



BABCOCK & BROWN STRUCTURED FINANCE FUND LIMITED

SGX Quarterly Report 31 March 2007

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

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REVIEW OF BABCOCK & BROWN STRUCTURED FINANCE FUND LIMITED ("BBSFF") PERFORMANCE

Babcock & Brown Structured Finance Fund Limited ("**BBSFF**" or "**the Company**") and its subsidiaries collectively referred to as "**the Group**" performed strongly during the quarter.

This strong performance has enabled the Company to confirm to the market its intention to pay a dividend to shareholders for the period from Listing on the Singapore Exchange Securities Trading Limited ("**SGX-ST**") on 20 December 2006 to 30 June 2007 of 5.23 cents per share, as outlined in the BBSFF Prospectus dated 12 December 2006 (the "**Prospectus**"). The additional 0.01 cents per share arises from the cash economic income between Listing and 31 December 2006 being 0.53 cents as advised with the 2006 Annual Results.

The Company has also advised the market that it expects its second half 2007 dividend to be at least 5.50 cents, representing an increase of 0.66 cent from the Prospectus projections and reflecting an overall 7% increase in distributable cash economic income in the first year of performance.

Investment performance has been strong across each of the Company's asset classes. Of particular note has been the performance of the Class B membership interest in JET-i Holdings LLC and the investment in the Ancora – Seiza Warehouse Note Investment, which will contribute to the increase in the second half 2007 projected dividend with significantly higher income than expected. The Company has advised the market that it does expect to dispose of the Class B membership interest in the JET-i Holdings LLC in the second half of 2007, but notes that the expected increase in the second half 2007 dividend is not dependant, or adversely affected by that disposition.

From an Income Statement perspective, both revenue and expenses are higher than expectations however revenue growth has exceeded the growth of the expense base resulting in net profit after tax for the quarter being higher than expectations. The Company has again recorded net foreign exchange gains resulting from a further weakening of the US dollar against the Euro and the Australian dollar.

Since listing on the SGX-ST, the Company has made four new investments and increased its investment in one of its existing assets. Each of these investments is described below:

1. *Ancora – Pepper Securitisation No. 3 Investment*

On 27 March 2007, the Company provided A\$23.5 million of letters of credit to Ancora (SF) Securitisation Pty Ltd ("**Ancora**"), which purchased the non-rated and senior net interest margin notes in Pepper Residential Securities No. 6, a securitisation of Australian residential property mortgages.

2. *Music Copyright Assets*

During March 2007, the Group acquired music copyright asset catalogues for US\$28.1 million. Simultaneously, limited recourse debt of US\$15.4 million equal to 55% of the total cost (pre acquisition fees and expenses) was drawn-down secured against the assets.

3. *Avoca VII CLO Investment*

On 5 April 2007, the Group purchased Euro 15.0 million of notes in the Avoca CLO VII Plc ("**Avoca VII**") securitisation, comprising Class F notes with expected rating of "B" from Standard and Poor's and Class G non-rated subordinated notes. These notes are secured by a portfolio of European leveraged loans, managed by Avoca Capital Holdings.

4. *Class A membership interest in BBRNA*

On 6 April 2007, Babcock & Brown Rail North America LLC ("**BBRNA**"), through its wholly owned subsidiary, BBRX Four LLC, purchased the BBRX Four Portfolio comprising 1,351 freight car rolling stock on lease in North America for US\$112.6 million (inclusive of transaction costs). The Group has a 49.5% Class A membership interest in BBRNA and contributed US\$6.7 million for the purchase, taking its total investment in BBRNA to US\$38.6 million.

5. *Ancora – Seiza Augustus Series 2007-1 Trust*

On 23 April 2007, the Company provided a letter of credit to Ancora for A\$14.5 million, in connection with Ancora's purchase of the non-rated Class G notes and non-rated junior net interest margin notes in the Seiza Augustus Series 2007-1 Trust, a securitisation of Australian commercial and residential mortgages.

In addition, since 31 December 2006 the Group was released from certain of its letter of credit obligations in respect of Ancora – Pepper Securitisation No. 1 Investment (A\$5.0m) and Ancora – NFAL Guarantee investment (A\$2.5m). Both of these releases were projected.

