



# BABCOCK & BROWN GLOBAL INVESTMENTS LIMITED<sup>1</sup>

## **SGX Report for the Financial Year ended 31 December 2008**

Investments in Babcock & Brown Global Investments Limited ("BBGI") are not deposits with or other liabilities of Babcock & Brown Limited ("BBL"), or any entity in the Babcock & Brown Group and are subject to investment risk, including possible loss of income and capital invested. Neither Babcock & Brown Global Investments Management Pty Limited (manager of BBGI), nor any member of the Babcock & Brown Group guarantee the performance of BBGI or the payment of a particular rate of return on the shares of BBGI.

This report is not an offer or invitation for subscription or purchase or recommendation of BBGI shares. It does not take into account the investment objectives, financial situation and particular needs of an investor. Before making an investment in BBGI, an investor or prospective investor should consider whether such an investment is appropriate to their particular investment needs, objectives and financial circumstances and consult an investment adviser if necessary.

Babcock & Brown Global Investments Management Pty Limited, as manager of BBGI is entitled to fees for so acting. BBL and its related corporations, together with their officers and directors, may hold shares in BBGI from time to time.

This financial report has been prepared to enable the directors to comply with their obligations under the Singapore Exchange Securities Trading Limited Listing Rules and where relevant, to satisfy the requirements of the International Financial Reporting Standards. The responsibility for the preparation of the financial report and any financial information contained in this financial report rests solely with the directors of BBGI.

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<sup>1</sup> On 1 May 2008, the Company changed its name from Babcock & Brown Structured Finance Fund Limited to Babcock & Brown Global Investments Limited.

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## REVIEW OF BABCOCK & BROWN GLOBAL INVESTMENTS LIMITED (“BBGI”) PERFORMANCE

### PERFORMANCE REVIEW

The performance of Babcock & Brown Global Investments Limited (“BBGI” or “the Company”) and its subsidiaries collectively referred to as “the Group” has been significantly impacted by the further deterioration in the global equity and debt markets during the quarter.

For the quarter the Group recorded a net loss after tax of S\$116.2 million. The result was due to unrealised foreign exchange losses, impairment losses recognised in respect of the Group’s investment in Babcock & Brown Air (“B&B Air”), the investment in the Mortgages plc transaction, the Avoca VI and VII CLO financial assets, the Paramount Mezzanine Loan and the Class A membership interest in BBRNA and a reduction in the carrying value relating to the investment in BBRIL due to the equity accounting requirements. From an Income Statement and Balance Sheet perspective, other line items were in line with internal projections and the results reported for the previous quarter.

The performance of the Group for the quarter has been impacted by the following factors:

- *Unrealised foreign exchange losses*

Unrealised foreign exchange losses of S\$15.8 million have been recorded in the Income Statement this quarter as a result of the further strengthening of the United States dollar against the base currencies of the underlying investments. These losses offset the unrealised foreign exchange gains the Group has recorded in previous periods. The adjustment is an unrealised accounting adjustment which does not affect cash economic income.

- *Impairment loss on the investment in B&B Air*

An impairment loss of US\$2.7 million (S\$3.8 million) has been recorded through impairment expense in the Income Statement as a result of the further decline in the share price of B&B Air during the quarter. The adjustment is an unrealised accounting adjustment and has not affected cash economic income.

- *Impairment losses on securitisation investments*

A further impairment loss of GBP1.8 million (S\$4.6 million) in the investment in the Mortgages plc transaction has been recorded through impairment expense in the Income Statement this quarter. Due to the further deterioration of the market for this investment, further cashflow received on this investment is expected to be minimal. The subordinated notes in the Avoca VI and VII investments have been impaired this quarter by EUR3.5 million (S\$7.4 million) and EUR6.7 million (S\$14.0 million), respectively due to the increased likelihood that the originally expected returns on these notes may not be received in full. International Financial Reporting Standards require the full amount of any existing mark-to-market adjustments to be recycled to the Income Statement as soon as an accounting impairment is identified, regardless of whether the assets are impaired to this extent.

- *Impairment loss on the Paramount Mezzanine Loan investment*

The Paramount Mezzanine Loan investment is considered impaired at 31 December 2008. An impairment loss of US\$15.8 million (S\$22.2 million) for the quarter has been recorded through impairment expense in the Income Statement. Due to the deterioration of the market for this investment, it is not expected that the originally invested principal will be returned.

- *Impairment loss on the Class A membership interest in BBRNA*

The Class A membership interest in BBRNA is considered impaired at 31 December 2008, an impairment loss of US\$27.7 million (S\$39.1 million) for the quarter has been recorded through impairment expense in the Income Statement.

- *Share of loss on equity accounted investments*

The majority of the share of loss on equity accounted investments relates to the investment in BBRIL and has arisen from the interest rate swaps on the debt in the underlying portfolio being out-of-the-money at 31 December 2008.

- *Mark-to-market reductions*

A mark-to-market gain of S\$14.8 million was recognised in equity during the quarter. This gain consists of S\$0.2 million in relation to the amortisation of the fair value reserve on the financial assets reclassified from 'Available for Sale' to 'Loans and Receivables' at 1 July 2008 and S\$14.6 million from the previous mark-to-market losses recycled to the Income Statement through impairment expense on impairment of the Avoca VI and VII CLO subordinated notes.

## **INVESTMENT PORTFOLIO**

BBGI was incorporated in Bermuda on 24 April 2006 and was subsequently registered as a mutual fund company. BBGI was formed to invest in a diversified group of assets and economic exposures around the world.

The Group's investment portfolio at 31 December 2008 comprised the following assets and economic exposures:

### **OPERATING LEASE ASSETS**

#### **Babcock & Brown Aircraft Lessor No. 2 ("BBAL 2")**

The Group owns two Boeing 757-200 aircraft leased to Thomsonfly Limited. The two leases mature on 30 April 2013 and have fixed monthly rentals over the remaining term of the leases.

