

Current Asset Review - Operating Lease Assets

BABCOCK & BROWN AIR LIMITED (JET-i SUCCESSOR ENTITY)

- Investment balance as at 30 Sep 2007: US\$31.3 million
- Air lessor of commercial aircraft listed on NYSE at US\$23 per share on 27 Sep 2007
- BBSFF is escrowed, and will be able to sell B&B Air Shares in 2008
- No indicators of impairment

Current B&B Air Portfolio

- 47 modern commercial aircraft
- average age of approximately six years
- lease terms with a staggered maturity profile
- 29 lessees spread across 16 countries
- all of the aircraft in B&B Air's initial portfolio are subject to leases under which lessees are responsible for most operational and insurance costs, and the majority of the leases in the initial portfolio are subject to fixed rental rates
- 8.7% USD dividend yield, payable quarterly



CDS ON JET-I LEASING TRANCHE B DEBT

- Investment balance as at 30 June 2007: US\$24.9 million
- BBSFF has a credit default swap (“CDS”) with Credit Suisse International that references JET-i Leasing’s Tranche B debt earning USD Libor plus 4.15 p.a.
- Investment has performed in line with expectations:
 - cash economic income in line with Prospectus Projection
 - will be repaid upon amortisation of JET-i Leasing’s Tranche B debt, expecting to be substantially completed by 31 Dec 2007, but reinvestment undertaking from Babcock & Brown Group underpins cash economic income in 2007
 - Total return varies based on movements in USD Libor
- No indicators of impairment



BABCOCK & BROWN AIRCRAFT LESSOR NO.2

- Investment balance as at 30 Sep 2007: US \$10.8 million
- BBSFF owns 2 Boeing 757-200 aircraft leased to First Choice Airways
- FedEx Express's announcement in late 2006 to replace part of its existing freighter fleet with Boeing 757-200 provides further opportunity for a freighter conversion as an exit option to BBSFF
- Investment has performed in line with expectations:
 - cash economic income in line with Prospectus Projection
 - AVITAS has upgraded current generic market value of 757-200 aircraft since IPO
- No interest rate risk (fixed debt funding cost)
- No indicators of impairment

Aircraft lease details

Lessee	First Choice Airways
Guarantor	First Choice Holidays
Purchase price of aircraft	US\$14.7m each*
Aircraft type	Boeing 757-200
Manufacture date	1993
Lease maturity date	30 April 2013
Rentals	<ul style="list-style-type: none">• US\$155,000 per month to April 2008• US\$160,000 per month thereafter

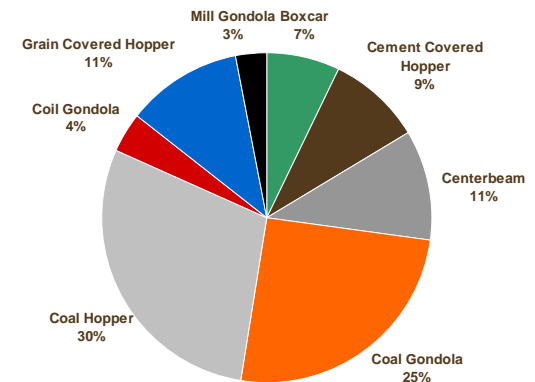
*Excluding acquisition costs



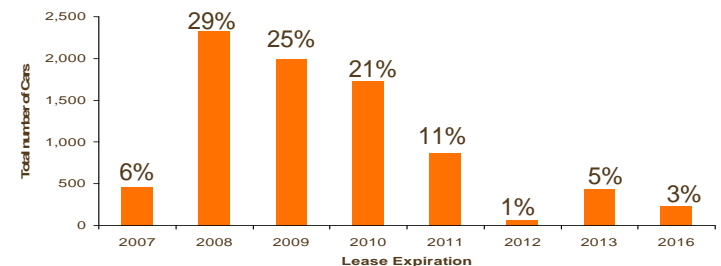
BABCOCK & BROWN RAIL NORTH AMERICA

- Investment balance as at 30 Sep 2007: US\$38.6 million
- BBRNA's portfolio as at 30 Sep 2007: 8,104 cars; 71 leases; 44 lessees
- Top ten lessees comprise 61.1% of portfolio rent exposure
- 85% of total fleet (by car count) is leased to investment grade lessees
- Investment has performed in line with expectations:
 - cash economic income in line with original expectations
 - lease utilisation rate of 98%
 - YTD 2007 lease rental income above forecast
 - contracted rent as % of forecast rent:
 - 2007 – 94%
 - 2008 – 81%
- Demand for modern railcars remains strong owing to industrial demand in US despite slow down in US housing, but some contraction in lease rates being experienced
- Diversity of railcar types minimises concentration risk to a specific industry
- Interest cost structured to match income profiles of underlying leases reducing any potential interest rate risk at the BBRNA level
- No indicators of impairment

