



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

## **SGX Quarterly Report 30 June 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 PERFORMANCE**

### **Performance Review**

For the quarter the Group recorded a net loss after tax of S\$12.5 million. The result was due to unrealised impairment losses recognised in respect of the Group's investment in Babcock & Brown Air ("B&B Air") and two securitisation assets.

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

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

An impairment loss of US\$6.6 million (S\$9.0 million) has been recorded 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 which in itself, does not affect cash economic income or dividends to Shareholders.

- *Impairment losses on securitisation investments*

The investments in the Class N Note in the Seiza Augustus 2007-1 Trust and the Mortgages plc transaction are considered to be impaired for accounting purposes. It is expected that the invested principal will be returned over time, however, the initially expected total returns are unlikely to be realised. International Financial Reporting Standards require the full amount of the mark to market adjustment 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. As a result S\$13.8 million has been recorded through the Income Statement as an impairment loss. All future cashflows received from these investments will be used to amortise principal until the outlook improves.

- *Exit from Paradox Loan*

On 18 June 2008, the Group exited from its investment in the subordinated loan to Paradox Capital LLC. The loan of US\$15 million (S\$20.4 million) was repaid in full together with all accrued interest.

- *Further investment in CBRail*

On 29 April 2008, the Group invested a further EUR 1.2 million (S\$2.6 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 remains unchanged at 35%.

- *Mark-to-market reductions*

The mark-to-market gain of S\$8.2 million recognised in equity during the quarter is net of a reduction of S\$1.0 million. This reduction represents less than 0.3% of total assets and has resulted from marking the Available for Sale financial assets (other than B&B Air and the two impaired securitisation assets) to their current market values, reflecting current market conditions. The reduction is an unrealised accounting adjustment which is not expected to be realised given the total expected returns when acquiring the assets are still expected to be realised in full.

### **Consolidated Income Statement**

From an Income Statement perspective, total revenue was in line with internal projections as a result of the continued strong economic income being received from the portfolio of investments.

Further foreign exchange gains were recorded through the Income Statement as a result of the weakening of the United States dollar against the base currencies of the underlying investments.

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Finance costs were lower than the previous quarter as a result of the Company reducing its Interest Bearing Liabilities.

The impairment losses relating to the investments in B&B Air and the two securitisation assets were recorded through other operating expenses in the Income Statement.

All other Income Statement line items are generally in line with internal projections for the quarter.

## 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 30 June 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 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.

#### **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, which are subject to an escrow arrangement.

#### **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”)**

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**

Macroeconomic conditions will be a key determinant of the performance of a number of BBGI's existing investments. The equity and debt markets continue to experience significant volatility. This has led to increased uncertainty in the global economy and a number of the sectors in which the Group has invested.

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

General economic conditions in the US continue to weaken with employment numbers falling and a decline in housing activity and house prices. Credit market conditions remain difficult and pressure remains on key institutions. Oil prices have lifted sharply during the quarter, further pressuring US households and consumer spending. It is expected that the US Government's stimulus package will be largely successful in halting falls in consumer spending however this measure is a one-off boost which heightens concerns about the broader outlook. These factors are expected to put pressure on economic growth over the remainder of the year. The federal funds rate is currently at 2.00% and it is generally expected that short-term changes to monetary policy are unlikely.

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

The UK is being impacted by the worsening global conditions with reduced consumer and retail confidence and a softening of the housing sector. House prices fell during the quarter and this trend is not expected to reverse in the short term. Increases in food and energy prices are driving increases in inflation however the Bank of England considers the downside risk to growth to outweigh the short-term inflationary pressures and at its meeting on 5 June 2008 decided to leave its main policy rate unchanged at 5.00%.

### **Mainland Europe**

Economic growth in mainland Europe is expected to moderate during the remainder of 2008 however the economic fundamentals of the Euro area remain generally sound despite a challenging global backdrop. Unemployment is at low levels which have not been seen for 25 years and investment growth continues albeit at a slowing pace. At the same time, higher energy and commodity prices and increases in food prices are impacting disposable incomes and consumer spending. On 3 July 2008, the ECB lifted rates by 25 basis points to 4.25% in response to continued inflationary pressures which have subsisted for a number of quarters. The increasing upside risk to price stability was seen as a greater risk than concerns over potential weak economic growth.

