreed to guarantee the obligations of the Bidder under the Scheme.

The Scheme Agreement sets out the obligations of Keycorp and Archer in relation to a scheme to be put to Keycorp Shareholders. A copy of the Scheme Agreement will be set out in the Scheme Booklet that is to be provided to Keycorp Shareholders prior to the Scheme Meeting. A summary of some of the key terms of the Scheme Agreement is set out below.

Conditions

Implementation of the Scheme is subject to a number of conditions precedent including the following:

- **Regulatory approvals:** ASIC and ASX issue or provide necessary approvals before the Second Court Date;
- **No restraining order:** there being no material legal restraint or prohibition preventing the Scheme in effect at 8:00am on the Second Court Date;
- **Shareholder approval:** a resolution of the Scheme Shareholders has been passed by the majorities required under section 411(4)(a)(ii) of the Corporations Act;
- **Court approval:** the Court approves the Scheme in accordance with section 411(4)(b) of the Corporations Act;
- **No Material Adverse Event, No Prescribed Occurrence:** no occurrence of a Keycorp Material Adverse or Keycorp Prescribed Occurrence between the date of the Scheme Agreement and 8:00am on the Second Court Date;
- **Warranties:** No Keycorp or Archer Warranty becomes materially incorrect before the Second Court Date;
- **Independent Expert's conclusion:** the Independent Expert provides the Independent Expert's Report to Keycorp's Board stating that in its opinion the Scheme is in the best interests of the Keycorp's Shareholders, and the Independent Expert does not change its conclusion or withdraw its report by notice in writing to Keycorp prior to 8.00am on the Second Court Date;
- **Employee options exercised or cancelled:** all existing options and performance rights held in respect of Keycorp shares have been exercised, cancelled or transferred; and
- **Customers:** by no later than 10 Business Days after the date of the Scheme Agreement, Archer has met with major customers as agreed with the Target and confirmed to Archer's satisfaction, acting reasonably, that the relationships are of good commercial standing and received a commitment from those customers to provide any consents required under their contracts to the implementation of the Scheme.

Indemnity

Archer indemnifies Keycorp against any loss suffered by Keycorp arising out of any failure of Archer to perform any obligation or pay any liability under any Transaction Document.



Termination

Archer may terminate the Scheme Agreement at any time before 8:00am on the Second Court Date by written notice to Keycorp if:

- there is an unremedied material breach of the Scheme Agreement by Keycorp including the breach of a representation or warranty made by Keycorp;
- a Keycorp Prescribed Occurrence and/or Keycorp Material Adverse Change has occurred after the date of the Scheme Agreement;
- a Competing Proposal is announced after the date of the Scheme Agreement and is recommended by the Keycorp Board; or
- a Competing Proposal is announced after the date of the Scheme Agreement which is superior to the Scheme which is not recommended by Keycorp and Archer announces an alternative proposal that matches or is superior to that Competing Proposal.

Keycorp may terminate the Scheme Agreement at any time before 8:00am on the Second Court Date by notice in writing to Archer if:

- there is an unremedied material breach of the Scheme Agreement by Archer including the breach of a representation or warranty made by Archer;
- an insolvency event occurs in relation to Archer; or
- the Keycorp Board recommends to Keycorp Shareholders any Superior Proposal.

The Scheme automatically terminates if it is not approved by the Court or Keycorp Shareholders.

Exclusivity

Keycorp has agreed to the following exclusivity arrangements:

- Keycorp must use its best endeavours to ensure that its Representatives do not, without the written consent of Archer, do any of the following:
 - (a) procure, invite, encourage, continue, initiate or solicit an offer, approach, negotiation or discussions with (whether directly or indirectly, formally or informally);
 - (b) enter into any contract, arrangement or understanding in whatever capacity with; or
 - (c) facilitate or allow any enquiries, evaluation or due diligence by,

any third party in relation to a Competing Proposal .
- Keycorp must notify Archer of:
 - (a) any approach, inquiry or proposal made to Keycorp or any of its Representatives, and any attempt on the part of any person to initiate or continue any negotiations or discussions with Keycorp in relation to a Competing Proposal; or
 - (b) any request for information relating to a Competing Proposal.
- The exclusivity provisions do not apply to the extent that they restrict Keycorp from taking or refusing to take any action with respect to a bona fide Competing Proposal (which was not solicited or invited by Keycorp and was not otherwise brought about as a result of any breach of the exclusivity provisions) provided that the Keycorp directors, acting in good faith (and based on written legal advice), have determined, that:
 - (a) the Competing Proposal is a Superior Proposal; and
 - (b) failing to respond or taking or refusing to take that action in respect of that Competing Proposal would be likely to involve



a breach of the fiduciary or statutory duties.

- Subject to Keycorp complying with its disclosure obligations at law, Keycorp agrees not to accept or recommend a Competing Proposal to its shareholders unless it has notified Archer of the terms of the Competing Proposal and has given Archer 72 hours after such notification to provide a matching or superior proposal (whether by way of scheme of arrangement or otherwise) to the relevant Competing Proposal.

Change of recommendation

Subject to the provisions in relation to "Termination" and "Exclusivity" above, and also the provisions regarding "Break Fee" below, the Keycorp Board may change its recommendation if:

- a Superior Proposal is made; and
- the Independent Expert does not conclude that the Scheme is in the best interests of Keycorp Shareholders.

Break Fee

A Break Fee of \$400,000 will be payable by Keycorp to Archer if:

- a Competing Proposal is recommended by Keycorp prior to the date of termination of the Scheme Agreement;
- a Competing Proposal is announced prior to the date of termination of the Scheme Agreement and within 1 year after the announcement the Competing Proposal is completed, provided that no Break Fee is payable if, at all times prior to the termination of the Scheme Agreement, the board of Keycorp did not recommend the Competing Proposal and actively defended the Competing Proposal;
- any member of the Keycorp Board fails to recommend the Scheme, withdraws their recommendation that Keycorp shareholders vote in favour of the Scheme, or makes a public statement indicating that they no longer support the Scheme (or that they support a Competing Proposal) in any case prior to the date of termination of the Scheme Agreement;
- Archer is entitled to terminate where there is an unremedied material breach of the Agreement by Keycorp, and terminates the Agreement; or
- a Keycorp Material Adverse Change or a Keycorp Prescribed Occurrence occurs (other than as a result of events outside the control of the Keycorp) and as a result either the applicable conditions precedent is not fulfilled or the Scheme Agreement is terminated by Archer.

Reverse Break Fee

Archer agrees to pay Keycorp a Break Fee of \$400,000 if Keycorp is entitled to terminate where there is an unremedied material breach of the Agreement by Archer, and terminates the Agreement.

