

2008 Half Year
Current Asset Review
Period ended 30 June 2008

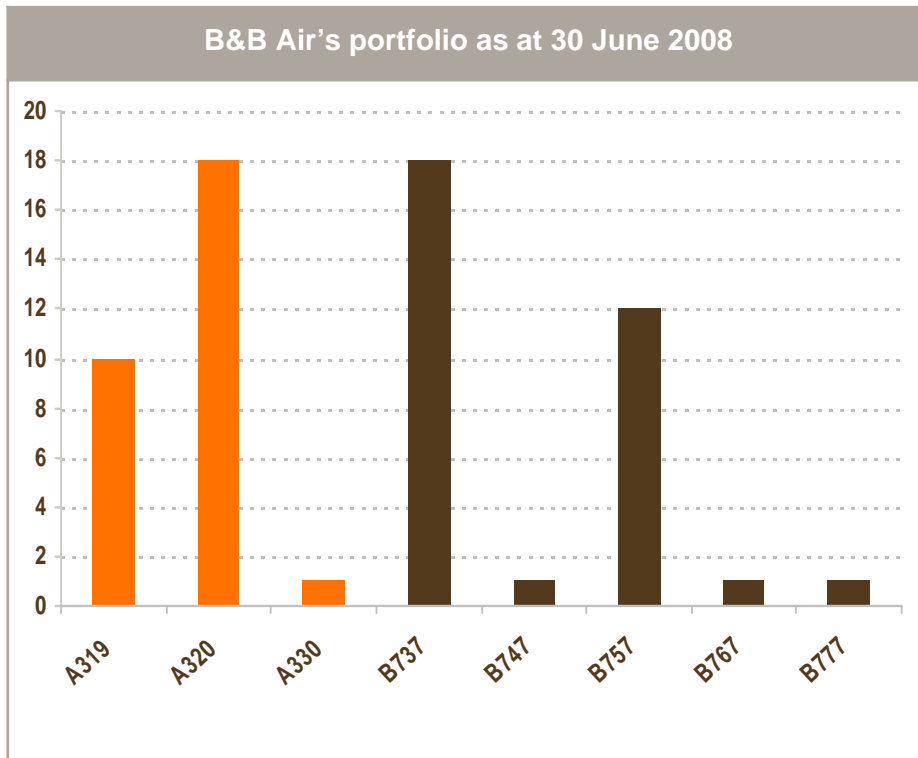
OPERATING LEASE ASSETS



BABCOCK & BROWN AIR LIMITED (B&B Air)

Key Information	1H2008
Carrying Value	US\$ 10.5 m
Impairment: Q2 & Cumulative	-US\$ 6.6 m ; -US\$13.7 m
MTM Adjustment: Q2 & Cumulative	Nil

- B&B Air owns a diverse portfolio of 62 commercial aircraft on lease around the world. Geographic diversity with approximately 34 lessees worldwide
- Average age of the fleet approx 6.3 years. and 5.7 years average lease maturity as at 1 June 2008
- BBGI owns 1,051,010 shares in B&B Air received upon monetisation of its investments in JET-i Group
- B&B Air's management quarterly dividend guidance of US\$0.50 per share affirmed and declared for Q2 2008
- Shares are currently unregistered
- While industry faces challenges with high fuel prices, the global demand for modern, fuel-efficient aircraft is expected to remain stable



Analyst coverage for B&B Air:

Brokerage	Rating	Target Price (US\$)	As Of
Credit Suisse	Outperform	\$18.00	26 June 08
Jefferies & Co	Buy	\$20.00	23 May 08
Citigroup	Buy	\$23.80	12 May 08
Merrill Lynch	Buy	\$18.00	09 May 08

Opportunities for B&B Air to grow portfolio

Since its IPO in Sep 07, B&B Air has further acquired 15 commercial aircraft, increasing its portfolio to 62 aircraft

BABCOCK & BROWN AIRCRAFT LESSOR NO.2

Key Information	1H2008
Carrying Value	US\$ 28.2 m *
Impairment: Q2 & Cumulative	Nil
MTM Adjustment	Not Applicable
Aircraft lease details	
Lessee	First Choice Airways
Guarantor	First Choice Holidays
Purchase Price of Aircraft	US\$ 14.7 m each **
Aircraft Type	Boeing 757-200
Manufacture Date	1993
Lease maturity Date	30 April 2013
Rentals	US\$ 160,000 per month