### **Australia**

Australian economic growth is expected to moderate during the remainder of 2008 and into 2009. High oil prices and other commodity prices, as well as tight credit conditions are further pressuring economic growth which is likely to lead to pressure on job gains and unemployment numbers. The recent interest rate rises are yet to be fully felt by households and while tax cuts are expected to relieve some of the pressure, consumer spending is predicted to decline further from the already current low levels. House prices have flattened and declined in certain states, the general consensus is that this trend will continue through 2008 and into 2009. Despite the inflationary pressures, the Reserve Bank of Australia appears comfortable that domestic demand is slowing sufficiently to see inflation move into the target range in the medium term. The continued slowing of demand has increased the likelihood of an interest rate reduction in the short term.

## **BUSINESS OUTLOOK**

### **TARGETED ASSET CLASSES**

#### **Operating Lease Assets**

Concerns over the US economy and potential slowdowns in a number of European economies have led many commentators to take a more negative view over the outlook for the global aviation sector. Rising fuel costs have placed significant strain on a number of airline operations, some of which have moved to reduce fleet sizes and cut travel routes, particularly in the North American market. This has put pressure on aircraft values and lease rates in the relevant markets, particularly for older generation aircraft. There are however a number of positive factors such as the continued strong increase in passenger traffic particularly in Asia, the Middle East and Europe, with AVITAS forecasting air passenger traffic to increase at an annual average growth rate of 5.2% between 2008 and 2016. In addition, both airline manufacturers have significant backlogs in terms of unfilled orders. This lack of supply is supporting strong lease rates and values for a number of aircraft types.

The troubled US economy has placed pressure on the North American rail sector, with railroad car traffic expected to either moderate or fall through the remainder of 2008 into 2009 with a recovery expected towards the end of 2009. However, demand for younger, higher capacity fleets remains strong and the leasing market continues to gain ground as a method by which freight forwarders will access equipment. In an attempt to alleviate urban congestion and pollution, highway tolls are steadily rising and this trend along with the surging fuel costs is increasing the cost advantage of rail over road transportation. Additionally, a weak US dollar is resulting in US exports being more attractive to overseas markets having the effect of increasing railroad car traffic.

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**

BBGI's exposure to this sector is limited to the Australian and European securitisation markets.

In Australia, economic conditions remain sound with relatively low levels of unemployment, wages growth over recent times and further personal tax cuts impacting in 2008. However, growth in housing prices has eased, recent interest rate rises have not been fully felt by households, and increases in commodity prices, particularly oil, will add payment pressure to a number of borrowers. These offsetting factors will continue to be monitored by the Manager in the context of fee performance of the underlying investments.

There is an increased level of uncertainty with respect to the general economic backdrop in the UK. House prices have declined during the quarter and the general consensus is that further declines may be experienced. Any declines, however, should be viewed in the context of the price rises over recent years that have provided support to the single investment that BBGI currently has in this market.

Market conditions for European leverage loans remain technically difficult but have improved during the quarter with the large overhang of underwritten loans beginning to clear and secondary market pricing starting to stabilise. Company fundamentals continue to be sound for most European leveraged loans and

while absolute levels of interest and required amortisation through 2011 remain low, defaults are expected to increase.

**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 remains active, resultant from the continued relatively strong business cycle and the tightening of available leverage in the buy out market – and the virtual elimination of second lien loans. Investments in this sector are opportunistic, but very abundant.

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**CONSOLIDATED INCOME STATEMENT**