Key Definitions

Announced Dividend

The final 2010 dividend of \$0.02 per Keycorp Share announced by Keycorp on 27 August 2010.

Competing Proposal

Competing Proposal means a proposed transaction or arrangement which would, if entered into or completed substantially in accordance with its terms, be inconsistent with the Scheme, or pursuant to which a person other than Archer would:

- directly or indirectly acquire, have a right to acquire or otherwise acquire an economic interest in, all or a substantial part of the business of the Keycorp Group;
- acquire a relevant interest in more than 20% of Keycorp Shares or



otherwise acquire control of Keycorp or the Keycorp Group within the meaning of section 50AA of the Corporations Act; or

- otherwise acquire or merge with Keycorp whether by way of takeover offer, scheme of arrangement, shareholder approved acquisition, capital reduction, share buy back, sale or purchase of assets, joint venture, reverse takeover, dual-listed company structure or other synthetic merger or any other transaction or arrangement.

Keycorp Material Adverse Change

A Keycorp Material Adverse Change will occur if one or more changes, events, occurrences or known matters which have, will have or will be reasonably likely to have:

- the effect of a diminution in the consolidated working capital (being current assets less current liabilities) of Keycorp and all its subsidiaries, taken as a whole (calculated on the basis of AIFRS and in the same manner as the Keycorp's financial statements as at 30 June 2010), of more than 10% as compared to that disclosed in Keycorp's audited financial statements as at 30 June 2010, adjusted for the Announced Dividends; or
- the effect of a diminution in the consolidated net assets of Keycorp and all its subsidiaries, taken as a whole (calculated on the basis of AIFRS and in the same manner as the Keycorp's financial statements as at 30 June 2010), of at least 10% as compared to that disclosed in the Keycorp's audited financial statements as at 30 June 2010, adjusted for payment of the Announced Dividends; or
- a diminution in the consolidated annual earnings before interest and tax (calculated on the basis of AIFRS and in the same manner as Keycorp's financial statements as at 30 June 2010), for the Financial Year ending 30 June 2011 of Keycorp and all its subsidiaries, taken as a whole, of at least \$500,000, as compared with Keycorp's position if the event had not occurred; or
- the result that Keycorp is unable to carry on its business in substantially the same manner as it is currently carried on or that its trading prospects or future value will be affected in a materially adverse manner,

other than:

- the execution of the Transaction Documents or announcement of the Scheme and the completion of the transaction contemplated by them; or
- an event, occurrence or change fairly disclosed in the Due Diligence Materials or in any announcement on ASX made by Keycorp prior to the parties entering into the Scheme Agreement.

Keycorp Prescribed Occurrence

Keycorp Prescribed Occurrence means :

- Keycorp converting all or any of its securities into a larger or smaller number of securities;
- Keycorp or a Subsidiary resolving to reduce its capital in any way;
- Keycorp or a Subsidiary:
 - (a) entering into a buy-back agreement; or
 - (b) Keycorp resolving to approve the terms of a buy-back agreement under subsection 257C(1) or 257D(1) of the Corporations Act;
- Keycorp or a Subsidiary issuing shares, or granting an option over its shares or agreeing to make such an issue or grant such an option, including under any existing employee share plans of Keycorp;



- Keycorp or a Subsidiary issuing, or agreeing to issue, convertible notes;
- Keycorp agreeing to pay, declaring or paying a dividend to its members (other than the Announced Dividends);
- Keycorp or a Subsidiary disposing, or agreeing to dispose, of the whole, or a substantial part, of its business or property;
- Keycorp acquiring any asset which exceeds the amount of \$1,000,000 without the prior written consent of Archer (which may not be unreasonably withheld);
- an application being made to court or a resolution being passed or an order is made for the winding up or dissolution of Keycorp or a Subsidiary;
- Keycorp or a Subsidiary proposing or taking any steps to implement a scheme of arrangement or other compromise or arrangement with its creditors or any class of them;
- a receiver, receiver and manager, liquidator, provisional liquidator, administrator, trustee or similar officer being appointed in respect of Keycorp or a Subsidiary or any of its assets;
- there being issued any material proceedings commenced against Keycorp and Keycorp has failed to have those proceedings withdrawn or dismissed prior to the Second Court Date (except for any litigation the commitments which have been fairly disclosed to Archer);
- Keycorp making any change to its constitution without Archer's consent; and
- the resignation of any agreed key employee or, except as required by law or otherwise permitted under the Scheme Agreement or with the prior written consent of Archer (which may not be unreasonably withheld), any member of the Keycorp Group with respect to a key employee:
 - (a) materially altering the terms of employment;
 - (b) paying retention payments; or
 - (c) terminating their employment.

Scheme	A scheme of arrangement under Part 5.1 of the Corporations Act between Keycorp and the Scheme Shareholders.
Superior Proposal	<p>Means a Competing Proposal which:</p> <ul style="list-style-type: none"> • in the determination of the Board acting in good faith is reasonably capable of being completed, taking into account both the nature of the Competing Proposal and the person or persons making it; and • in the determination of the Board acting in good faith and in order to satisfy what the Board considers to be its fiduciary or statutory duties would, if completed substantially in accordance with its terms, result in a transaction more favourable to the Shareholders than the transactions contemplated by this Agreement.
Transaction Documents	<p>Means the following documents:</p> <ul style="list-style-type: none"> • the Scheme Agreement; • the Scheme; and • the Deed Poll.



ANNEXURE D – DEED POLL

This Deed Poll is made on 15 October 2010

By Overland Transaction Services Pty Limited ACN 146 354 038 of Suite 7, Pier 2/3, 13 Hickson Road, Dawes Point NSW 2000 (**Bidder**)

Archer Capital VCLP GF 1, LP of Suite 7, Pier 2/3, 13 Hickson Road, Dawes Point NSW 2000 (**Guarantor**)

In favour

of Each holder of ordinary shares in Keycorp Ltd ABN 61 002 519 986 (**Target**) as at 7:00 pm on the Record Date, other than Excluded Shareholders (**Scheme Shareholders**)

Background

- A. Target is a public company incorporated in the State of New South Wales Australia, which is admitted to the official list of ASX.
- B. Target and Guarantor have entered into the Implementation Agreement.
- C. Target has agreed in the Implementation Agreement to propose a scheme of arrangement between Target and the holders of fully paid ordinary shares in Target (**Scheme**), the effect of which will be that Bidder acquires all of the Scheme Shares from Scheme Shareholders for the Scheme Consideration.
- D. Guarantor has agreed in the Implementation Agreement to guarantee the obligations of Bidder and to take certain other steps in relation to the implementation of the Scheme.
- E. If the Scheme becomes Effective, then, on the Implementation Date, Bidder will pay the Scheme Consideration to the Scheme Shareholders in accordance with the provisions of the Scheme and Bidder will acquire all of the Scheme Shares.
- F. Bidder is entering this Deed Poll for the purpose of covenanting in favour of the Scheme Shareholders to perform its obligations under the Implementation Agreement. Guarantor has entered into the Deed Poll for the purposes of covenanting in favour of the Scheme Shareholders to procure that Bidder performs its obligations under the Implementation Agreement.