Other highlights during the quarter included:

- the exercise of the over-allotment option with the majority of the proceeds invested in the AGSO Loan Guarantee until 2 April 2007, at which time the funds were withdrawn to fund other investments;
- the increase of the Company's potential exposure to the Ancora – Seiza Warehouse Note Investment and the Ancora - Seiza Augustus Series 2007-1 Trust Investment from a total of A\$35.0 million to A\$50.0 million;
- the increase of the Company's corporate debt facility from US\$96.6m to US\$116.6m; and
- the issuance of 153,929 ordinary shares to the Manager of the Company to satisfy the Company's obligation to pay the base management fee for the period ended 31 December 2006.

INVESTMENT PORTFOLIO

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

The Group's existing investment portfolio is comprised of the following assets and economic exposures:

Operating Lease Assets

Class B membership interest in JET-i Holdings LLC ("JET-i Holdings")

JET-i Holdings is a United States limited liability company formed to acquire a portfolio of commercial aircraft which are leased to commercial airlines and is targeting a portfolio of up to US\$1.2 billion. The Group holds an 11.36% Class B membership interest in JET-i Holdings.

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

The Group owns two Boeing 757-200 aircraft leased to First Choice Airways Ltd. The two leases mature on 30 April 2013 and have fixed monthly rentals over the lease periods with a step-up in monthly rentals on 1 May 2008.

CDS on JET-I Leasing Tranche B Debt ("CDS")

The CDS is a collateralised credit default swap which the Group has entered into with Credit Suisse International. The swap has a notional amount of US\$25 million which has been secured by the Group pledging A-1+ rated commercial paper as credit support for the obligations under the swap. The CDS references mezzanine debt secured against the commercial aircraft fleet owned by the Jet-i Holdings Group, noted above in "Class B membership interest in Jet-i Holdings LLC".

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 acquired a 49.5% interest in BBRNA which currently owns a portfolio of over 7,800 railcars on lease in North America.

Loan Portfolio and Securitisation Assets

Ancora – Pepper Securitisation No. 1 Investment ("Pepper 1")

Pepper 1 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 BB note, which has been rated by Standard & Poor's, and the non-rated note. On 15 April 2007, the investment was fully repaid.

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 Inventory Finance ("PIF")

PIF is a revolving purchase facility provided to specialty inventory financier Provident Inventory Finance Limited ("PIFL"). Under the facility, the Group purchases loan receivables originated by PIFL. The purchased loans are loans PIFL makes to its customers, typically small to medium 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 E, Class F, Class G and NIM notes.

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

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

Mortgages plc Securitisation Investment (“Mortgages”)

Mortgages plc is a United Kingdom based originator of non-confirming 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.

Paradox Capital LLC – Subordinated Loan (“Paradox”)

The Group has invested in a loan to Paradox Funding LLC which is a United States limited liability company. The proceeds are used by the Paradox group to make or purchase loans secured by intellectual property owned by corporate borrowers located in the United States and Europe.

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 subordinated notes issued by Avoca VI which are secured by collateral consisting of European senior secured, second lien and mezzanine 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 notes in Avoca VII. The Avoca VII notes are secured by collateral consisting of European senior secured, second lien and mezzanine loans.

Alternative Assets***Ancora – NFAL Guarantee (“NFAL”)***

The Group has invested in a secured loan to Natural Fuels Darwin Pty Limited for use in the development of a biodiesel plant in Darwin Australia. On 30 March 2007, the loan was partially repaid which reduced the economic exposure of the Group by A\$2.5m which was contemplated in the Prospectus.

North American Biofuels Loan Facility (“NABF”)

The Group has invested in a secured loan to Babcock & Brown Biofuels Holdings LLC (“**Biofuels Borrower**”). The loan has been used by members of the Biofuels Borrower Group to invest in and develop ethanol production facilities in the United States.

AGSO Loan Guarantee (“AGSO”)

The Group has provided a guarantee secured by a letter of credit to Deutsche Bank to enable Babcock & Brown Prime Broking Trust, to secure additional borrowings under a limited recourse debt facility it has with Deutsche Bank. The Group has security over listed securities to secure recovery of any amount paid under the AGSO Loan Guarantee.