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	Group Quarter ended 30 Jun 08 S\$'000	Group Year to date 30 Jun 08 S\$'000	Group Quarter ended 30 Jun 07 S\$'000	Group Year to date 30 Jun 07 S\$'000
<b>Revenue</b>				
Distribution income	-	-	504	1,141
Dividend income	715	1,449	-	-
Interest income	9,463	19,800	12,099	21,350
Rental income	1,292	2,619	1,469	2,919
Guarantee fee income	-	1,630	1,099	2,322
Net foreign exchange gains	3,287	5,593	5,377	7,182
Royalty income	1,737	3,522	851	1,107
Other operating income	2,210	2,872	-	-
<b>Total revenue</b>	<b>18,704</b>	<b>37,485</b>	<b>21,399</b>	<b>36,021</b>
<b>Expenses</b>				
Management fees	(909)	(1,940)	(1,576)	(2,917)
Depreciation and amortisation	(883)	(1,790)	(726)	(1,156)
Finance costs	(3,949)	(9,128)	(4,687)	(7,429)
Other operating expenses	(23,711)	(34,592)	(994)	(1,605)
<b>Total expenses</b>	<b>(29,452)</b>	<b>(47,450)</b>	<b>(7,983)</b>	<b>(13,107)</b>
<b>Share of loss in equity accounted investment</b>	<b>(1,477)</b>	<b>(2,223)</b>	<b>(1,666)</b>	<b>(1,666)</b>
<b>(Loss) / Profit before tax</b>	<b>(12,225)</b>	<b>(12,188)</b>	<b>11,750</b>	<b>21,248</b>
<b>Income tax (expense) / benefit</b>	<b>(311)</b>	<b>(273)</b>	<b>548</b>	<b>503</b>
<b>(Loss) / Profit after tax</b>	<b>(12,536)</b>	<b>(12,461)</b>	<b>12,298</b>	<b>21,751</b>
<b>Basic earnings per share (cents per share)</b>	<b>(3.22)</b>	<b>(3.20)</b>	<b>3.21</b>	<b>5.71</b>
<b>Diluted earnings per share (cents per share)</b>	<b>(3.21)</b>	<b>(3.19)</b>	<b>3.20</b>	<b>5.70</b>

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**BALANCE SHEETS**

	<b>Group As at 30 Jun 08 S\$'000</b>	<b>Group As at 31 Dec 07 S\$'000</b>	<b>Company As at 30 Jun 08 S\$'000</b>	<b>Company As at 31 Dec 07 S\$'000</b>
<b>Assets</b>				
Cash and cash equivalents <sup>1</sup>	95,852	126,471	84,405	27,015
Available for sale financial assets	80,347	116,082	-	-
Loans and receivables	132,194	148,439	-	-
Guarantee fees receivable	-	4,971	-	-
Aircraft	38,306	41,266	-	-
Investment in subsidiary	-	-	307,005	333,291
Equity accounted investments	69,800	74,989	-	-
Intangible assets – music copyright assets	75,683	80,522	-	-
Deferred tax assets	3,191	2,909	-	-
Other assets	2,342	1,107	3,004	5,151
<b>Total assets</b>	<b>497,715</b>	<b>596,756</b>	<b>394,414</b>	<b>365,457</b>
<b>Liabilities</b>				
Guarantee fees payable	-	4,774	-	-
Interest bearing liabilities	196,505	245,788	-	13
Intercompany payable	-	-	57,551	2,161
Other liabilities	28,959	36,812	22,072	24,694
<b>Total liabilities</b>	<b>225,464</b>	<b>287,374</b>	<b>79,623</b>	<b>26,868</b>
<b>Net assets attributable to shareholders</b>	<b>272,251</b>	<b>309,382</b>	<b>314,791</b>	<b>338,589</b>
<b>Shareholders equity</b>	<b>272,251</b>	<b>309,382</b>	<b>314,791</b>	<b>338,589</b>
Net assets per share (\$ per share)	0.70	0.79	0.81	0.87

<sup>1</sup> Cash and cash equivalents for the Group as at 30 June 2008 includes S\$83.7 million of short-term deposits used to support cash-backed letters of credit in connection with the Ancora commercial paper program.

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**CONSOLIDATED STATEMENT OF CASH FLOWS**