#### **Class A membership interest in BBRNA ("BBRNA")**

BBRNA is a United States limited liability company formed to aggregate a number of North American railcar investments managed or owned by the Babcock & Brown Group. The Group has a 41.5% interest in BBRNA which currently owns a portfolio of over 13,500 railcars on lease in North America.

#### **Babcock & Brown Air Limited ("B&B Air")**

Babcock & Brown Air Limited is a Bermuda exempted company which has been listed on the New York Stock Exchange. It has a portfolio of commercial aircraft which are leased to commercial airlines. The Group holds 1,051,010 Babcock & Brown Air Limited shares.

#### **Investment in Babcock & Brown Rail Investments Limited ("CBRail")**

Babcock & Brown Rail Investments Limited ("BBRIL") is a Guernsey company that owns CBRail Leasing S.a.r.l. ("CBRail Group"), an operating lessor based in Luxembourg. The Group has acquired a beneficial interest in 35% of BBRIL which currently owns a portfolio of 3 passenger train fleets, over 30 locomotives and 100 freight wagons.

### **LOAN PORTFOLIO AND SECURITISATION ASSETS**

#### **Ancora – Pepper Securitisation No. 2 Investment ("Pepper 2")**

Pepper 2 is a securitisation vehicle which owns Australian non-conforming residential mortgage loans originated by Pepper Home Loans Pty Limited. The Group has invested in the non-rated note and the senior net interest margin ("NIM") note.

#### **Ancora – Pepper Securitisation No. 3 Investment ("Pepper 3")**

Pepper 3 is a securitisation vehicle which owns Australian non-conforming residential mortgage loans originated by Pepper Home Loans Pty Limited. The Group has invested in the non-rated note and the senior NIM note.

#### **Ancora – Provident Cashflow Limited ("PCL")**

PCL is a revolving purchase facility provided to specialty inventory financier, Provident Cashflow Limited ("Provident"). Under the facility, the Group purchases loan receivables originated by Provident. The purchased loans are loans Provident has made to its customers, typically small to medium sized enterprises for the purpose of purchasing inventory.

**Ancora – Seiza Warehouse Note Investment (“Seiza”)**

Seiza is an investment in a warehouse vehicle which owns Australian residential and commercial mortgages originated by Seiza Mortgage Company Pty Limited, (“the Seiza Group”). The Group has invested in the Class F, Class G and NIM notes.

**Ancora – Seiza Augustus 2007-1 Trust (“Seiza Augustus”)**

Seiza Augustus is a securitisation vehicle which owns Australian commercial and residential mortgage loans originated by the Seiza Group. The Group has invested in the Class G notes and NIM notes.

**Mortgages plc Securitisation Investment (“Mortgages plc”)**

Mortgages plc is a United Kingdom based originator of non-conforming mortgages. The Group has invested in 50% of two classes of certificates issued by Newgate Funding 2006-3 plc which is a securitisation vehicle owning non-conforming mortgages originated by Mortgages plc.

**Avoca VI CLO Investment (“Avoca VI”)**

Avoca VI is a European collateralised loan obligation (“CLO”) vehicle which is managed by Avoca Capital Holdings (“Avoca”). The Group has invested in the subordinated note issued by Avoca VI which is secured by collateral consisting of European senior secured and second lien loans.

**Avoca VII CLO Investment (“Avoca VII”)**

Avoca VII is a European CLO vehicle which is managed by Avoca. The Group has invested in the Class B notes and the subordinated note in Avoca VII. The Avoca VII notes are secured by collateral consisting of European senior secured, second lien and mezzanine loans.

**ALTERNATIVE ASSETS****Paramount Mezzanine Loan (“Paramount”)**

The Group has invested in a secured subordinated loan to Royal Palm Paramount Bay LLC which is being used to fund the development of an ultra-luxury condominium development project in Miami Florida in the United States.

**Music Copyright Assets (“Music Assets”)**

The Group has invested in music copyright interests in over 1,800 musical compositions, including 18 No.1 songs and over 90 top 40 hits. A total of 28 catalogues have been acquired including the master sound recording copyrights and publishing copyrights of 1970’s glam rock band and composer T.Rex / Marc Bolan, prolific Grammy award winning writer Rick Nowels (including hit songs written for Stevie Nicks, Belinda Carlisle, Madonna, Dido, Ronan Keating, Jewel, Santana, Anita Baker, Young Radicals, and Celine Dion), 1990’s British dance group Right Said Fred (world wide hit I’m too Sexy), 1980’s British pop group Wang Chung (hits including Everybody Have Fun Tonight; Dance Hall Days) and other songwriter catalogues including the hit songs Holiday by Madonna, Kokomo by The Beach Boys, Run To You by Whitney Houston, and Gonna Make You Sweat (Everybody Dance Now) and Things That Make You Go Hmmm by C&C Music Factory.

## **ECONOMIC OUTLOOK**

Global equity and debt markets have deteriorated and further declines in global macro-economic conditions are expected. The global financial crisis is now considered by many to be the most severe crisis since the Great Depression. This continued extreme volatility and further market deterioration is expected to impact the performance of the Group's portfolio of investments over time.