Operative terms

1. Definitions and interpretation

1.1 Definitions

Other than as set out below, words and phrases used in this Deed Poll have the same meaning given to them in the Scheme.

Implementation Agreement means the Implementation Agreement dated 8 September 2010 between Target and Guarantor.

1.2 Interpretation

In this Deed Poll, unless the contrary intention appears or the context requires otherwise:

- (a) the singular includes the plural and vice versa;

- (b) each gender includes each other gender;
- (c) references to persons includes references to individuals, corporations, other bodies corporate, partnerships, joint ventures, unincorporated associations or bodies politic;
- (d) references to paragraphs or clauses are to a paragraph or clause of this Deed Poll;
- (e) a reference to a statute, regulation or agreement is to such a statute, regulation or agreement as from time to time amended;
- (f) a reference to a person includes a reference to a person's executors, administrators, successors, substitutes (including, without limitation, persons taking by novation) and permitted assigns;
- (g) a reference to a holder includes a joint holder;
- (h) if a time period is specified and dates from a given date or the day of an act or event, it is to be calculated exclusive of that day;
- (i) a reference to a day is to be interpreted as the period of time commencing at midnight and ending 24 hours later;
- (j) a reference to any time is a reference to that time in Victoria, Australia;
- (k) a reference to "A\$" is to the lawful currency of the Commonwealth of Australia;
- (l) a reference to a document is that document as varied, novated, ratified or replaced from time to time;
- (m) the interpretation of a substantive provision is not affected by any heading; and
- (n) "includes" in any form is not a word of limitation.

1.3 Business Day

Except where otherwise expressly provided, where the day on which any act, matter or thing is to be done is a day other than a Business Day, such act, matter or thing shall be done on the next Business Day.

1.4 Nature of Deed Poll

Bidder and Guarantor acknowledge that this Deed Poll may be relied on and enforced by any Scheme Shareholder in accordance with its terms even though the Scheme Shareholders are not party to this Deed Poll.

2. Conditions

2.1 Conditions

The obligations of Bidder and Guarantor under this Deed Poll are subject to the Scheme becoming Effective.

2.2 Termination

The obligations of Bidder and Guarantor under this Deed Poll to Scheme Shareholders will automatically terminate and the terms of this Deed Poll will be of no further force or effect if:

- (a) the Implementation Agreement is terminated in accordance with its terms; or

- (b) the Scheme is not Effective on or before the End Date,
unless Target, Bidder and Guarantor otherwise agree in writing.

2.3 Consequences of termination

If this Deed Poll is terminated under clause 2.2, in addition and without prejudice to any other rights, powers or remedies available:

- (a) both Bidder and Guarantor are released from their obligations to further perform this Deed Poll except those obligations under clause 6.1; and
- (b) Scheme Shareholders retain the rights they have against Bidder and Guarantor in respect of any breach of this Deed Poll which occurred before it was terminated.

3. Payment of Scheme Consideration

3.1 Generally

Guarantor must comply with its obligations under the Implementation Agreement and Bidder and Guarantor must do all things necessary or expedient to implement the Scheme.

3.2 Payment obligations

- (a) Subject to clause 2, in consideration for the transfer to Bidder of all of the Scheme Shares in accordance with the terms of the Scheme, Bidder undertakes in favour of each Scheme Shareholder to provide or procure the provision of the Scheme Consideration to each Scheme Shareholder in accordance with the terms of the Scheme.
- (b) Guarantor guarantees to each Scheme Shareholder, the due and punctual performance of the obligation of Bidder under clause 3.2(a) and must on demand by any Scheme Shareholder perform such obligation if Bidder fails to do so in accordance with the terms of the Scheme.

3.3 Payment of Scheme Consideration

- (a) The obligation of Bidder to provide the Scheme Consideration will be satisfied by Bidder on the Business Day prior to the Implementation Date, depositing an amount equal to the aggregate amount of the Scheme Consideration payable to all Scheme Shareholders (as determined under the Scheme), in cleared funds in an Australian dollar denominated trust account in the name of Target (**Trust Account**), such amount to be held by Target (**Trustee**) on trust for the Scheme Shareholders, except that any interest on the amount deposited (less bank fees and other charges) shall be to the account of Bidder.
- (b) On the Implementation Date Bidder must duly execute the Scheme Transfer and deliver it to Target for registration.

3.4 Joint Holders

In the case of joint holders of Scheme Shares the Scheme Consideration must be paid to the holder whose name appears first in the Target Share Register as at 7:00 pm on the Record Date.

4. Warranties

4.1 Bidder warranties

Bidder represents and warrants that:

- (a) it is a corporation validly existing under the laws of its place of registration;
- (b) it has the corporate power to enter into and perform its obligations under this Deed Poll and to carry out the transactions contemplated by this Deed Poll;
- (c) it has taken all necessary corporate action to authorise its entry into this Deed Poll and has taken or will take all necessary corporate action to authorise the performance of this Deed Poll and to carry out the transactions contemplated by this Deed Poll; and
- (d) this Deed Poll is valid and binding on it.

4.2 Guarantor warranties

Guarantor represents and warrants that:

- (a) it has taken all necessary corporate action to authorise its entry into this Deed Poll and has taken or will take all necessary corporate action to authorise the performance of this Deed Poll and to carry out the transactions contemplated by this Deed Poll; and
- (b) this Deed Poll is valid and binding on it.

5. Continuing obligations

This Deed Poll is irrevocable and remains in full force and effect until:

- (a) Bidder and Guarantor have fully performed their obligations under this Deed Poll; or
- (b) the earlier termination of this Deed Poll under clause 2.

6. General

6.1 Stamp duty

Bidder will:

- (a) pay or procure the payment of all stamp duties and any related fines and penalties in respect of this Deed Poll or any instrument executed under this Deed Poll including the transfer of the Scheme Shares under the Scheme to the Bidder; and
- (b) indemnify each Scheme Shareholder against any liability arising from failure to comply with clause 6.1(a).