- BBGI owns 2 Boeing 757-200 aircraft leased to First Choice Airways
- Freighter conversion exit option available
- Fixed lease rental with no interest rate risk (i.e. fixed debt funding cost)

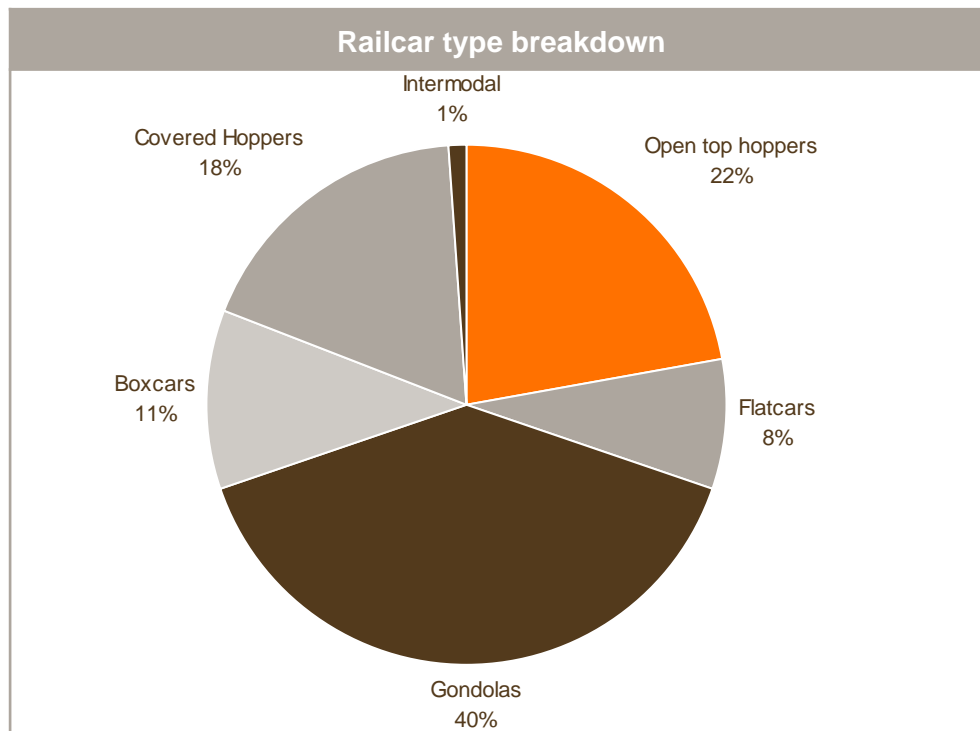
* Includes limited recourse debt of US\$18.1m

** Excludes acquisition costs

BABCOCK & BROWN RAIL NORTH AMERICA (BBRNA)