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 1,000 musical compositions.

ECONOMIC OUTLOOK

Macroeconomic conditions will be a key determinant of the performance of a number of BBSFF's existing investments and will be a consideration in determining where future investments are made.

Overall, it is expected that global economic growth will moderate in 2007, relative to 2006, but with strong growth continuing in the Asian region. This pattern is broadly consistent across most geographic areas in which BBSFF has investments. However, the dynamics in each of the major economies in which BBSFF participates, and will seek to expand, may differ.

- United States ("US")

A mild slowdown in the US economy appears to have emerged in the early part of 2007 and is expected to continue, largely resulting from continued weak US housing construction and lower housing prices which may curb consumer spending. Some commentators are predicting a more substantial slowdown, but this is not currently in evidence. Additionally, interest rates should remain broadly stable throughout the first nine months of 2007 and the US labour market is anticipated to remain tight with unemployment remaining at low levels, but again some commentators are predicting a loosening of monetary policy as the slowdown becomes apparent.

- United Kingdom ("UK")

Economic growth in the UK is expected to moderate only slightly in 2007 with unemployment remaining around 3.0% to 3.5%. Despite interest rate increases over the course of 2006, housing prices remained strong with increases averaging around 7.5% across the UK, and London returning to double-digit growth. Continued house price appreciation is anticipated (although perhaps at a slower rate), even if interest rates are increased by a further 0.25% from current levels.

- Mainland Europe

Economic growth in mainland Europe is expected to moderate over the course of 2007. However, unemployment is likely to remain low. There has been one tightening of monetary policy already in 2007 and there remains the potential for a further 0.25% increase in interest rates over the course of 2007 as the European Central Bank returns interest rates to a more neutral setting.

- Australia

As Australia enters its sixteenth year of uninterrupted economic growth, the rate of growth is expected to remain roughly in line with 2006. Housing prices continued to recover throughout Australia in 2006 in all major capital cities, including Sydney which had previously been flat, with strong underlying demand, tight housing supply and labour market strength underpinning the market. The potential for adverse housing market conditions in 2007 exist in the Western Australian and Northern Territory markets which have shown characteristics of an unsustainable price bubble, largely driven by the resources boom, but these are yet to eventuate.

Consequently, BBSFF will continue to look for acquisitions in these four economies, but will seek to broaden its geographic diversity, where favourable and sustainable economic conditions are expected to exist. The economic growth in Asia continues to be monitored by the Manager, but BBSFF remains disciplined in its approach to acquisitions.

BUSINESS OUTLOOK

Operating Lease Assets

Conditions in the aircraft market have continued to move positively over the past six months driven by continued strong passenger demand particularly in Asia, where the tight supply of aircraft has resulted in increasing lease rates and aircraft values. Over the latter half of 2006, there were a number of sales of portfolio of aircraft by way of initial public offerings and trade sale at prices that appeared attractive for the vendors. BBSFF expects to take advantage of these conditions to exit its investment in JET-i Holdings LLC over the course of 2007 on what it believes will be favourable terms. BBSFF expects that further leased aircraft which meet its investment criteria will be available for acquisition in 2007.

With the slowing of the US economy in late 2006 and the anticipated continued slowing in 2007, combined with the fact that deliveries of new freight cars have been maintained in 2005 and 2006, the market is not expecting a dramatic increase in either values or revenues from freight car rolling stock in North America in 2007. Demand for younger fleets remains strong and the leasing market continues to gain ground as a method by which freight forwarders will access equipment. BBRNA expects to acquire further leased portfolios of freight rolling stock which meet agreed eligibility criteria in 2007 and will consider further investment in at the time, in light of economic and industry conditions, as well as the overall portfolio mix of BBSFF.

International shipping values continue to flatten after cyclical highs in 2005/2006 however if an attractive investment opportunity emerges, BBSFF may consider an investment in shipping operating leases.

Alternative Assets

The market environment for biofuels has deteriorated since Listing, due to decreasing prices available from the sale of biofuels and increased input costs of feedstock such as corn and palm oil. BBSFF's decision to invest as a secured lender with substantial equity investment below it in the capital structure provides a measure of insulation from the economic impact of commodity fluctuations.