### **United States ("US")**

Economic conditions in the US have worsened with unemployment increasing (predicted by some to reach 10%), consumer and business spending weakening, reduced market confidence, lending conditions tightening and further falls in house prices. An economic recovery is unlikely to be seen until the housing market stabilises and despite new housing and development approvals dropping, there are no signs of a recovery in this market in the short-term. Exports are not expected to support the economy as the largest trading partners of the US (Japan, Europe and the UK) are in recession and China's growth rate has slowed. On a brighter note, reduced oil prices have supported disposable incomes and the Federal Reserve is continuing attempts to stabilise the economy through liquidity measures, asset purchases (such as mortgage-backed securities), recapitalisations and guarantees. The Obama stimulus package should be underway shortly and should partially counter the sliding economic conditions. The Federal Open Market Committee has reduced rates further and established a target range for the federal funds rate of 0-0.25%.

### **United Kingdom ("UK")**

The UK economy has worsened considerably during the quarter having been impacted by the global financial crisis. Not unlike the US, unemployment is increasing, consumer and business spending is down, confidence levels have slumped and housing prices have continued to fall. Inflation is expected to continue to fall as a result of further weakness in retail spending, reduced fuel and commodity prices and the stabilisation of food prices. Net exports should benefit from the significant deterioration of the British Pound which has fallen almost 30% against the USD over the last 12 months. The economic outlook for the UK through 2009 has deteriorated in line with the outlook for other major economic regions however similar to the actions seen in the US, the Bank of England as well as other parties such as the Financial Services Authority have introduced a number of fiscal initiatives to bring stability to the markets. The Monetary Policy Committee has moved to reduce the Bank Rate to 1% and further reductions have not been ruled out.

### **Mainland Europe**

The outlook for Mainland Europe has again deteriorated in light of the weakening global macro-economic conditions. Economic activity has slowed and inflationary pressures have eased. The recent deterioration in financial markets and economic conditions more generally have led to a shift in focus away from inflationary concerns to the increasing downside risk of weak economic growth and the exceptionally high degree of uncertainty driven largely by the continued turmoil in the financial markets. This has led the Governing Council of the European Central Bank to further reduce the official interest rate to the current rate of 2%.

### **Australia**

The Reserve Bank of Australia reduced the official cash rate to 3.25% due to the risks to the economy from the continued weakening in global and domestic economic growth which significantly outweighed the inflationary pressures which are on the decline. Demand, consumer confidence, spending and housing prices are all showing signs of softening and many commentators are predicting unemployment to increase through 2009 and economic conditions to worsen. Weakening commodity demand is impacting exports negatively however this has been partially offset by the significant falls in the Australian Dollar over recent months. Many are predicting further interest rate reductions over the coming months in an effort to stabilise the economy.

## **BUSINESS OUTLOOK**

The Company is continuing to work with its independent strategic advisor to assess various options for the Company and intends to update the market once a decision has been made. In light of the current macroeconomic environment, the Company has resolved to reduce leverage by repaying the outstanding corporate debt facility before maturity in December 2009. After repaying the corporate debt facility, the Company expects to resume distributing the majority of cash economic income in line with the Company's current distribution policy.

## **TARGETED ASSET CLASSES**

### **Operating Lease Assets**

Worsening economic conditions in the US and the UK have led commentators to take a more negative view on the outlook for the global aviation sector. Despite the recent reductions in fuel costs, a number of airline operations have reduced fleet sizes and cut travel routes, particularly in the North American market. This has put pressure on aircraft values and lease rates, particularly for older generation aircraft. The previously seen strong increases in passenger traffic in Asia, the Middle East and Europe have started to moderate however AVITAS, Inc. continues to expect that air passenger traffic will continue to increase through to 2016. In addition, both airline manufacturers (Boeing and Airbus) have significant backlogs in terms of unfilled orders. This lack of supply is supporting strong lease rates and values, particularly for newer aircraft types.

The troubled US economy has placed pressure on the North American rail sector with railroad car traffic and rail car re-lease rates expected to be strained through 2009 and into 2010 with a recovery in the sector expect to be at least 12 months away. However, demand for younger, higher capacity fleets remains and the rail car leasing market continues to gain ground as a method by which freight forwarders will access equipment.

The European rail leasing market is progressing positively driven by concessions given to market participants, government funding constraints and growth in rail passenger volume. An increased number of private operators are entering the market for both freight and passenger services and similarly, public rail companies are expanding their international activities. The political and user sentiment for rail in Europe remains very positive with high and rapidly increasing congestion in production, further increasing the backlog for new freight car orders.

### **Loan Portfolio and Securitisation Assets**

Economic conditions in Australia are expected to soften as outlined in the economic outlook section however there are few indications that there will be significant falls in house prices in the foreseeable future or dramatic rises in unemployment. The recent interest rate reductions will provide relief to borrowers and this is expected to provide some support to property prices and loss / default levels.

The general economic backdrop in the UK has worsened considerably. House prices have declined again during the quarter and the general consensus is that further declines are likely to be seen. Despite the recent interest rate reductions, borrowers are expected to be further pressured as a result of the deteriorating macro-economic conditions and borrower defaults are expected to rise.

Market conditions for European leverage loans have worsened. Trading prices for the average senior secured loan fell sharply during the quarter following a significant amount of volume hitting the market for sale with few buyers to support prices. Default rates in the sector are expected to be in excess of 10% through 2009 and into 2010 in light of the significant deterioration in global macro-economic conditions.

### Alternative Assets

The music publishing industry continues to grow in size and investor understanding. BBGI believes that greater institutional investment in the sector is a positive development, with the potential over time to generate increased demand for the asset class.

The market for single obligor structured loans has reduced considerably as credit conditions have significantly weakened during the year.

### ACCOUNTING POLICIES APPLICATION

Accounting policies and methods of computation applied in preparation of these figures that are not stated in this report are the same as those used in the most recently audited annual financial statements of the Group and the Company. There have been no changes in accounting policies for the year ended 31 December 2008.