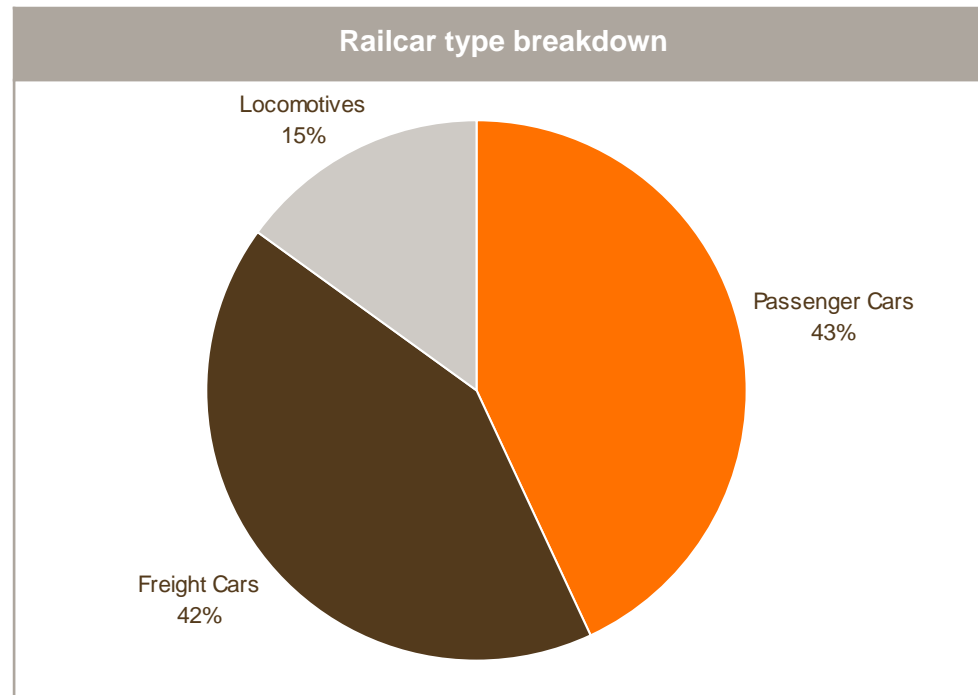
Key Information	1H2008
Carrying Value	US\$ 32.0 m
Impairment: Q2 & Cumulative	Nil
MTM Adjustment	Not Applicable

- BBGI has a 41.5% equity interest in BBRNA which in turn owns a diverse fleet of over 13,400 railcars on lease in North America with over 60 lessees
- Average age of railcar of 6.1 years, relatively young fleet
- Diversity of railcar types minimises concentration risk to a specific industry
- Currently 95% of fleet is leased and contracted for whole of 2008. However approximately 25% of the portfolio becomes available for lease by the end of 2009. Approximately 77% of total fleet leased to investment grade lessees
- Economic slow-down in US economy putting pressure on leasing and re-leasing rates as well as the originally expected late 2009 exit
- Urban congestion, pollution, increasing highway tolls, high oil price contributing to cost advantage of rail over road transport
- Refinancing requirement occurring in December 2008 which is yet to be finalised



BABCOCK & BROWN RAIL INVESTMENTS (BBRIL)

Key Information	1H2008
Carrying Value	€5.6 m
Impairment: Q2 & Cumulative	Nil
MTM Adjustment	Not Applicable



- BBGI has a 35% equity interest in Babcock & Brown Rail Investments Pty Ltd (“BBRIL”)
- BBRIL owns CBRail Group, an operating lessor with portfolio of 3 passenger train fleets, over 30 locomotives and 100 freight wagons in mainland Europe
- BBGI further invested €1.21m in April 08 (with 35% equity interest retained) to fund BBRIL’s fleet expansion
- 100% of lease rental is contracted for FY08
- European rail leasing market continuing to develop positively driven by growth in rail passenger volume due to high oil price affecting road transportation and government funding constraints
- Demand for new freight cars exceeding supply with significant backlog of orders beyond 2009
- Rail passenger volume expected to remain strong and growth projected to continue through 2020

LOAN PORTFOLIO & SECURITISATION ASSETS



ANCORA – PEPPER SECURITISATION NO.2

Key Information	1H2008
Carrying Value	A\$ 8.9 m
Impairment: Q2 & Cumulative	Nil
MTM Adjustment: Q2 & Cumulative	Nil ; -A\$ 0.13 m
Portfolio as at 30 June 2008	
No. of Obligor	728
Average Loan Size	A\$ 233,465
Weighted Average LVR	69.46%
Weighted Average Seasoning	27.75 months

Capital structure as at 30 June 2008	
Note Rating	Outstanding Amount (A\$ m)
AAA (Snr)	112.8
AAA (Mezz)	22.2
AAA (Jnr)	13.9
A+	12.8
BBB	12.2
Non rated note	5.0
Senior NIM note	4.0
Junior NIM note	Balance of excess spread

- BBGI has an investment in 2 classes of notes in Pepper Residential Securities No.5 Securitisation issued on 30 May 2006
- BBGI's investment is secured against a portfolio of registered first mortgages over Australian residential property
- Cumulative losses below expectations and have all been absorbed by excess spread
- Transaction benefits from increased loan margins across the portfolio, embedded house price appreciation from inception and build up of funds in the reserve account
- Minimal interest rate sensitivity due to partial natural hedging between funding and receipts, thus preserving margins