	Group Quarter ended 30 Jun 08 S\$'000	Group Year to date 30 Jun 08 S\$'000	Group Quarter ended 30 Jun 07 S\$'000	Group Year to date 30 Jun 07 S\$'000
<b>Cash flows from operating activities</b>				
Operating costs	(588)	(1,424)	(1,576)	(3,689)
Interest income	8,750	19,091	10,579	18,092
Guarantee fee income	818	1,840	1,521	3,059
Distribution income	1,860	3,251	1,549	2,382
Dividend income	572	1,159	-	-
Rental income	438	858	460	898
Royalty income	-	2,678	-	-
<b>Net cash inflow from operating activities</b>	<b>11,850</b>	<b>27,453</b>	<b>12,533</b>	<b>20,742</b>
<b>Cash flows from investing activities</b>				
Investment in equity accounted investments	(2,748)	(3,062)	(10,248)	(10,248)
Purchase of intangible assets	(9)	(2,155)	(3,003)	(46,504)
Purchase of financial assets	(12,732)	(25,003)	(76,002)	(127,505)
Loan repayments received	35,218	54,469	62,025	85,640
<b>Net cash inflow / (outflow) from investing activities</b>	<b>19,729</b>	<b>24,249</b>	<b>(27,228)</b>	<b>(98,617)</b>
<b>Cash flows from financing activities</b>				
Proceeds from issue of ordinary shares	-	-	-	25,268
Net (repayments of) / proceeds from borrowings	(3,687)	(49,394)	32,714	114,115
Capital raising costs	-	-	-	(1,713)
Borrowing costs paid	(6,180)	(10,478)	(2,641)	(4,312)
Dividends paid	-	(23,258)	-	-
<b>Net cash (outflow) / inflow from financing activities</b>	<b>(9,867)</b>	<b>(83,130)</b>	<b>30,073</b>	<b>133,358</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>21,712</b>	<b>(31,428)</b>	<b>15,378</b>	<b>55,483</b>
Cash and cash equivalents at beginning of period	72,036	126,471	105,759	64,953
Effects of exchange rate changes on cash and cash equivalents	2,104	809	6,447	7,148
<b>Cash and cash equivalents at end of period</b>	<b>95,852</b>	<b>95,852</b>	<b>127,584</b>	<b>127,584</b>

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

Changes in shareholders' equity of the Group for the quarter ended 30 June 2008	Share capital S\$'000	Available for sale financial assets revaluation reserve S\$'000	Consolidation reserve S\$'000	Equity accounting reserve S\$'000	Translation reserves S\$'000	Retained earnings S\$'000	Total S\$'000	Group Quarter ended 30 Jun 07 S\$'000
<b>Total equity at the beginning of the period</b>	391,939	(18,399)	(57,745)	(15,757)	(40,338)	30,638	<b>290,338</b>	<b>333,430</b>
Loss for the period	-	-	-	-	-	(12,536)	<b>(12,536)</b>	<b>12,298</b>
Available for sale financial assets revaluation reserve	-	8,178	-	-	-	-	<b>8,178</b>	-
Equity accounting reserve	-	-	-	10,312	-	-	<b>10,312</b>	-
Foreign currency translation reserve	-	-	-	-	(4,727)	-	<b>(4,727)</b>	<b>3,466</b>
Total recognised gain / (loss) for the period	-	<b>8,178</b>	-	<b>10,312</b>	<b>(4,727)</b>	<b>(12,536)</b>	<b>1,227</b>	<b>15,764</b>
Transactions with equity holders in their capacity as equity holders:								
Issue of share capital – reinvestment of management fees	1,013	-	-	-	-	-	<b>1,013</b>	-
Dividend for the period	-	-	-	-	-	(20,327)	<b>(20,327)</b>	<b>(20,060)</b>
<b>Total equity at the end of the period</b>	<b>392,952</b>	<b>(10,221)</b>	<b>(57,745)</b>	<b>(5,445)</b>	<b>(45,065)</b>	<b>(2,225)</b>	<b>272,251</b>	<b>329,134</b>