While not a change in accounting policies, In October 2008 the International Accounting Standards Board issued amendments to International Accounting Standard 39 *Financial Instruments: Recognition and Measurement* permitting the reclassification of some financial assets. In line with these amendments the Group reclassified the following investments from the 'Available for Sale' category to 'Loans and Receivables' at 1 July 2008:

- Seiza Augustus 2007-1 Trust – Class N Note
- Seiza Warehouse Note – Class NIM Note
- Pepper Securitisation No. 2 Investment – NIM Note
- Pepper Securitisation No. 3 Investment – NIM Note

The investments were reclassified at their book values at 30 June 2008. Any unrealised losses on these assets which were previously recognised in Equity will be amortised against the carrying values of the assets in line with the amortisation of the underlying principal.

### DIVIDENDS

The 2008 interim dividend of 5.20 cents per Share in respect of the period from 1 January 2008 to 30 June 2008 was paid on 5 September 2008. The 2007 final dividend of 6.00 Singapore cents per Share in respect of the period from 1 July 2007 to 31 December 2007 was paid on 14 March 2008.

No dividend has been declared or recommended and the Company does not intend to declare a dividend in respect of the half year ending 31 December 2008.

	<b>Group 2008 S\$'000</b>	<b>Group 2007 S\$'000</b>
<b>Ordinary shares</b>		
Interim Dividend		
Dividends per Share (cents)	5.20	5.23 <sup>1</sup>
Dividends paid/declared (\$'000)	20,327	20,060
Final Dividend		
Dividends per Share (cents)	-	6.00
Dividends paid/declared (\$'000)	-	23,258

<sup>1</sup> The interim dividend was in respect to the period from Listing to 30 June 2007.

As the Company was incorporated in Bermuda and is not resident in Singapore for tax purposes, dividends paid by the Company will be regarded as foreign-source income for Singaporean tax resident recipients.

Foreign dividends are subject to Singapore income tax when received in Singapore by corporate shareholders.

Foreign dividends received by foreign investors with no permanent establishment in Singapore are generally not subject to Singapore income tax.

Foreign-sourced dividends received by individuals in Singapore (whether resident or otherwise) are exempt from Singapore income tax unless these dividends are received via partnerships.

Neither Singapore nor Bermuda currently imposes withholding tax on dividends paid to non-Singapore or non-Bermudan tax resident shareholders.

### CHANGES IN SHARE CAPITAL

On 16 October 2008, 1,731,363 new shares were issued to AGSO Property Pty Ltd ATF Babcock & Brown Prime Broking Trust, the nominee of the Manager, in satisfaction of the Base Management Fee for the quarter ended 30 June 2008. Following the issue of the new ordinary shares, the total shares in issue was 392,638,086. The total shares in issue at 31 December 2007 was 387,630,166.

### INTERESTED PERSON TRANSACTIONS

#### (A) DIRECTORS

The following persons were directors of BBGI during the financial year:

		<b>Date of Appointment</b>	<b>Date of Resignation</b>
Tara Leonard Railton	Independent Director & Deputy Chairman	25 October 2006	n/a
Dilhan Pillay Sandrasegara	Independent Director	25 October 2006	n/a
Joel Peter Schaefer	Independent Director	25 October 2006	n/a
Lee Soon Kie	Independent Director	25 October 2006	n/a
James Fantaci	Executive Director	14 August 2006	21 May 2008
Richard Lees Umbrecht	Executive Director & Chairman	14 August 2006	21 May 2008
Sylvia Wiggins <sup>1</sup>	Executive Director	12 March 2007	5 January 2009
Robert Neil Topfer	Executive Director	21 May 2008	5 September 2008
Daniel J Brickman	Executive Director	9 September 2008	5 January 2009

<sup>1</sup> From 12 March 2007 to 20 May 2008, Sylvia Wiggins was on the Board of Directors as an Alternate Director to James Fantaci and from 21 May 2008 to 24 November 2008 Ms Wiggins held the position of Chairman. Post 24 November 2008 the position of Chairman has been vacant.

BBGI was incorporated on 24 April 2006 however the Company was not organised until 14 August 2006 at which time the first directors of BBGI were appointed.

## (B) DIRECTORS REMUNERATION

The executive directors of BBGI are not entitled to any remuneration from BBGI, other than reimbursement of expenses incurred on behalf of BBGI, such as travel costs and accommodation.

Tara Leonard Railton, Dilhan Pillay Sandrasegara, Joel Peter Schaefer and Lee Soon Kie are each entitled to an annual directorship fee of US\$50,000 per annum, paid quarterly in arrears. The maximum aggregate amount of fees payable to the directors in respect of one year is the number of directors appointed at the relevant time multiplied by US\$70,000. A total of US\$175,000 has been paid by BBGI in respect of the year ended 31 December 2008.

## (C) THE MANAGER

Babcock & Brown Global Investments Management Pty Limited ("The Manager") of BBGI was appointed by the Company as the sole and exclusive manager pursuant to two management agreements dated 12 December 2006.

The following relationships and transactions with the Manager exist:

	Group 2008 S\$'000	Group 2007 S\$'000
<b>Transactions</b>		
Base management fees	2,756	5,743
Acquisition fee	39	2,607
Divestment fee	-	1,502
Debt raising fee	245	150
Dividends	643	8

	Group As at 31 December 2008 S\$'000	Company As at 31 December 2008 S\$'000	Group As at 31 December 2007 S\$'000	Company As at 31 December 2007 S\$'000
<b>Balances</b>				
Accrued base management fees	335	335	1,436	1,436
Accrued acquisition fee	-	-	835	-
Accrued divestment fee	-	-	1,439	-
Dividend payable	-	-	253	253
Expense reimbursement <sup>1</sup>	2,000	2,000	-	-
<b>Total liabilities payable to the Manager</b>	<b>2,335</b>	<b>2,335</b>	<b>3,963</b>	<b>1,689</b>

<sup>1</sup> The expense reimbursement relates to those costs which have been paid or are payable by the Manager on behalf of the Company and are required to be reimbursed by the Company pursuant to the management agreements between the Company and the Manager. The Manager agreed to bear these costs in respect of the 2007 year.