ANCORA – PEPPER SECURITISATION NO.3

Key Information	1H2008
Carrying Value	A\$ 17.4 m
Impairment: Q2 & Cumulative	Nil
MTM Adjustment: Q2 & Cumulative	Nil ; -A\$ 0.45 m
Portfolio as at 30 June 2008	
No. of Obligors	1,497
Average Loan Size	A\$264,188
Weighted Average LVR	70.22%
Weighted Average Seasoning	20.96 months

- BBGI has an investment in 2 classes of notes in Pepper Residential Securities No.6 Securitisation issued on 27 March 2007
- BBGI's investment is secured against a portfolio of registered first mortgages over Australian residential property
- Cumulative losses below expectations and have all been absorbed by excess spread
- Transaction benefits from increased loan margins across the portfolio, embedded house price appreciation from inception and build up of funds in the reserve account
- Minimal interest rate sensitivity due to partial natural hedging between funding and receipts, thus preserving margins

Capital structure as at 30 June 2008	
Note Rating	Outstanding Amount (A\$ m)
AAA (Snr)	273.8
AAA (Mezz)	54.7
AAA (Jnr)	32.3
A+	19.5
BBB	18.9
Non rated note	8.1
Senior NIM note	9.4
Junior NIM note	Balance of excess spread

ANCORA – SEIZA WAREHOUSE NOTE INVESTMENT

Key Information	1H2008
Carrying Value	A\$ 41.8 m
Impairment: Q2 & Cumulative	Nil
MTM Adjustment: Q2 & Cumulative	Nil ; -A\$ 0.50 m
Portfolio as at 30 June 2008	
No. of Obligors	1,793
Average Loan Size	A\$ 472,871
Weighted Average LVR	80.26%
Weighted Average Seasoning	11.16 months

Capital structure as at 30 June 2008	
Note Rating	Outstanding Amount (A\$ m)
AAA (Class A notes)	661.7
AA (Class B notes)	38.3
A (Class C notes)	60.0
BBB (Class D notes)	33.4
BB (Class E notes)	15.8
B (Class F notes)	10.8
N/R (Class G notes)	26.0
Senior NIM notes	10.8
Junior NIM	10.1

- BBGI has an investment in 3 classes of notes issued by Seiza 2006–1 Trust
- BBGI’s investment is secured against a portfolio of registered first mortgages over Australian residential and commercial property
- Cumulative losses in line with expectations and all have been absorbed by excess spread
- Transaction benefits from increased loan margins across the portfolio, build up of funds in the reserve account and decreasing leverage as the NIM notes balance has remained constant against a pool of loans which has increased over time
- Minimal interest rate sensitivity due to natural hedging between funding and receipts, thus preserving margins

ANCORA – SEIZA AUGUSTUS SERIES 2007-1 TRUST

Key Information	1H2008
Carrying Value	A\$ 12.9 m
Impairment: Q2 & Cumulative	-A\$ 2.3 m ; -A\$ 2.3 m
MTM Adjustment: Q2 & Cumulative	-A\$ 1.9 m ; -A\$ 2.3 m
Portfolio as at 30 June 2008	
No. of Obligors	423
Average Loan Size	A\$ 583,362
Weighted Average LVR	76.87%
Weighted Average Seasoning	19.43 months

Capital structure as at 30 June 2008	
Note Rating	Outstanding Amount (A\$ m)
AAA (Class A notes)	162.9
AA (Class B notes)	20.2
A (Class C notes)	21.9
BBB (Class D notes)	19.0
BB (Class E notes)	8.1
B (Class F notes)	4.1
N/R (Class G notes)	10.3
Senior NIM (Class M notes)	5.7
Junior NIM (Class N notes)	4.1

- BBGI has an investment in 2 classes of notes issued by Seiza Augustus Series 2007-1 Trust
- BBGI's investment is secured against a portfolio of first mortgages over Australian residential and commercial property
- Cumulative losses higher than expected but are all expected to be absorbed by excess spread
- Increased losses expected to continue over the near term placing increasing pressure on residual cash flow
- Minimal interest rate sensitivity due to natural hedging between funding and receipts, thus preserving margins
- Cash economic income on Class N note suspended until outlook improves