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

Changes in shareholders' equity of the Group for the half year ended 30 June 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 Half year ended 30 Jun 07 S\$'000
<b>Total equity at the beginning of the year / period</b>	390,503	(20,757)	(57,745)	(5,869)	(27,313)	30,563	309,382	<b>303,810</b>
Loss for the period	-	-	-	-	-	(12,461)	<b>(12,461)</b>	<b>21,751</b>
Available for sale financial assets revaluation reserve	-	10,536	-	-	-	-	<b>10,536</b>	-
Equity accounting reserve	-	-	-	424	-	-	<b>424</b>	-
Foreign currency translation reserve	-	-	-	-	(17,752)	-	<b>(17,752)</b>	<b>(246)</b>
Total recognised gain / (loss) gain for the period	-	<b>10,536</b>	-	<b>424</b>	<b>(17,752)</b>	<b>(12,461)</b>	<b>(19,253)</b>	<b>21,505</b>
Transactions with equity holders in their capacity as equity holders:								
Issue of share capital	-	-	-	-	-	-	-	<b>25,447</b>
Issue of share capital – reinvestment of management fees	2,449	-	-	-	-	-	<b>2,449</b>	<b>157</b>
Dividend for the period	-	-	-	-	-	(20,327)	<b>(20,327)</b>	<b>(20,060)</b>
Transaction costs	-	-	-	-	-	-	-	<b>(1,725)</b>
<b>Total equity at the end of the period</b>	<b>392,952</b>	<b>(10,221)</b>	<b>(57,745)</b>	<b>(5,445)</b>	<b>(45,065)</b>	<b>(2,225)</b>	<b>272,251</b>	<b>329,134</b>

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

Changes in shareholders' equity of the Company for the quarter ended 30 June 2008	Share capital S\$'000	Retained earnings S\$'000	Translation reserves S\$'000	Total S\$'000	Company Quarter ended 30 Jun 07 S\$'000
<b>Total equity at the beginning of the period</b>	391,939	2,385	(44,344)	<b>349,980</b>	<b>376,211</b>
Loss for the period	-	(11,294)	-	<b>(11,294)</b>	<b>7,755</b>
Foreign currency translation reserve	-	-	(4,581)	<b>(4,581)</b>	<b>3,894</b>
Total recognised (loss) / gain for the period	-	<b>(11,294)</b>	<b>(4,581)</b>	<b>(15,875)</b>	<b>11,649</b>
Transactions with equity holders in their capacity as equity holders:					
Issue of share capital – reinvestment of management fees	1,013	-	-	<b>1,013</b>	-
Dividend for the period	-	(20,327)	-	<b>(20,327)</b>	<b>(20,060)</b>
<b>Total equity at the end of the period</b>	<b>392,952</b>	<b>(29,236)</b>	<b>(48,925)</b>	<b>314,791</b>	<b>367,800</b>

Changes in shareholders' equity of the Company for the half year ended 30 June 2008	Share capital S\$'000	Retained earnings S\$'000	Translation reserves S\$'000	Total S\$'000	Company Half year ended 30 Jun 07 S\$'000
<b>Total equity at the beginning of the year / period</b>	390,503	(21,730)	(30,184)	<b>338,589</b>	<b>356,440</b>
Profit for the period	-	12,821	-	<b>12,821</b>	<b>7,866</b>
Foreign currency translation reserve	-	-	(18,741)	<b>(18,741)</b>	<b>(325)</b>
Total recognised gain / (loss) for the period	-	<b>12,821</b>	<b>(18,741)</b>	<b>(5,920)</b>	<b>7,541</b>
Transactions with equity holders in their capacity as equity holders:					
Issue of share capital	-	-	-	-	<b>25,447</b>
Issue of share capital – reinvestment of management fees	2,449	-	-	<b>2,449</b>	<b>157</b>
Dividend for the period	-	(20,327)	-	<b>(20,327)</b>	<b>(20,060)</b>
Transaction costs	-	-	-	-	<b>(1,725)</b>
<b>Total equity at the end of the period</b>	<b>392,952</b>	<b>(29,236)</b>	<b>(48,925)</b>	<b>314,791</b>	<b>367,800</b>

## 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 to date ended 30 June 2008.

## DIVIDENDS

On 6 June 2008 the Company declared a 2008 interim dividend of 5.20 cents per Share in respect of the period from 1 January 2008 to 30 June 2008. The 2008 interim dividend is expected to be 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. The 2007 interim dividend of 5.23 Singapore cents per share in respect of the period from listing to 30 June 2007 was paid on 14 September 2007.

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	<b>Interim dividend 2008</b>	<b>Final dividend 2007</b>
<b>Ordinary shares</b>		
Dividends per Share (cents)	5.20	6.00
Dividends paid/declared (\$'000)	20,327	23,258

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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 26 June 2008 1,490,763 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 31 March 2008. Following the issuance of the new ordinary shares, the total shares in issue was 390,906,723.