The market for single obligor structured loans remains active, resultant from the continued relatively strong business cycle and the seeming inability of traditional lenders to adapt to the changed credit and collateral markets. Investments in this sector are opportunistic, rather than specific to a particular economic sector and must be assessed on their own merit at the time. BBSFF expects that as its portfolio increases within other targeted asset classes, it may be again prudent to invest in a further single obligor structured loan.

The music publishing industry continues to grow in size and investor understanding. Industry consolidation continues, and the volume and variety of product, and the continued demand for copyrights, created in part by new technologies for delivery of product, suggests that BBSFF's strategy of accumulating small to medium sized, well seasoned catalogues will be achieved over the short to medium term. The continued strengthening of copyright protection laws, not only in Western but in emerging economies, will further underpin the confidence of equity and debt investors in the asset class.

Loan Portfolio and Securitisation Assets

In Australia, over the next one to two years, continued strong employment conditions, limited additional interest rate increases and single-digit increases in housing prices are expected and, in combination, these should limit defaults and losses that may be incurred on defaulting loans.

Accordingly, BBSFF will continue to leverage its relationship with the Ancora Group and its strategic partners in Australia to access quality loan portfolio and securitisation transactions. In the UK, expected continued strong employment levels and growth in housing prices together with the expectation that there will only be one further tightening of monetary policy in the current cycle should favourably impact mortgage portfolio performance. This suggests that further investment in the UK may be considered by BBSFF throughout 2007.

Despite European leveraged loans currently being concluded with debt ratios towards the high end of historical levels and some spread contraction, it is believed that economic conditions in Europe remain conducive to sound performance. Accordingly, BBSFF will continue to focus on the European CLO market.

The US ABS CDO market provides exposure to US mortgages, including sub-prime mortgages. Since the beginning of 2007, there has been some turmoil and market disruption in this market, particularly for sub-prime exposures, and spreads have widened considerably. BBSFF has no existing exposure to this sector. BBSFF may selectively seek out opportunities to take exposure to this market in the second half of 2007. BBSFF will monitor the US CLO market and may look to acquire assets when attractive opportunities arise.

INCOME STATEMENT

	Group For the quarter ended 31 March 2007 S\$'000 Unaudited
Revenue	
Distribution Income	637
Interest Income	9,251
Rental Income	1,451
Guarantee Fee Income	1,223
Net Foreign Exchange Gains	1,805
Other Operating Income	256
Total Revenue	14,623
Expenses	
Management Fees	1,341
Depreciation	430
Finance Costs	2,742
Other Operating Expenses	612
Total Expenses	5,125
Share of Loss in Equity Accounted Investment	-
Profit Before Tax	9,498
Income Tax (Expense) / Benefit	(45)
Profit After Tax	9,453
Basic Earnings per Share (cents per share)	2.50c
Diluted Earnings per Share (cents per share)	2.50c

There are no comparative figures for the corresponding period in the immediately preceding financial year as BBSFF was incorporated on 20 April 2006.

BALANCE SHEET

	Group As at 31 March 2007 S\$'000 Unaudited	Group As at 31 December 2006 S\$'000 Audited	Company As at 31 March 2007 S\$'000 Unaudited	Company As at 31 December 2006 S\$'000 Audited
Assets				
Cash and Cash Equivalents ¹	105,759	64,953	1,795	400
Available for Sale Financial Assets	145,268	123,728	274	-
Loans and Receivables	158,811	148,866	145	-
Intercompany Receivables	-	-	22,740	-
Guarantee Fees Receivable	7,075	7,659	-	-
Aircrafts	44,663	45,551	-	-
Investments in Subsidiaries	-	-	351,232	355,099
Investment in Equity Accounted Investment	48,420	48,953	-	-
Intangible Assets – Music Copyright Assets	46,287	-	-	-
Deferred Tax Assets	1	1	-	-
Other Assets	590	1,587	1,814	1,515
Total Assets	556,874	441,298	378,000	357,014
Liabilities				
Guarantee Fees Payable	6,950	7,643	-	-
Interest Bearing Liabilities	208,804	127,737	32	41
Deferred Tax Liabilities	48	3	-	-
Other Liabilities	7,642	2,105	1,757	533
Total Liabilities	223,444	137,488	1,789	574
Net Assets attributable to Shareholders	333,430	303,810	376,211	356,440
Shareholders Equity	333,430	303,810	376,211	356,440
Net Assets per Share (\$ per share)	0.87	0.85	0.98	0.99
Net Tangible Assets per Share (\$ per share)	0.75	0.85	0.98	0.99