As at 31 December 2008 The Manager holds 9,230,308 ordinary shares in the Company through its nominee, AGSO Property Pty Ltd ATF Babcock & Brown Prime Broking Trust.

#### **(D) BABCOCK & BROWN GROUP**

Babcock & Brown Limited ("BBL") is the ultimate parent of the Manager. The following transactions between the Company and its subsidiaries and BBL and its subsidiaries ("the B&B Group") took place during the year ended 31 December 2008:

##### **Transactions**

###### **Investment in Babcock & Brown Rail Investments Limited**

On 29 April 2008, BBSFF EU Rail Lessor Limited invested a further EUR1.2 million in Babcock & Brown Rail Investments Limited ("CBRail"). The additional investment was in satisfaction of a funding commitment previously made to CBRail. The Group's beneficial interest in CBRail has remained unchanged at 35%. The acquisition base fee in relation to the investment in CBRail is disclosed in the previous section dealing with transactions with the Manager.

##### **Dividends**

The Company paid a total of S\$5.6 million to the B&B Group (excluding the Manager) in dividends during the year ended 31 December 2008.

#### **CONTRACTUAL ARRANGEMENTS**

At the time of the acquisition of the initial music copyright assets the Company entered into a Music Catalogue Introduction Agreement with the Spirit Music Group ("Spirit"). The B&B Group has a majority interest in Spirit resulting in transactions between Spirit and the Company being deemed related party transactions. Under the terms of the Music Catalogue Introduction Agreement, Spirit may be entitled to certain fees and profits on music copyright assets introduced to the Company by Spirit.

## CONSOLIDATED INCOME STATEMENT

	Group quarter ended 31 Dec 08 S\$'000 Unaudited	Group year ended 31 Dec 08 S\$'000 Unaudited	Group quarter ended 31 Dec 07 S\$'000 Unaudited	Group year ended 31 Dec 07 S\$'000 Unaudited
<b>Revenue</b>				
Distribution income	-	-	-	1,771
Dividend income	775	2,962	-	-
Interest income	6,120	34,652	10,022	43,651
Rental income	1,402	5,354	1,372	5,726
Guarantee fee income	-	1,630	1,178	4,732
Royalty income	1,836	7,108	1,055	3,254
Other operating income	725	3,955	27,367 <sup>1</sup>	27,367
<b>Total revenue</b>	<b>10,858</b>	<b>55,661</b>	<b>40,994</b>	<b>86,501</b>
<b>Expenses</b>				
Management fees	(354)	(2,827)	(1,452)	(5,821)
Depreciation and amortisation	(911)	(3,605)	(697)	(2,579)
Finance costs	(3,148)	(16,355)	(3,814)	(16,300)
Net foreign exchange (losses) / gains	(15,799)	(29,426)	(156)	9,750
Impairment expense	(90,372)	(136,718)	-	-
Other operating expenses	(3,521)	(6,156)	(1,311)	(3,031)
<b>Total expenses</b>	<b>(114,105)</b>	<b>(195,087)</b>	<b>(7,430)</b>	<b>(17,981)</b>
<b>Share of (loss) / profit in equity accounted investment</b>	<b>(13,756)</b>	<b>(18,266)</b>	<b>1,243</b>	<b>304</b>
<b>(Loss) / Profit before tax</b>	<b>(117,003)</b>	<b>(157,692)</b>	<b>34,807</b>	<b>68,824</b>
<b>Income tax benefit / (expense)</b>	<b>819</b>	<b>1,137</b>	<b>(309)</b>	<b>(106)</b>
<b>(Loss) / Profit after tax</b>	<b>(116,184)</b>	<b>(156,555)</b>	<b>34,498</b>	<b>68,718</b>
<b>Basic (loss) / earnings per share (cents per share)</b>	<b>(29.62)</b>	<b>(40.11)</b>	<b>8.92</b>	<b>17.93</b>
<b>Diluted (loss) - earnings per share (cents per share)</b>	<b>(29.62)</b>	<b>(40.11)</b>	<b>8.90</b>	<b>17.89</b>

<sup>1</sup> Included within this amount is the realised net gain from the monetisation of BBGI's investment in JET-i Holdings LLC of approximately US\$17.1 million (S\$25.7 million) in total.

## BALANCE SHEET

	Group As at 31 Dec 08 S\$'000 Unaudited	Group As at 31 Dec 07 S\$'000 Unaudited	Company As at 31 Dec 08 S\$'000 Unaudited	Company As at 31 Dec 07 S\$'000 Unaudited
<b>Assets</b>				
Cash and cash equivalents <sup>1</sup>	80,224	126,471	64,788	27,015
Available for sale financial assets <sup>2</sup>	13,604	116,082	-	-
Loans and receivables <sup>2</sup>	94,572	148,439	-	-
Guarantee fees receivable	-	4,971	-	-
Aircraft	39,699	41,266	-	-
Investment in subsidiary	-	-	143,584	333,291
Equity accounted investments	22,081	74,989	-	-
Intangible assets – music copyright assets	69,776	80,522	-	-
Deferred tax assets	2,477	2,909	-	-
Other assets	972	1,107	709	5,151
<b>Total assets</b>	<b>323,405</b>	<b>596,756</b>	<b>209,081</b>	<b>365,457</b>
<b>Liabilities</b>				
Guarantee fees payable	-	4,774	-	-
Interest bearing liabilities	157,978	245,788	-	13
Intercompany payable	-	-	46,185	2,161
Other liabilities	9,041	36,812	6,510	24,694
<b>Total liabilities</b>	<b>167,019</b>	<b>287,374</b>	<b>52,695</b>	<b>26,868</b>
<b>Net assets attributable to shareholders</b>	<b>156,386</b>	<b>309,382</b>	<b>156,386</b>	<b>338,589</b>
<b>Shareholders equity</b>	<b>156,386</b>	<b>309,382</b>	<b>156,386</b>	<b>338,589</b>
<b>Net assets per share (S\$ per share)</b>	<b>0.40</b>	<b>0.79</b>	<b>0.40</b>	<b>0.87</b>