6.2 Notices

Each communication (including each notice, consent, approval, request and demand) under or in connection with this Deed Poll:

- (a) may be given by personal service, post, facsimile or email;

- (b) must be in writing;
- (c) must be addressed as follows (or as otherwise notified by that party to each other party from time to time):
 - (i) if to Bidder: Overland Transaction Services Pty Limited
 - Address: Suite 7, Pier 2/3, 13 Hickson Road, Dawes Point NSW 2000
 - Fax number: +61 2 9241 3151
 - Email address: tspencer@archercapital.com.au
 - For the attention of: Timothy Spencer
 - (ii) if to Guarantor: Archer Capital VCLP GF 1, LP
 - Address: Suite 7, Pier 2/3, 13 Hickson Road, Dawes Point NSW 2000
 - Fax number: +61 2 9241 3151
 - Email address: tspencer@archercapital.com.au
 - For the attention of: Timothy Spencer
- (d) (in the case of personal service, post or facsimile) must be signed by the party making it or (on that party's behalf) by the solicitor for, or any attorney, director, secretary or authorised agent of, that party;
- (e) (in the case of email) must be in pdf or other format that is a scanned image of the original of the communication, including a handwritten signature, and be attached to an email that states that the attachment is a communication under this Deed Poll; and
- (f) must be delivered by hand or posted by prepaid post to the address, sent by fax to the number, or sent by email to the email address, of the addressee, in accordance with this clause 6.2(c).

Each communication (including each notice, consent, approval, request and demand) under or in connection with this Deed Poll is taken to be received by the addressee:

- (g) (in the case of prepaid post sent to an address in the same country) on the third day after the date of posting;
- (h) (in the case of prepaid post sent to an address in another country) on the fifth day after the date of posting by airmail;
- (i) (in the case of fax) at the time in the place to which it is sent equivalent to the time shown on the transmission confirmation report produced by the fax machine from which it was sent;
- (j) (in the case of delivery by hand) on delivery; and
- (k) (in the case of email) unless the party sending the email knows or reasonably ought to suspect that the email and the attached communication were not delivered to the addressee's domain specified in the email address notified for the purposes of this clause 6.2(c) 24 hours after the email was sent,

but if the communication would otherwise be taken to be received on a day that is not a Business Day or after 5.00 pm, it is taken to be received at 9.00 am on the next Business Day.

6.3 Governing law and jurisdiction

This Deed Poll is governed by the laws of Victoria. Bidder and Guarantor irrevocably submit to the non-exclusive jurisdiction of the courts of Victoria.

6.4 Waiver

If a Scheme Shareholder does not exercise a right arising from a breach of this Deed Poll at a given time, it may, unless it has waived that right in writing, exercise the right at a later point in time. A single or partial exercise of any right, power or remedy does not preclude any other exercise of that or any other right, power or remedy.

6.5 Variation

A provision of this Deed Poll may not be varied unless the variation is agreed to by Target in writing (which agreement Target may give or withhold in its absolute discretion and without reference to or approval by a Scheme Shareholder) and the Court indicates that the amendment would not of itself preclude approval of the Scheme, in which event Bidder and Guarantor will enter into a further Deed Poll in favour of the Scheme Shareholders giving effect to the variation.

6.6 Cumulative rights

The rights, powers and remedies of Bidder, Guarantor and the Scheme Shareholders under this Deed Poll are cumulative and in addition to, and do not exclude any other rights, powers or remedies provided by agreement or law independently of this Deed Poll.

6.7 Assignment

The rights of each Scheme Shareholder under this Deed Poll are personal and must not be assigned or otherwise dealt with at law or in equity without the prior written consent of Bidder, Guarantor and Target.

6.8 Severability

If the whole or any part of a provision of this Deed Poll is void, unenforceable or illegal in a jurisdiction it is severed for that jurisdiction. The remainder of this Deed Poll has full force and effect and the validity or enforceability of that provision in any other jurisdiction is not affected. This clause 6.8 has no effect if the severance alters the basic nature of this Deed Poll or is contrary to public policy.

6.9 Further Assurances

Bidder and Guarantor will do all things and execute all deeds, instruments, transfers and other documents as may be necessary or desirable to give full effect to the provisions of this Deed Poll and the transactions contemplated by it.

Executed as a deed poll in New South Wales

Signed, sealed and delivered by)
Overland Transaction Services Pty)
Limited by the party's attorney)
pursuant to power of attorney dated 15)
October 2010 who states that no notice)
of revocation of the power of attorney)
has been received in the presence of:)
)

.....
[Signed] (Witness)

Alistair Newmarch
Name (Witness)

.....
[Signed] (Attorney)

Adam Foster
Name (Attorney)

Signed, sealed and delivered by)
Archer Capital VCLP GF 1, LP by its)
general partner Archer VCMP GF 1,)
LP by its general partner GP-VCMP)
GF1 Pty Ltd by the party's attorney)
pursuant to power of attorney dated 14)
September 2010 who states that no)
notice of revocation of the power of)
attorney has been received in the)
presence of:)

.....
[Signed] (Witness)

Alistair Newmarch
Name (Witness)

.....
[Signed] (Attorney)

Scott Greck
Name (Attorney)

ANNEXURE E – SCHEME OF ARRANGEMENT

Scheme of Arrangement made under section 411 of the Corporations Act 2001 (Commonwealth)

Parties **Keycorp Ltd** ABN 61 002 519 986 of 40-42 Montefiore Street, Fairfield, VIC 3078 (**Target**)

The holders of fully paid ordinary shares in the capital of Target as at the Record Date

Recitals

- A. Target is a public company incorporated in the State of New South Wales, Australia which is admitted to the official list of ASX.
- B. Target and Guarantor have entered into the Implementation Agreement.
- C. Target has agreed in the Implementation Agreement to propose a scheme of arrangement between Target and the holders of fully paid ordinary shares in Target (**Scheme**), the effect of which will be that Bidder acquires all of the Scheme Shares from Scheme Shareholders for the Scheme Consideration.
- D. Guarantor has agreed in the Implementation Agreement to guarantee the obligations of Bidder and to take certain other steps in relation to the implementation of the Scheme.
- E. If the Scheme becomes Effective, then, on the Implementation Date, Bidder will pay the Scheme Consideration to the Scheme Shareholders in accordance with the provisions of the Scheme and Bidder will acquire all of the Scheme Shares.
- F. Bidder has entered into the Deed Poll for the purpose of covenanting in favour of the Scheme Shareholders to perform its obligations under the Implementation Agreement. Guarantor has entered into the Deed Poll for the purposes of covenanting in favour of the Scheme Shareholders to procure that Bidder performs its obligations under the Implementation Agreement.

1. Definitions and interpretation

1.1 Definitions

In this document, unless the contrary intention appears or the context requires otherwise:

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited ABN 98 008 624 691, and where the context requires, the market operated by ASX Limited.

Bidder means Overland Transaction Services Pty Limited ACN 146 354 038.

Business Day means a day that is not a Saturday, Sunday or public holiday and on which banks are open for business generally in Victoria, Australia.