¹ Cash and Cash Equivalents for the Group as at 31 March 2007 is comprised of approximately S\$86 million of short-term deposits used to support cash-backed letters of credit in connection with the AGSO Loan Guarantee.

STATEMENT OF CASH FLOWS

	Group for the quarter ended 31 March 2007 S\$'000 Unaudited
Cash flows from operating activities	
Operating costs	(2,113)
Interest income	7,513
Guarantee fee income	1,538
Distribution income	833
Rental income	438
Net cash inflow from operating activities	8,209
Cash flows from investing activities	
Purchase of intangible assets	(43,501)
Purchase of financial assets	(51,503)
Loan repayments received	23,615
Net cash inflow from investing activities	(71,389)
Cash flows from financing activities	
Proceeds from issue of ordinary shares	25,268
Proceeds from borrowings	81,401
Capital raising costs	(1,713)
Borrowing costs paid	(1,670)
Net cash inflow from financing activities	103,286
Net increase in cash and cash equivalents	40,106
Cash and cash equivalents at beginning of period	64,953
Effects of exchange rate changes on cash and cash equivalents	700
Cash and cash equivalents at 31 March 2007	105,759

There are no comparative figures for the corresponding period in the immediately preceding financial year as BBSFF was incorporated on 20 April 2006.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Changes in Shareholders Equity of the Group for the quarter ended 31 March 2007	Share Capital and Reserves S\$'000	Retained Earnings S\$'000	Translation Reserves S\$'000	Total \$'000
Balance as at 01 January 2007	304,572	5,163	(5,925)	303,810
Profit for the period	-	9,453	-	9,453
Foreign currency translation reserve	-	-	(3,712)	(3,712)
Total recognised income for the period	304,572	14,616	(9,637)	309,551
Transactions with equity holders in their capacity as equity holders:				
Issue of share capital	25,447	-	-	25,447
Issue of share capital – reinvestment of management fees	157	-	-	157
Transaction costs	(1,725)	-	-	(1,725)
Balance as at 31 March 2007	328,451	14,616	(9,637)	333,430

There are no comparative figures for the corresponding period in the immediately preceding financial year as BBSFF was incorporated on 20 April 2006.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF THE COMPANY

Changes in Shareholders Equity of the Company for the quarter ended 31 March 2007	Share Capital and Reserves S\$'000	Retained Earnings S\$'000	Translation Reserves S\$'000	Total \$'000
Balance as at 01 January 2007	362,317	1,150	(7,027)	356,440
Profit for the period	-	111	-	111
Foreign currency translation reserve	-	-	(4,219)	(4,219)
Total recognised income for the period	362,317	1,261	(11,246)	352,332
Transactions with equity holders in their capacity as equity holders:				
Issue of share capital	25,447	-	-	25,447
Issue of share capital – reinvestment of management fees	157	-	-	157
Transaction costs	(1,725)	-	-	(1,725)
Balance as at 31 March 2007	386,196	1,261	(11,246)	376,211

There are no comparative figures for the corresponding period in the immediately preceding financial year as BBSFF was incorporated on 20 April 2006.

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 Company. There have been no changes in accounting policies during the quarter however with the recent acquisition of the Music Copyright Assets the following accounting policy has been adopted:

Intangible assets

Music Copyright Catalogues

Acquired music copyright catalogues are initially capitalised at an amount which includes the contracted purchase price and other directly attributed cost of preparing the asset for its intended use. Music copyright catalogues are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised in the income statement using the straight-line method over the estimated useful lives of the catalogues which is expected to be no greater than 35 years. Costs associated with holding the music copyright catalogues are recognised as an expense when incurred.