<sup>1</sup> Cash and cash equivalents for the Group as at 31 December 2008 includes S\$60.3 million of short-term deposits used to support cash-backed letters of credit in connection with the Ancora commercial paper program. Cash and cash equivalents for the Group as at 31 December 2007 includes S\$88.8 million of short-term deposits used to support cash-backed letters of credit in connection with the Ancora commercial paper program and the AGSO loan guarantee.

<sup>2</sup> The reduction in the carrying value of available for sale financial assets has resulted principally from impairment charges and the reclassification of certain available for sale to loans and receivables at 1 July 2008, in line with the amendment to International Accounting Standard 39 *Financial Instruments: Recognition and Measurement*. For further detail on this amendment refer to the Accounting Policies Application note.

## STATEMENT OF CASH FLOWS

	Group quarter ended 31 Dec 2008 S\$'000	Group year ended 31 Dec 2008 S\$'000	Group quarter ended 31 Dec 2007 S\$'000	Group year ended 31 Dec 2007 S\$'000
<b>Cash flows from operating activities</b>				
Operating costs	(1,519)	(3,421)	(566)	(6,110)
Interest income	7,253	34,889	12,563	42,019
Guarantee fee income	-	1,840	1,307	5,741
Distribution income	349	5,519	1,858	6,126
Dividend income	620	2,370	-	-
Rental income	488	1,809	436	1,789
Royalty income	-	5,671	-	966
<b>Net cash inflow from operating activities</b>	<b>7,191</b>	<b>48,677</b>	<b>15,598</b>	<b>50,531</b>
<b>Cash flows from investing activities</b>				
Disposal of available for sale assets	-	-	58,129	58,129
Investment in equity accounted investments	-	(3,078)	(32,398)	(42,646)
Purchase of intangible assets	-	(2,368)	(33,797)	(80,301)
Purchase of financial assets	-	(25,974)	(18,028)	(174,112)
Loan repayments received	9,696	75,149	12,515	139,149
<b>Net cash inflow / (outflow) from investing activities</b>	<b>9,696</b>	<b>43,729</b>	<b>(13,579)</b>	<b>(99,781)</b>
<b>Cash flows from financing activities</b>				
Proceeds from issue of ordinary shares	-	-	-	25,268
Net (repayments of) / proceeds from borrowings	(5,319)	(58,500)	24,343	116,446
Capital raising costs	-	-	-	(1,713)
Borrowing costs paid	(2,401)	(14,986)	(3,450)	(12,410)
Dividends paid	-	(43,585)	-	(20,060)
<b>Net cash (outflow) / inflow from financing activities</b>	<b>(7,720)</b>	<b>(117,071)</b>	<b>20,893</b>	<b>107,531</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>9,167</b>	<b>(24,665)</b>	<b>22,912</b>	<b>58,281</b>
Cash and cash equivalents at beginning of year / period	82,486	126,471	108,613	64,953
Effects of exchange rate changes on cash and cash equivalents	(11,429)	(21,582)	(5,054)	3,237
<b>Cash and cash equivalents at end of year / period</b>	<b>80,224</b>	<b>80,224</b>	<b>126,471</b>	<b>126,471</b>

**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

Changes in shareholders' equity of the Group for the quarter ended 31 Dec 2008	Share capital S\$'000	Available for sale financial assets revaluation reserve S\$'000	Con-solidation reserve S\$'000	Equity accounting reserve S\$'000	Translation reserves S\$'000	Retained earnings S\$'000	Total S\$'000	Group Quarter ended 31 Dec 07 S\$'000
<b>Total equity at the beginning of the period</b>	392,952	(15,842)	(57,745)	(7,065)	(32,008)	(30,135)	250,157	346,646
(Loss) / profit for the period	-	-	-	-	-	(116,184)	(116,184)	34,498
Available for sale financial assets revaluation reserve	-	14,798	-	-	-	-	14,798	(35,833)
Equity accounting reserve	-	-	-	7,065	-	-	7,065	(2,163)
Foreign currency translation reserve	-	-	-	-	(342)	-	(342)	(11,939)
<b>Total recognised gain / (loss) for the period</b>	-	14,798	-	7,065	(342)	(116,184)	(94,663)	(15,437)
<b>Transactions with equity holders in their capacity as equity holders:</b>								
Issue of share capital – reinvestment of management fees	892	-	-	-	-	-	892	1,431
Dividend for the period	-	-	-	-	-	-	-	(23,258)
<b>Total equity at the end of the period</b>	393,844	(1,044)	(57,745)	-	(32,350)	(146,319)	156,386	309,382