CHESS means the clearing house electronic sub-register system of share transfers operated by ASX Settlement and Transfer Corporation Pty Limited.

Corporations Act means the *Corporations Act 2001* (Cth).

Court means the Supreme Court of Victoria, Australia or such other court of competent jurisdiction as Target and Bidder agree in writing.

Deed Poll means the deed poll executed by Bidder and Guarantor on 15 October 2010 in favour of each Scheme Shareholder.

Effective means, when used in relation to the Scheme, the coming into effect, pursuant to section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) of the Corporations Act in relation to the Scheme.

Effective Date means the date on which the Scheme becomes Effective.

End Date means 31 January 2011 or such other date as agreed in writing between Target and Bidder.

Excluded Shareholder means Bidder and its Related Entities (if they hold Target Shares) and any person who holds Target Shares on behalf of, or for the benefit of, Bidder or any of its Related Entities.

GST has the meaning given to that term in the *A New Tax System (Goods & Services Tax) Act 1999* (Cth).

Guarantor means Archer Capital VCLP GF 1, LP.

Implementation Agreement means the Implementation Agreement dated 8 September 2010 between Target and Guarantor.

Implementation Date means the date which is 3 Business Days after the Record Date or such other date as ordered by the Court or agreed between Target and Bidder.

Record Date means the date which is 5 Business Days after the Effective Date.

Related Entity of a corporation means:

- (a) a related body corporate of that corporation within the meaning of section 50 of the Corporations Act; and
- (b) a trustee of any unit trust in relation to which that corporation, or a corporation referred to in paragraph (a), directly or indirectly:
 - (i) controls the right to appoint the trustee;
 - (ii) is in a position to control the casting of, more than one half of the maximum number of votes that might be cast at a meeting of holders of units in the trust; or
 - (iii) holds or is in a position to control the disposal of more than one half of the issued units of the trust.

Scheme means the scheme of arrangement under Part 5.1 of the Corporations Act between Target and Target Shareholders (other than Excluded Shareholders) as set out in this document, subject to any alterations or conditions made or required by the Court pursuant to section 411(6) of the Corporations Act and approved in writing by Target, Bidder and Guarantor.

Scheme Consideration means the amount of A\$0.58 cash in respect of each Scheme Share.

Scheme Share means a Target Share on issue and held by a Scheme Shareholder as at 7:00 pm on the Record Date.

Scheme Shareholder means each Target Shareholder as at 7:00 pm on the Record Date other than the Excluded Shareholders.

Scheme Transfer means for each Scheme Shareholder, a duly completed and executed instrument of transfer of the Scheme Shares for the purposes of section 1071B of the Corporations Act, which may be a master transfer of all the Scheme Shares.

Second Court Date means the first day of hearing of an application made to the Court for an order pursuant to section 411(4)(b) of the Corporations Act approving the Scheme or, if the hearing of such application is adjourned for any reason, means the first day of the adjourned hearing.

Target Constitution means the constitution of Keycorp Limited as amended from time to time.

Target Shareholder means a person who is registered in the Target Share Register as a holder of Target Shares.

Target Shares means fully paid ordinary shares in the capital of Target.

Target Share Register means the register of Target maintained by or on behalf of Target in accordance with section 168(1) of the Corporations Act.

Target Share Registry means Computershare Investor Services Pty Limited of Level 3, 60 Carrington Street, Sydney, Australia, 2000.

Trust Account has the meaning given in clause 3.4(a).

and any other capitalised term used in this document and not otherwise defined has the meaning given to that term in the Implementation Agreement.

1.2 Interpretation

In this document, unless the contrary intention appears or the context requires otherwise:

- (a) the singular includes the plural and vice versa;
- (b) each gender includes each other gender;
- (c) references to persons includes references to individuals, corporations, other bodies corporate, partnerships, joint ventures, unincorporated associations or bodies politic;
- (d) references to paragraphs or clauses are to a paragraph or clause of this document;
- (e) a reference to a statute, regulation or agreement is to such a statute, regulation or agreement as from time to time amended;
- (f) a reference to a person includes a reference to a person's executors, administrators, successors, substitutes (including, without limitation, persons taking by novation) and permitted assigns;
- (g) a reference to a holder includes a joint holder;
- (h) if a time period is specified and dates from a given date or the day of an act or event, it is to be calculated exclusive of that day;

- (i) a reference to a day is to be interpreted as the period of time commencing at midnight and ending 24 hours later;
- (j) a reference to any time is a reference to that time in Victoria, Australia;
- (k) a reference to "A\$" is to the lawful currency of the Commonwealth of Australia;
- (l) a reference to a document is that document as varied, novated, ratified or replaced from time to time;
- (m) the interpretation of a substantive provision is not affected by any heading; and
- (n) "includes" in any form is not a word of limitation.

1.3 Business Day

Except where otherwise expressly provided, where the day on which any act, matter or thing is to be done is a day other than a Business Day, such act, matter or thing shall be done on the next Business Day.

2. Conditions

2.1 Conditions precedent to the Scheme

The Scheme is conditional upon satisfaction of each of the following conditions precedent and the provisions of clauses 3, 4, 5 and 6 will not come into effect unless and until each of those conditions has been satisfied:

- (a) as at 8.00 am on the Second Court Date each of the conditions precedent set out in clause 3.1 of the Implementation Agreement (other than the condition relating to the approval of the Court set out in clause 3.1(h) of the Implementation Agreement) has been satisfied or waived in accordance with clause 3.5 of the Implementation Agreement;
- (b) as at 8.00 am on the Second Court Date the Implementation Agreement has not been terminated;
- (c) the Court has approved this Scheme for the purposes of section 411(4)(b) of the Corporations Act with or without modification;
- (d) such other conditions made or required by the Court under section 411(6) of the Corporations Act in relation to the Scheme as are acceptable to Target and Bidder have been satisfied; and
- (e) the coming into effect, pursuant to section 411(10) of the Corporations Act, of the orders of the Court made under section 411(4)(b) of the Corporations Act (and, if applicable section 411(6) of the Corporations Act) in relation to the Scheme.

2.2 Certificates in relation to conditions

On the Second Court Date:

- (a) Target must provide to the Court a certificate confirming:
 - (i) whether or not as at 8.00 am on the Second Court Date the conditions precedents set out in clauses 3.1(c), 3.1(d), 3.1(e), 3.1(f), 3.1(i) and 3.1(j)

of the Implementation Agreement have been satisfied or waived in accordance with clause 3.5 of the Implementation Agreement; and

- (ii) to the best of Target's knowledge whether the conditions precedent set out in clauses 3.1(a) and 3.1(b) have been satisfied or waived in accordance with clause 3.5 of the Implementation Agreement.
- (b) Target must procure that Bidder provides to the Court a certificate confirming:
- (i) whether or not as at 8.00 am on the Second Court Date the conditions precedent set out in clauses 3.1(g) and 3.1(k) of the Implementation Agreement have been satisfied or waived in accordance with clause 3.5 of the Implementation Agreement; and
 - (ii) to the best of Bidder's knowledge whether the conditions precedent set out in clauses 3.1(a) and 3.1(b) have been satisfied or waived in accordance with clause 3.5 of the Implementation Agreement.