ANCORA – PROVIDENT CASHFLOW LIMITED

Key Information	1H2008
Carrying Value	A\$ 16.1 m
Impairment: Q2 & Cumulative	Nil
MTM Adjustment	Not Applicable
Portfolio as at 30 June 2008	
No. of Obligors	68
Average Loan Size	A\$ 378,718
Average Term of Loans	116 days

- Revolving purchase facility to PCL – 18 months with annual review periods at discretion of Ancora, secured against inventory
- Facility renegotiated over the quarter resulting in a doubling of both the margin and the first loss provision coverage
- BBGI's investment is secured against:
 - ✓ loan receivables
 - ✓ a first loss insurance policy
 - ✓ underlying customer receivables
 - ✓ a 10% cash deposit, and
 - ✓ a fixed and floating charge over the assets of PCL and certain director indemnities
- No losses experienced for the period
- No interest rate sensitivity because of natural hedging between funding and receipts, thus preserving margin

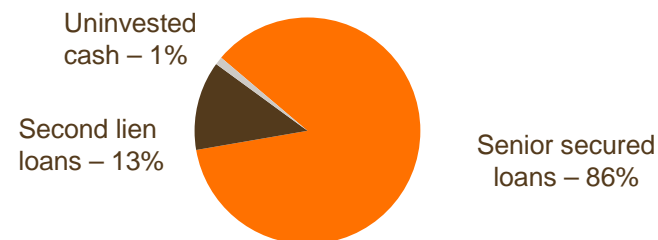
AVOCA VI CLO INVESTMENT

Key Information	1H2008
Carrying Value	€2.4 m
Impairment: Q2 & Cumulative	Nil
MTM Adjustment: Q2 & Cumulative	-€0.16 m ; -€1.69 m
Portfolio as at 30 June 2008	
No. of Obligators	67
Average Loan Size	€7.5 m
Loan Type	Majority senior secured (86%)

- BBGI has an investment in Class M notes secured against European senior secured and second lien loans which were issued by Avoca VI CLO plc on 16 November 2006 and managed by Avoca Capital Holdings (“Avoca”)
- Performance of borrowers continues to remain strong with no defaults in the portfolio since inception
- Avoca anticipates an increase in investment spreads during the reinvestment period given the increase in market credit spreads and the fixed funding costs in the capital structure

Capital structure as at 30 June 2008	
Note Rating	Outstanding Amount (€m)
AAA (Snr) (Class A notes)	301.5
AAA (Sub) (Class A notes)	64.0
AA (Class B notes)	19.4
A (Class C notes)	31.5
BBB (Class D notes)	20.0
BB (Class E notes)	23.9
B (Class F notes)	10.0
N/R (Class M notes)	37.8

Portfolio value as at 30 June 2008



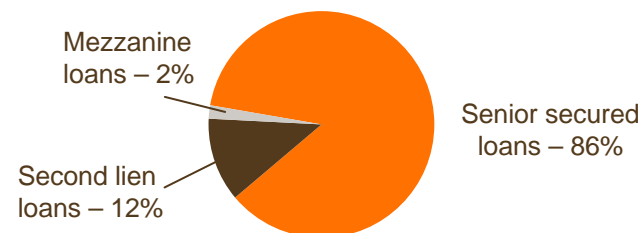
AVOCA VII CLO INVESTMENT

Key Information	1H2008
Carrying Value	€ 12.7 m
Impairment: Q2 & Cumulative	Nil
MTM Adjustment: Q2 & Cumulative	-€0.31 m ; -€2.42 m
Portfolio as at 30 June 2008	
No. of Obligors	72
Average Loan Size	€9.7 m
Loan Type	Majority senior secured (86%)

- BBGI has an investment in Class F and G notes secured against European senior secured, second lien and mezzanine loans which were issued by Avoca VII CLO plc and managed by Avoca
- Performance of borrowers continues to remain strong with no defaults in the portfolio since inception
- Avoca anticipates an increase in investment spreads during the reinvestment period given the increase in market credit spreads and the fixed funding costs in the capital structure