**UNAUDITED FINANCIAL REPORT**

For the quarter ended 30 June 2008

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**NET ASSET VALUE**

	Group As at 30 Jun 08 S\$'000	Group As at 31 Dec 07 S\$'000	Company As at 30 Jun 08 S\$'000	Company As at 31 Dec 07 S\$'000
<b>Net asset value</b>				
Total net asset value (\$'000)	272,251	309,382	314,791	338,589
Total number of ordinary shares on issue used in calculation of net asset value per share ('000)	390,906	387,630	390,906	387,630
Net asset value per ordinary share (\$ per share)	0.70	0.79	0.81	0.87

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 30 Jun 08 S\$'000	Group Year to date 30 Jun 08 S\$'000	Group Quarter ended 30 Jun 07 S\$'000	Group Year to date 30 Jun 07 S\$'000
<b>Basic earnings per share</b>				
Earnings used in calculation of basic earnings per share (S\$'000)	(12,536)	(12,461)	12,298	21,751
Weighted average number of ordinary shares on issue used in calculation of basic earnings per share ('000)	389,498	388,966	383,562	380,708
Basic earnings per share (cents per share)	(3.22)	(3.20)	3.21	5.71
<b>Diluted earnings per share</b>				
Diluted earnings used in calculation of diluted earnings per share (\$'000)	(12,536)	(12,461)	12,298	21,751
Weighted average number of ordinary shares on issue used in calculation of diluted earnings per share ('000)	390,907	390,200	384,795	381,395
Diluted earnings per share (cents per share)	(3.21)	(3.19)	3.20	5.70

## INTEREST BEARING LIABILITIES

	Group As at 30 Jun 08 S\$'0000	Group As at 31 Dec 07 S\$'0000
Term loans <sup>1</sup>	65,853	110,520
Commercial paper notes <sup>2</sup>	130,652	135,268
<b>Total interest bearing liabilities</b>	<b>196,505</b>	<b>245,788</b>
Amount repayable in one year or less, or on demand	133,266	177,248
Amount repayable after one year	63,239	68,540
<b>Total interest bearing liabilities</b>	<b>196,505</b>	<b>245,788</b>
Amount secured	196,505	245,788
Amount unsecured	-	-
<b>Total interest bearing liabilities</b>	<b>196,506</b>	<b>245,788</b>

<sup>1</sup> The term loans are secured against the two Boeing 757-200 aircraft leased to First Choice Airways Ltd 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 the Ancora group has established.

## AUDIT OR REVIEW

The financial information set out from page 10 to page 18 of this report have been extracted from the interim financial report that has been reviewed in accordance with Singapore Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

The extract of the review report dated 13 August 2008 on the interim financial report of the Company and its subsidiaries for the period ended 30 June 2008 is attached to this announcement in page 20.

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

On behalf of the Board of Directors of Babcock & Brown Global Investments 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 quarter ended 30 June 2008 to be false or misleading in any material respect.

On behalf of the Board of Directors



Sylvia Wiggins  
Director  
13 August 2008



Tara Railton  
Director  
13 August 2008

**To the Shareholders and Board of Directors of  
Babcock & Brown Global Investments Limited ("Company") and its subsidiaries ("Group")**

**Report on Review of Interim Financial Information  
For the second quarter and half year ended 30 June 2008**

#### Introduction

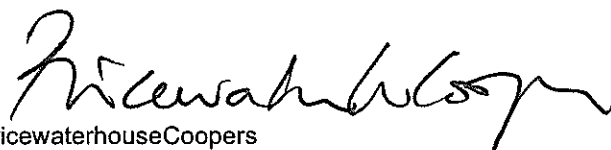
We have reviewed the accompanying condensed balance sheet of the Company as of 30 June 2008 and the related condensed statements of changes in equity of the Company for the three-month period and six-month period then ended, the consolidated condensed balance sheet of the Group as of 30 June 2008 and the related consolidated condensed statements of income, changes in equity and cash flows of the Group for the three-month period and six-month period then ended, and other explanatory notes ("interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review.

#### Scope of Review

We conducted our review in accordance with Singapore Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Singapore Standard on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information is not prepared, in all material respects, in accordance with IAS 34.



PricewaterhouseCoopers  
Public Accountants and  
Certified Public Accountants

Singapore  
13 August 2008