2.3 Termination of Implementation Agreement

Without limiting any rights under the Implementation Agreement, including in respect of any prior breach of the Implementation Agreement, in the event that the Implementation Agreement is terminated in accordance with its terms before 8.00am on the Second Court Date, Target, Bidder and Guarantor are each released from:

- (a) any further obligation to take steps to implement the Scheme; and
- (b) any liability with respect to the Scheme.

3. Scheme

3.1 Lodgement of Court order

As soon as practicable following approval of this Scheme by the Court in accordance with section 411(4)(b) of the Corporations Act, and in any event by no later than 10.00am on the Business Day following the date of the Court approval, Target will lodge with ASIC an office copy of the Court order under section 411(10) of the Corporations Act approving this Scheme.

3.2 Effective Date of the Scheme

Subject to the making of an order of the Court under section 411(4)(b) of the Corporations Act in relation to the Scheme, the Scheme will take effect on and from the Effective Date.

3.3 End Date

The Scheme will lapse and be of no further force or effect if the Effective Date has not occurred on or before the End Date or such later date as the Court approves with the consent of Target and Bidder.

3.4 Payment of Scheme Consideration

- (a) On the Business Day prior to the Implementation Date Bidder must, in accordance with the Deed Poll, deposit in cleared funds into an Australian dollar denominated trust account in the name of Target (**Trust Account**) an amount equal to the aggregate Scheme Consideration payable to all Scheme Shareholders, such amount to be held by Target (**Trustee**) on trust for the Scheme Shareholders (except that

any interest on the amount less bank fees and other charges will be for the account of Bidder).

- (b) On the Implementation Date and subject to Bidder having complied with clause 3.4(a), Target must pay or procure the payment of the Scheme Consideration to each Scheme Shareholder from the Trust Account.
- (c) The obligations of Target under clause 3.4(b) shall be satisfied by Target taking the following actions on the Implementation Date:
 - (i) dispatching or procuring the dispatch to each Scheme Shareholder by pre-paid post to his or her address recorded in the Target Share Register as at 7:00 pm on the Record Date, a cheque for the Scheme Consideration, such cheque being drawn in the name of the Scheme Shareholder (or in the case of joint holders, in accordance with the procedure set out in clause 3.4(d)); or
 - (ii) making a deposit in an account with any ADI (as defined in the *Banking Act 1959* (Cth)) in Australia notified by the Scheme Shareholder at the Record Date (including any account notified by the Scheme Shareholder for the purposes of payment of dividends),

for the amount due to that Scheme Shareholder as determined in accordance with the Scheme.

- (d) In the case of joint holders of Scheme Shares, the Scheme Consideration must be paid to the holder whose name appears first in the Target Share Register as at 7:00 pm on the Record Date.
- (e) To the extent that there is a surplus in the amount held by the Trustee in the Trust Account, that surplus must be paid by the Trustee to Bidder following the satisfaction of the Trustee's obligations under clause 3.4.

3.5 Transfer of Scheme Shares

- (a) On the Implementation Date, in consideration for and subject to Bidder depositing the Scheme Consideration into the Trust Account in accordance with clause 3.4(a), Target must effect the transfer of the Scheme Shares, together with all rights and entitlements attaching to them as at the Implementation Date, to Bidder by:
 - (i) Target delivering to Bidder the Scheme Transfer to transfer all Scheme Shares to Bidder, without the need for any further act by any Scheme Shareholders; and
 - (ii) Bidder duly executing the Scheme Transfer and delivering it to Target for registration.
- (b) Immediately after receipt of the Scheme Transfer from Bidder, pursuant to clause 3.5(a)(ii) Target will enter the name of Bidder in the Target Share Register in respect of the Scheme Shares subject to the Scheme Transfer.

4. Dealings in Target Shares

4.1 Dealings in Target Shares by Scheme Shareholders

For the purposes of establishing who are Scheme Shareholders, dealings in Target Shares will be recognised by Target provided that:

- (a) in the case of dealings of the type to be effected on CHESS, the transferee is registered in the Target Share Register as the holder of the relevant Target Shares by 7:00 pm on the Record Date; or
- (b) in all other cases, registrable transfers or transmission applications in respect of those dealings are received at the place where the Target Share Register is kept on or before 7:00 pm on the Record Date,

and Target will not accept for registration, or recognise for any purpose, any transmission application or transfer in respect of Target Shares received after 7:00 pm on Record Date, other than a transfer to Bidder in accordance with the Scheme and any subsequent transfer by Bidder, or its successors in title.

4.2 Target Share Register

Target will, until the Scheme Consideration has been paid, maintain the Target Share Register in accordance with the provisions of this clause 4 and the Target Share Register in this form will solely determine entitlements to the Scheme Consideration.

4.3 Information to be made available to Bidder

Target must procure that as soon as practicable following the Record Date details of the names, registered addresses and holdings of Target Shares of every Scheme Shareholder shown in the Target Share Register as at 7:00 pm on the Record Date are made available to Bidder in such form as Bidder may reasonably require.

4.4 Effect of Share certificates and holding statements

As from the Record Date, all share certificates and holding statements for the Scheme Shares will cease to have effect as documents of title, and each entry on the Target Share Register at that date will cease to have any effect other than as evidence of entitlement to the Scheme Consideration.

4.5 No disposals after Record Date

If the Scheme becomes Effective, a Scheme Shareholder, and any person claiming through that Scheme Shareholder, must not dispose of or purport to agree to dispose of any Scheme Shares or any interest in them after the Record Date and any such disposal will be void and of no legal effect whatsoever.

5. Suspension and termination of quotation

Target must:

- (a) apply to ASX for suspension of the Target Shares from official quotation on ASX with effect from the Business Day following the Effective Date; and

- (b) apply to ASX for termination of official quotation of the Target Shares on ASX with effect from a date following the Implementation Date to be determined by Bidder.

6. General Scheme provisions

6.1 Appointment of agent and attorney

- (a) Each Scheme Shareholder, without the need for any further act, irrevocably appoints Target as its agent and attorney for the purpose of:
- (i) executing any document or doing any other act necessary to give effect to the terms of the Scheme including, without limitation, the execution of the share transfer(s) to be delivered under clause 3.5(a) and the giving of the Scheme Shareholders' consent under clause 6.4; and
 - (ii) enforcing the Deed Poll against Guarantor and Bidder,
- and Target accepts such appointment.
- (b) Target, as agent of each Scheme Shareholder, may sub-delegate its functions under this clause 6.1 to all or any of its directors and secretaries (jointly and severally).