The amortisation period and amortisation method of intangible assets are reviewed at least quarterly. The effects of any revision of the amortisation period or amortisation method are included in the Income Statement for the financial period in which the change arises.

DIVIDENDS

As outlined in the Prospectus, the Company intends to declare and pay its first dividend since listing in respect of the period from listing to 30 June 2007. This dividend is expected to be paid during September 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 establishments in Singapore are generally not subject to Singapore income tax. Foreign dividends received by individuals in Singapore (whether resident or otherwise) are exempt from Singapore income tax.

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 22 January 2007, the global co-ordinator of BBSFF's initial public offering (UBS AG, acting through its business group, UBS Investment Bank) exercised the over-allotment option on behalf of the underwriters of the initial public offering. The over-allotment option resulted in a further 24,006,688 shares being issued at S\$1.06 per share. The total shares in issue immediately after the exercise of the over-allotment option being exercised were 383,407,778.

On 23 March 2007, 153,929 new shares were issued to Babcock & Brown Structured Finance Management Pty Limited in satisfaction of the Base Management Fee. Following the issuance of the new ordinary shares, the total shares in issue was 383,561,707.

NET ASSET VALUE

	Group As at 31 March 2007 \$'000 Unaudited	Group As at 31 December 2006 \$'000 Audited	Company As at 31 March 2007 \$'000 Unaudited	Company As at 31 December 2006 \$'000 Audited
Net Asset Value				
Total net asset value (\$'000)	333,430	303,810	376,211	356,440
Total number of ordinary shares on issue used in calculation of net asset value per share ('000)	383,562	359,401	383,562	359,401
Net asset value per ordinary share (\$ per share)	0.87	0.85	0.98	0.99

EARNINGS PER SHARE

	Group Quarter ended 31 March 2007 Unaudited	Group Year to date 31 March 2007 Unaudited
Basic Earnings per Share		
Earnings used in calculation of basic earnings per share (\$'000)	9,453	9,453
Weighted average number of shares on issue used in calculation of basic earnings per share ('000)	377,822	377,822
Basic earnings per share (cents per share)	2.50	2.50
Diluted Earnings per Share		
Diluted earnings used in calculation of diluted earnings per share (\$'000)	9,453	9,453
Weighted average number of shares on issue used in calculation of diluted earnings per share ('000)	377,958	377,958
Diluted earnings per share (cents per share)	2.50	2.50

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 March 2007 \$'000 Unaudited
Term loans ¹	77,783
Commercial paper notes ²	131,021
Total interest bearing liabilities	208,804
Amount repayable in one year or less, or on demand	133,119
Amount repayable after one year	75,685
Total interest bearing liabilities	208,804
Amount secured	208,804
Amount unsecured	-
Total interest bearing liabilities	208,804

¹ The term loans are secured against the two Boeing 757-200 aircraft leased to First Choice Airways Ltd, the four music copyright catalogues held by the Group and partially against the assets of the Company and its subsidiaries, BBSFF Asset Holdings Ltd; BBSFF Operating Lease Limited; BBSFF Loan Portfolio & Securitisation Limited; and BBSFF Alternative Assets Limited.

² Under the LC Procurement Agreement dated 27 October 2006, between BBSFF and Ancora Group, BBSFF 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.

AUDIT OR REVIEW

The figures in this quarterly report have not been audited or reviewed by the auditors.

SUBSEQUENT EVENTS

The Company has requested approval of the SGX-ST to issue 1,233,309 ordinary shares to the Manager to satisfy its obligation to pay the base management fee for the quarter ended 31 March 2007.

Following the issue of these new ordinary shares, the total shares in issue will be 384,795,016.

CONFIRMATION OF THE BOARD PURSUANT TO RULE 705(4) OF THE LISTING MANUAL

On behalf of the Board of Directors of Babcock & Brown Structured Finance Fund Limited, we, the undersigned hereby confirm to the best of our knowledge that nothing has come to the attention of the Board of Directors of the Company which may render the financial statements for the first quarter ending 31 March 2007 to be false or misleading in any material respect.

On behalf of the Board of Directors



Richard Umbrecht
Director
15 May 2007



Tara Railton
Director
15 May 2007