**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

Changes in shareholders' equity of the Group for the year ended 31 Dec 2008	Share capital S\$'000	Available for sale financial assets revaluation reserve S\$'000	Con-solidation reserve S\$'000	Equity accounting reserve S\$'000	Translation reserves S\$'000	Retained earnings S\$'000	Total S\$'000	Group year ended 31 Dec 07 S\$'000
<b>Total equity at the beginning of the year</b>	<b>390,503</b>	<b>(20,757)</b>	<b>(57,745)</b>	<b>(5,869)</b>	<b>(27,313)</b>	<b>30,563</b>	<b>309,382</b>	<b>303,810</b>
(Loss) / profit for the year	-	-	-	-	-	(156,555)	(156,555)	68,718
Available for sale financial assets revaluation reserve	-	19,713	-	-	-	-	19,713	(20,757)
Equity accounting reserve	-	-	-	5,869	-	-	5,869	(5,869)
Foreign currency translation reserve	-	-	-	-	(5,037)	-	(5,037)	(21,388)
<b>Total recognised gain / (loss) for the year</b>	<b>-</b>	<b>19,713</b>	<b>-</b>	<b>5,869</b>	<b>(5,037)</b>	<b>(156,555)</b>	<b>(136,010)</b>	<b>20,704</b>
<b>Transactions with equity holders in their capacity as equity holders:</b>								
Issue of share capital	-	-	-	-	-	-	-	25,447
Issue of share capital – reinvestment of management fees	3,341	-	-	-	-	-	3,341	4,464
Dividend for the year	-	-	-	-	-	(20,327)	(20,327)	(43,318)
Transaction costs	-	-	-	-	-	-	-	(1,725)
<b>Total equity at the end of the year</b>	<b>393,844</b>	<b>(1,044)</b>	<b>(57,745)</b>	<b>-</b>	<b>(32,350)</b>	<b>(146,319)</b>	<b>156,386</b>	<b>309,382</b>

**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF THE COMPANY**

Changes in shareholders' equity of the Company for the quarter ended 31 Dec 2008	Share capital S\$'000	Retained earnings S\$'000	Translation reserves S\$'000	Total S\$'000	Company quarter ended 31 Dec 07 S\$'000
<b>Total equity at the beginning of the period</b>	<b>392,952</b>	<b>(35,102)</b>	<b>(32,884)</b>	<b>324,966</b>	<b>372,382</b>
(Loss) / profit for the period	-	(167,337)	-	(167,337)	487
Foreign currency translation reserve	-	-	(2,135)	(2,135)	(12,453)
<b>Total recognised (loss) / gain for the period</b>	<b>-</b>	<b>(167,337)</b>	<b>(2,135)</b>	<b>(169,472)</b>	<b>(11,966)</b>
<b>Transactions with equity holders in their capacity as equity holders:</b>					
Issue of share capital – reinvestment of management fees	892	-	-	892	1,431
Dividend for the period	-	-	-	-	(23,258)
<b>Total equity at the end of the period</b>	<b>393,844</b>	<b>(202,439)</b>	<b>(35,019)</b>	<b>156,386</b>	<b>338,589</b>

Changes in shareholders' equity of the Company for the year ended 31 Dec 2008	Share capital S\$'000	Retained earnings S\$'000	Translation reserves S\$'000	Total S\$'000	Company year ended 31 Dec 07 S\$'000
<b>Total equity at the beginning of the year</b>	<b>390,503</b>	<b>(21,730)</b>	<b>(30,184)</b>	<b>338,589</b>	<b>356,440</b>
(Loss) / profit for the period	-	(160,382)	-	(160,382)	20,438
Foreign currency translation reserve	-	-	(4,835)	(4,835)	(23,157)
<b>Total recognised (loss) / gain for the year</b>	<b>-</b>	<b>(160,382)</b>	<b>(4,835)</b>	<b>(165,217)</b>	<b>(2,719)</b>
<b>Transactions with equity holders in their capacity as equity holders:</b>					
Issue of share capital	-	-	-	-	25,447
Issue of share capital – reinvestment of management fees	3,341	-	-	3,341	4,464
Dividend for the year	-	(20,327)	-	(20,327)	(43,318)
Transaction costs	-	-	-	-	(1,725)
<b>Total equity at the end of the year</b>	<b>393,844</b>	<b>(202,439)</b>	<b>(35,019)</b>	<b>156,386</b>	<b>338,589</b>

**NET ASSET VALUE**

	Group As at 31 Dec 08 Unaudited	Group As at 31 Dec 07 Unaudited	Company As at 31 Dec 08 Unaudited	Company As at 31 Dec 07 Unaudited
<b>Net asset value</b>				
Total net asset value (\$'000)	156,386	309,382	156,386	338,589
Total number of ordinary shares on issue used in calculation of net asset value per share ('000)	392,638	387,630	392,638	387,630
<b>Net asset value per ordinary share (S\$ per share)</b>	<b>0.40</b>	<b>0.79</b>	<b>0.40</b>	<b>0.87</b>

Net asset value per ordinary share is derived by dividing the net assets as disclosed in the balance sheet of the Group by the number of ordinary shares on issue as at the end of the accounting period.

## EARNINGS PER SHARE

	Group quarter ended 31 Dec 08 Unaudited	Group year ended 31 Dec 08 Unaudited	Group quarter ended 31 Dec 07 Unaudited	Group year ended 31 Dec 07 Unaudited
<b>Basic (loss) / earnings per share</b>				
(Loss) / earnings used in calculation of basic (loss) / earnings per share (S\$'000)	(116,184)	(156,555)	34,498	68,718
Weighted average number of shares on issue used in calculation of basic (loss) / earnings per share ('000)	392,281	390,282	386,927	383,316
<b>Basic (loss) / earnings per share (cents per share)</b>	<b>(29.62)</b>	<b>(40.11)</b>	<b>8.92</b>	<b>17.93</b>
<b>Diluted (loss) / earnings per share</b>				
Diluted (loss) / earnings used in calculation of diluted (loss) / earnings per share (\$'000)	(116,184)	(156,555)	34,498	68,718
Weighted average number of shares on issue used in calculation of diluted (loss) / earnings per share ('000)	394,060	390,999	387,653	384,186
<b>Diluted (loss) / earnings per share (cents per share) <sup>1</sup></b>	<b>(29.62)</b>	<b>(40.11)</b>	<b>8.90</b>	<b>17.89</b>

<sup>1</sup> Diluted loss per share is capped at the value of Basic loss per share each period.