6.2 Appointment of sole proxy

On the Scheme becoming Effective and until Target registers or procures the registration of, Bidder as the holder of all Scheme Shares in the Target Share Register, each Scheme Shareholder:

- (a) is deemed to have irrevocably appointed Bidder as attorney and agent (and directed Bidder in such capacity) to appoint an officer or agent nominated by Bidder as its sole proxy and, where applicable, corporate representative to attend shareholders' meetings, exercise the votes attaching to the Scheme Shares registered in its name and sign any shareholders' resolutions, whether in person, by proxy or by corporate representative (other than as pursuant to this clause 6.2(a)); and
- (b) must take all other actions in the capacity of a registered holder of Scheme Shares as Bidder reasonably directs.

6.3 Enforcement of Deed Poll

Target undertakes in favour of each Scheme Shareholder that it will enforce the Deed Poll against Guarantor and Bidder on behalf of and as agent and attorney for the Scheme Shareholders.

6.4 Scheme Shareholders' consent

The Scheme Shareholders consent to Target, Guarantor and Bidder doing all things necessary, incidental or expedient to the implementation and performance of the Scheme and acknowledge that the Scheme binds Target and all of the Target Shareholders from time to time (including those who do not attend the meeting of Target Shareholders to approve the Scheme, do not vote at that meeting or vote against the Scheme).

6.5 Agreement by Scheme Shareholders

The Scheme Shareholders agree to the transfer of their Scheme Shares to Bidder in accordance with the terms of the Scheme and agree to the variation, cancellation or modification of the rights attached to their Scheme Shares constituted by or resulting from the Scheme.

6.6 Warranty by Scheme Shareholders

The Scheme Shareholders are deemed to have warranted to Bidder that all their Scheme Shares (including any rights attaching to those shares) which are transferred to Bidder under the Scheme will, at the date of the transfer of them to Bidder, be fully paid and free from all mortgages, charges, liens, encumbrances and interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind, and that they have full power and capacity to sell and to transfer their Scheme Shares together with any rights attaching to such shares. Target undertakes in favour of each Scheme Shareholder that it will provide such warranty to Bidder on behalf of the Scheme Shareholder.

6.7 Title to Scheme Shares

From the time of the provision of the Scheme Consideration to the Scheme Shareholders, Bidder shall be beneficially entitled to the Scheme Shares (together with all rights and entitlements attached to the Scheme Shares) to be transferred to it under the Scheme pending registration by Target of Bidder in the Target Share Register as the holder of the Scheme Shares.

6.8 Amendments to the Scheme

If the Court proposes to approve the Scheme subject to any alterations or conditions, Target may, by its counsel, and with the consent of Bidder and Guarantor, consent to those alterations or conditions on behalf of all persons concerned, including a Scheme Shareholder.

6.9 Notices

Where a notice, transfer, transmission application, direction or other communication referred to in the Scheme is sent by post to Target, it shall not be deemed to be received in the ordinary course of post or on a date other than the date (if any) on which it is actually received at Target's registered office or at the Target Share Registry.

6.10 Inconsistencies

To the extent of inconsistency between the Scheme and the Target Constitution, the Scheme overrides the Target Constitution and binds Target and all Target Shareholders.

6.11 Further assurance

Target will execute all deeds and other documents and do all acts and things (on its own behalf and on behalf of each Target Shareholder) as may be necessary or expedient for the implementation and performance of the Scheme and will, on behalf of Scheme Shareholders, procure Guarantor and Bidder to execute all documents and do all acts and things necessary or desirable for the implementation and performance of the steps attributed to Bidder or Guarantor under the Scheme.

6.12 GST

Target must pay to the Scheme Shareholders an amount equal to any GST for which the Scheme Shareholders are liable on any supply by the Scheme Shareholders under or in connection with the Scheme, without deduction or set off of any other amount.

6.13 Stamp Duty

Bidder will pay any stamp duty payable on the transfer by the Scheme Shareholders of the Scheme Shares to Bidder.

7. Governing law

This Scheme is governed by the laws of the State of Victoria, Australia.

ANNEXURE F – NOTICE OF SCHEME MEETING

NOTICE OF SCHEME MEETING

Keycorp Limited

ACN 002 519 986

Notice is given that by an order of the Supreme Court of Victoria made on 15 October 2010 pursuant to section 411(1) of the *Corporations Act 2001 (Cth)* (**Corporations Act**) a meeting of the holders of ordinary shares in Keycorp Limited ACN 002 519 986 (**Company**) will be held at Middletons, Level 25, South Tower, 525 Collins Street, Melbourne on 19 November 2010 at 11.00am (AEDST) (**Scheme Meeting**).

PURPOSE OF MEETING

The purpose of the Scheme Meeting is to consider and, if thought fit, to agree to a scheme of arrangement (with or without modification) to be made between the Company and the Company's ordinary shareholders to effect the acquisition of 100% of the issued shares of the Company by Overland Transaction Services Pty Limited ACN 146 354 038 (**Overland**).

BUSINESS OF THE MEETING

Resolution – Approval of the Scheme of Arrangement

To consider, and if thought fit, to pass the following Resolution in accordance with section 411(4)(a)(ii) of the Corporations Act:

“That, pursuant to and in accordance with section 411 of the Corporations Act, the Scheme of Arrangement, the terms of which are contained and more particularly described in the Scheme Booklet (of which this Notice of Scheme Meeting forms part) is approved, with or without modification as approved by the Supreme Court of Victoria.”

By order of the Board

Company Secretary

15 October 2010

EXPLANATORY NOTES

These notes should be read in conjunction with this Notice of Scheme Meeting.

1. Terminology

Capitalised terms which are defined in the constitution of Keycorp Limited ACN 002 519 986 (**Keycorp**) or in the Scheme Booklet which accompanies this Notice of Scheme Meeting have the same meaning when used in this Notice (including these notes) unless the context requires otherwise.

2. Quorum

The constitution of Keycorp provides that the quorum for a meeting of Keycorp members is 3 members (in person or by proxy, attorney or representative).

3. Chairman

The Court has directed that Robert Bishop act as Chairman of the Scheme Meeting or, failing him, Michael Ibrahim.

4. Voting intentions

The Directors of the Company unanimously recommend that, in the absence of a Superior Proposal, you vote in favour of the Scheme at the Scheme Meeting. Each Director who holds Keycorp Shares, or on whose behalf Keycorp Shares are held, intends to vote in favour of the Scheme at the Scheme Meeting, in the absence of a Superior Proposal.