Capital structure as at 30 June 2008	
Note Rating	Outstanding Amount (€m)
AAA (Snr) (Class A notes)	284.0
AAA (Sub) (Class A notes)	62.5
AAA (Sub) (Class A notes)	145.0
AA (Class B notes)	48.5
A (Class C notes)	42.0
BBB (Class D notes)	23.0
BB (Class E notes)	28.3
B (Class F notes)	14.0
N/R (Class G notes)	48.0

Portfolio value as at 30 June 2008



MORTGAGES PLC SECURITISATION INVESTMENT

Key Information	1H2008
Carrying Value	£ 5.5 m
Impairment: Q2 & Cumulative	-£ 3.9 m ; -£ 3.9 m
MTM Adjustment: Q2 & Cumulative	-£ 1.0 m ; -£ 3.9 m
Portfolio as at 30 June 2008	
No. of Obligors	4,869
Average Loan Size	£106,513
Weighted Average LVR	80.11%
Weighted Average Seasoning	23.35 months

Capital structure as at 30 June 2008	
Note Rating	Outstanding Amount (£m)
AAA (Class A & M notes)	467.6
AA (Class B notes)	39.5
A (Class C notes)	24.7
BBB (Class D notes)	15.6
BBB (Class T notes)	4.1
BB (Class E notes)	5.9
BB (Class Q notes)	6.5
N/R Series MERCS	All prepayment penalties
N/R Series Residuals	All excess spread after repayment to T & Q Notes

- BBGI owns 50% of each of the Series MERCS and Series Residuals (“notes”) issued by Newgate Funding 2006-3 plc, a securitisation entity of Mortgages plc
- BBGI’s notes are secured against a portfolio of registered first mortgages over UK residential property
- Cumulative losses higher than expected and have all been absorbed by excess spread
- Losses likely to continue due to a decline in UK housing coupled with increasing pressure on household income
- Cash economic income suspended until outlook improves

ALTERNATIVE ASSETS



PARAMOUNT MEZZANINE LOAN

Key Information	1H2008
Carrying Value	US\$ 17.5 m
Impairment: Q2 & Cumulative	Nil
MTM Adjustment	Not Applicable

Sources of project funding	
Senior debt	US\$216 m
Senior Mezzanine Loan	US\$2 m
Babcock & Brown / BBGI Loan	US\$30 m
Equity	US\$34 m

Expected Proceeds	
Current Sales	US\$238 m
Remaining value to be achieved before loan (principal & interest) repayment to BBGI	US\$57 m
Expected total value	US\$398 m

- BBGI has a development loan to the developer which is on a pari passu basis with Babcock & Brown Group
- Development is at least 70% complete and is expected to be completed mid-09
- Substantial pre-sales with only 30% unsold units. 20% cash deposits mitigate sales risks with no cancellation to-date of pre-sold units in spite of US economic challenges
- Sales activity through 2H2008 not expected to be significant given:
 - no expected substantial price escalation; and
 - high rise not able to be accessed at this time and units not delivering until mid 2009
- Fixed rate loan, therefore no interest rate sensitivity

MUSIC COPYRIGHT ASSETS

Key Information	1H2008
Carrying Value	US\$ 55.6 m*
Impairment: Q2 & Cumulative	Nil
MTM Adjustment	Not Applicable

*Includes limited recourse debt of US\$30.5m

- BBGI has an investment in a portfolio of music copyright assets with over 1,800 musical compositions, which entitles it to revenue from the use and performance of the songs regardless of which recordings or versions are used or the artists who perform them
- Music copyright royalties are collected by a well established global network of collection societies
- Current decline in mechanical sales (i.e. CD sales) affecting music industry hardest felt in new releases/current songs which BBGI does not target
- Portfolio benefits from increases in performance income (from proliferation of media channels and outlets) and increase in synchronisation revenue (i.e. royalties or fees for use of musical composition in combination with image such as in films, television programmes, advertising and computer games)
- Interest rate risk reduced through fixed debt funding cost, but revenues may fluctuate