In future periods, shares may be issued to the Manager in lieu of management fees otherwise payable in cash. This will have a dilutive effect on Earnings per Share.

## INTEREST BEARING LIABILITIES

	Group as at 31 Dec 2008 S\$'000	Group as at 31 Dec 2007 S\$'000
Term loans <sup>1</sup>	66,212	110,520
Commercial paper notes <sup>2</sup>	91,766	135,268
<b>Total interest bearing liabilities</b>	<b>157,978</b>	<b>245,788</b>
Amount repayable in one year or less, or on demand	95,380	179,386
Amount repayable after one year	62,598	66,402
<b>Total interest bearing liabilities</b>	<b>157,978</b>	<b>245,788</b>
Amount secured	157,978	245,788
Amount unsecured	-	-
<b>Total interest bearing liabilities</b>	<b>157,978</b>	<b>245,788</b>

<sup>1</sup> The term loans are secured against the two Boeing 757-200 aircraft leased to Thomsonfly Limited, the shares in Babcock & Brown Air Limited and the music copyright catalogues held by the Group.

<sup>2</sup> Under the LC Procurement Agreement dated 27 October 2006, between BBGI and Ancora Group, BBGI has agreed to procure letters of credit from a bank rated A1+ by Standard & Poor's to support the commercial paper program which Ancora group has established.

## SEGMENT REPORTING

The principal activity of the Group during the year was the investment in diversified assets and economic exposures around the world. The primary basis of segment reporting is geographical. At 31 December 2008, the Group had investments in the following geographical segments:

<b>2008</b>	<b>UK and Mainland Europe S\$'000</b>	<b>United States S\$'000</b>	<b>Australia S\$'000</b>	<b>Total S\$'000</b>
<b>Geographical segments</b>				
<b>Year to 31 December 2008</b>				
Revenue from continuing activities	9,736	21,688	24,236	55,660
Segment loss from continuing activities before tax	(65,892)	(77,265)	(11,783)	(154,940)
Unallocated revenue				1
Unallocated expenses				(2,752)
<b>Net loss from continuing activities before income tax</b>				<b>(157,692)</b>
<b>Other segment items</b>				
Depreciation and amortisation	(1,074)	(2,531)	-	(3,605)
Impairment expense	(45,474)	(85,288)	(5,956)	(136,718)
Other non-cash expenses	(16,032)	(569)	(18,152)	(34,753)
<b>As at 31 December 2008</b>				
Segment assets	55,156	113,784	153,817	322,757
Unallocated assets				648
<b>Consolidated total assets</b>				<b>323,405</b>
Segment liabilities	21,472	49,834	93,977	165,283
Unallocated liabilities				1,736
<b>Consolidated total liabilities</b>				<b>167,019</b>

<b>2007</b>	<b>UK and Mainland Europe S\$'000</b>	<b>United States S\$'000</b>	<b>Australia S\$'000</b>	<b>Total S\$'000</b>
<b>Geographical segments</b>				
<b>Year to 31 December 2007</b>				
Revenue from continuing activities	8,487	50,472	36,175	95,134
Segment profit from continuing activities before tax	5,702	41,473	27,472	74,647
Unallocated revenue				1,117
Unallocated expenses				(6,940)
<b>Net profit from continuing activities before income tax</b>				<b>68,824</b>
<b>Other segment items</b>				
Depreciation and amortisation	(513)	(2,066)	-	(2,579)
Other non-cash expenses	(1,473)	(10,564)	-	(12,037)
<b>As at 31 December 2007</b>				
Segment assets	109,451	248,054	238,600	596,105
Unallocated assets	-	-	-	651
<b>Consolidated total assets</b>				<b>596,756</b>
Segment liabilities	63,933	57,969	140,042	261,944
Unallocated liabilities				25,430
<b>Consolidated total liabilities</b>				<b>287,374</b>

## BREAKDOWN OF REVENUE

	<b>Group S\$'000</b>
<b>Financial period from 1 January to 30 June 2008 (reviewed)</b>	
Total revenue for the financial period from 1 January to 30 June 2008	31,892
Operating loss after tax for the financial period from 1 January to 30 June 2008	(12,461)
<b>Financial period from 1 July to 31 December 2008 (unaudited)</b>	
Total revenue for the financial period from 1 July to 31 December 2008	23,769
Operating loss after tax for the financial period from 1 July to 31 December 2008	(144,094)
<b>Financial year from 1 January to 31 December 2008 (unaudited)</b>	
Total revenue for the financial period from 1 January to 31 December 2008	55,661
Operating loss after tax for the financial period from 1 January to 31 December 2008	(156,555)

	<b>Group S\$'000</b>
<b>Financial period from 1 January to 30 June 2007 (reviewed)</b>	
Total revenue for the financial period from 1 January to 30 June 2007	36,021
Operating profit after tax for the financial period from 1 January to 30 June 2007	21,751
<b>Financial period from 1 July to 31 December 2007 (unaudited)</b>	
Total revenue for the financial period from 1 July to 31 December 2007	60,230
Operating profit after tax for the financial period from 1 July to 31 December 2007	46,967
<b>Financial year from 1 January to 31 December 2007 (unaudited)</b>	
Total revenue for the financial period from 1 January to 31 December 2007	96,251
Operating profit after tax for the financial period from 1 January to 31 December 2007	68,718

## AUDIT OR REVIEW

The figures in this report have not been audited or reviewed by the external auditor, PricewaterhouseCoopers.