5. Majority required

In accordance with section 411(4)(a)(ii) of the Corporations Act, for the Scheme of Arrangement to become effective the Resolution contained in this Notice of Scheme Meeting must be passed by:

- (a) a majority in number (more than 50%) of Keycorp Shareholders present and voting (whether in person, by proxy, by attorney or by corporate representative) at the Scheme Meeting; and
- (b) at least 75% of the total number of Keycorp Shares voted at the Scheme Meeting (whether in person, by proxy, by attorney or by corporate representative).

6. Court approval

In accordance with section 411(4)(b) of the Corporations Act, to become effective, the Scheme of Arrangement must be approved by an order of the Supreme Court of Victoria. If the Resolution contained in this Notice of Scheme Meeting is approved at the Scheme Meeting by the requisite majorities and the conditions precedent in the Scheme of Arrangement are satisfied or waived, the Company will apply to the Court for the necessary orders to give effect to the Scheme of Arrangement.

7. Entitlement to vote

The Court has ordered that, for the purposes of the Scheme Meeting, Keycorp Shares will be taken to be held by the persons who are registered as Keycorp Shareholders at 11.00am (AEDST) on 17 November 2010. Accordingly, registrable transmission applications or transfers registered after this time will be disregarded in determining entitlements to vote at the Scheme Meeting.

8. Voting at the meeting

You may vote in person at the Scheme Meeting or appoint a proxy, attorney or corporate representative to attend and vote for you.

(a) Jointly held Keycorp Shares

If more than one shareholder votes in respect of jointly held Keycorp Shares, only the vote of the shareholder whose name appears first in the Keycorp Share Register will be counted whether the vote is given personally, by attorney or proxy.

(b) Voting in person

To vote in person at the Scheme Meeting, you must attend the Scheme Meeting to be held at Middletons, Level 25, South Tower, 525 Collins Street, Melbourne on 19 November 2010 at 11.00am (AEDST).

(c) Voting by proxy

You can appoint a proxy to attend and vote on your behalf at the Scheme Meeting using the personalised Proxy Form that accompanies this Scheme Booklet. A proxy need not be a Keycorp Shareholder and may be an individual or a body corporate. If you are entitled to cast two or more votes you may appoint two proxies to attend and vote for you at the Scheme Meeting. If two proxies are appointed, each proxy may be appointed to exercise a specified number or proportion of your votes. If no such number or proportion is specified, each proxy may exercise half your votes.

If you do not instruct your proxy on how to vote, your proxy may vote as they see fit at the Scheme Meeting.

A proxy will be admitted to the Scheme Meeting upon providing at the point of entry to the Scheme Meeting written evidence of their identity.

If you wish to appoint a proxy in respect of the Scheme Meeting, you are requested to complete and sign the Proxy Form in accordance with the instructions set out in the Proxy Form so that it (together with the original or a certified copy of any authority under which it was executed) is received at the Company's Share registry, **Computershare Investor Services Pty Ltd:**

- (i) by mail or in person at Computershare Investor Services Pty Ltd, Level 4, 60 Carrington Street, Sydney, NSW, Australia or Yarra Falls, 452 Johnson Street, Abbotsford Street, Vic 3067;
- (ii) by successful facsimile transmission to +61 3 9473 2500; or
- (iii) by email as described at Note 8(g) below,

in either case received no later than 11.00am (AEDST) on 17 November 2010 (or, if the Scheme Meeting is adjourned or postponed, no later than 48 hours before the resumption of the Scheme Meeting in relation to the resumed part of the Scheme Meeting). Any revocations of proxies must be received prior to the commencement of the Scheme Meeting.

If a proxy appointment is signed by a Keycorp Shareholder but does not name the proxy or proxies in whose favour it is given, the Chairman will act as proxy.

(d) Undirected proxies

Proxy appointments in favour of the Chairman of the Scheme Meeting, the Company Secretary or any Keycorp Director which do not contain a direction will be voted in support of the Scheme at the Scheme Meeting (in the absence of a superior proposal for all Keycorp Shares prior to the Scheme Meeting).

(e) Voting by attorney

If you wish to appoint an attorney to attend and vote at the Scheme Meeting the original or a certified copy of the power of attorney under which the attorney has been appointed must be received by the Keycorp Share Registry no later than 11.00am (AEDST) on 17 November 2010 (or if the Scheme Meeting is adjourned or postponed, no later than 48 hours before the resumption of the Scheme Meeting in relation to the resumed part of the Scheme Meeting). An attorney will be admitted to the Scheme Meeting upon providing at the point of entry to the Scheme Meeting written evidence of their appointment and their identity.

(f) Voting by corporate representative

To vote at the Scheme Meeting (other than by proxy or attorney) a corporation that is a Keycorp Shareholder must appoint an individual to act as its representative. A body corporate which is appointed as the proxy of a Keycorp Shareholder must also appoint an individual to act as its representative. The appointment must comply with section 250D of the Corporations Act.

An authorised corporate representative will be admitted to the Scheme Meeting upon providing at the point of entry to the Scheme Meeting written evidence of their appointment including any authority under which it is signed and their identity.

(g) Voting Online

To lodge a proxy online, a Keycorp Shareholder may go to **www.investorvote.com.au** and enter the control number displayed on the front page of the proxy form to login and submit the vote electronically

For custodians who are subscribers of Intermediary Online please lodge your votes electronically via www.intermediaryonline.com

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CORPORATE DIRECTORY

COMPANY	Keycorp Limited ACN 002 519 986
REGISTERED OFFICE	Keycorp Limited 40-42 Montefiore Street Fairfield, Victoria, 3078 Telephone +61 3 9403 1777 Facsimile +61 3 9403 1688 Web site: www.Keycorp.net
DIRECTORS	Mr Robert Bishop (Chairman) Mr David Kirton Mr Joseph Bonin Mr Michael Ibrahim
COMPANY SECRETARY	Ms Melissa Letford
KEYCORP SHARE REGISTRY	Computershare Investor Services Pty Limited Level 3, 60 Carrington Street, Sydney, NSW, Australia Telephone: 1300 787 272 Facsimile: +61 3 9473 2500 Web site: www.computershare.com.au
LEGAL ADVISER	Middletons Level 25 Rialto South Tower 525 Collins Street Melbourne, VIC, 3000
FINANCIAL ADVISER	SLM Corporate Level 15 330 Collins Street Melbourne VIC 3000
STRATEGIC ADVISER	Ironbark Group Pty Limited Level 5, 134 William Street Woolloomooloo NSW 2011
INDEPENDENT EXPERT	Grant Thornton Level 2 215 Spring Street Melbourne, VIC 3000

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