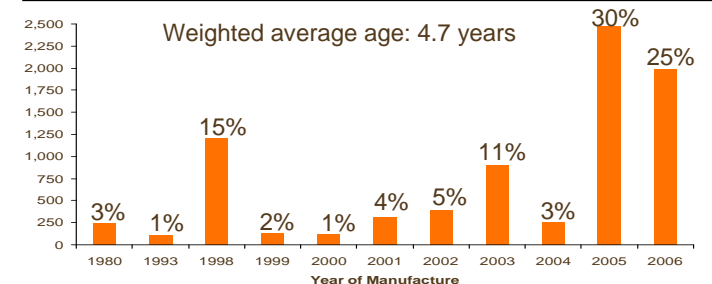
Car Type Breakdown



Lease Expiry by Year



Fleet Age Profile



Current Asset Review - Loan Portfolio & Securitisation Assets

ANCORA – PEPPER SECURITISATION NO.2

- Investment balance as at 30 Sep 2007: A\$13.3 million
- 2 classes of notes in Pepper Residential Securities No.5 Securitisation issued on 30 May 2006
- Secured against first mortgages over owner occupied, Australian residential property
- Investment has performed in line with expectations:
 - cash economic income received in line with original expectations
 - losses within the mortgage pool moderately higher than anticipated but all absorbed by excess spread. Growth of the estimated capacity to absorb losses from the BBSFF Prospectus expectations outweighs growth in actual mortgage pool losses
- No interest rate sensitivity because of natural hedging between funding and receipts, thus preserving margin
- No indicators of impairment

Capital structure as at 30 Sep 2007

Note Rating	Outstanding Amount (A\$m)
AAA (Snr)	161.7
AAA (Mezz)	31.8
AAA (Jnr)	20.0
A+	13.0
BBB	12.4
Non rated note	5.0
Senior NIM note	8.3
Junior NIM note	Balance of excess spread

Securitisation portfolio as at 30 Sep 2007

No. of obligors	1,024
Average loan size	A\$239,701
Weighted average LVR	70.7%

ANCORA – PEPPER SECURITISATION NO.3

- Investment balance as at 30 Sep 2007: A\$23.40 million
- 2 classes of notes in Pepper Residential Securities No.6 Securitisation issued on 27 March 2007
- Secured against first mortgages over owner occupied, Australian residential property
- Investment has performed in line with expectations:
 - cash economic income received in line with original expectations
 - losses within the mortgage pool in line with expectations and all absorbed by excess spread
- No interest rate sensitivity because of natural hedging between funding and receipts, thus preserving margin
- No indicators of impairment

Capital structure as at 30 Sep 2007

Note Rating	Outstanding Amount (A\$m)
AAA (Snr)	366.5
AAA (Mezz)	73.3
AAA (Jnr)	43.2
A+	19.5
BBB	18.9
Non rated note	8.1
Senior NIM note	15.3
Junior NIM note	Balance of excess spread

Securitisation portfolio as at 30 Sep 2007

No. of obligors	1,995
Average loan size	A\$266,450
Weighted average LVR	71.42%

ANCORA – SEIZA WAREHOUSE NOTE INVESTMENT

- Investment balance as at 30 Sep 2007: A\$37.8 million
- 3 classes of notes issued by Seiza 2006–1 Trust
- Secured against first mortgages over Australian residential and commercial property
- Investment has performed above expectations:
 - cash economic income greater than forecast because of higher outstanding investment balance
 - cumulative losses lower than originally anticipated – expected to normalise
 - all losses to date absorbed by excess spread
- No interest rate sensitivity because of natural hedging between funding and receipts, thus preserving margin
- No indicators of impairment

Capital structure as at 12 Oct 2007*

Note Rating	Outstanding Amount (A\$m)
AAA (Class A notes)	462.1
AA (Class B notes)	33.7
A (Class C notes)	32.5
BBB (Class D notes)	29.5
BB (Class E notes)	14.4
B (Class F notes)	10.2
N/R (Class G notes)	19.9
NIM notes	10.8

Portfolio requirement

Commercial LVR	<75%
Residential LVR	<85%

* The issue amounts of the underlying notes may vary given the nature of the facility.

ANCORA – SEIZA AUGUSTUS SERIES 2007-1 TRUST

- Investment balance as at 30 Sep 2007: A\$14.7 million
- 2 classes of notes issued by Seiza Augustus Series 2007-1 Trust
- Secured against first mortgages over Australian residential and commercial property with a weighted average loan to value ratio of 75.5%
- Investment has performed in line with expectations
 - Cash economic income in line with original expectations
 - No cumulative losses
- No interest rate sensitivity because of natural hedging between funding and receipts, thus preserving margin
- No indicators of impairment

Capital structure as at 30 Sep 2007

Note Rating	Outstanding Amount (A\$m)
AAA (Class A notes)	262.2
AA (Class B notes)	20.2
A (Class C notes)	21.8
BBB (Class D notes)	19.0
N/R (Class G notes)	10.3
Junior NIM (Class N notes)	4.1



MORTGAGES PLC SECURITISATION INVESTMENT

- Investment balance as at 30 Sep 2007: £10.1 million
- BBSFF owns two classes of notes issued by Newgate Funding 2006-3 plc, a securitisation entity of Mortgages plc
 - MERCS – all prepayment penalties (not in the waterfall)
 - Residual Notes – all excess spread after repayment of T & Q notes
- Secured against first mortgages over United Kingdom (“UK) residential property with a weighted average loan to value ratio of approximately 80.0% at inception (2006 vintage home loans)
- Investment is performing in line with expectations
 - cash economic income in line with original expectations
 - cash receipts greater than original expectations
 - cumulative losses lower than originally anticipated
 - cumulative losses absorbed by excess spread
- Underlying investment is largely insulated from movements in interest rates due to hedging entered into at the Newgate Funding 2006-3 plc level
- No indicators of impairment



ANCORA – PROVIDENT CASHFLOW LIMITED (previously PIF)

- Investment balance as at 30 Sep 2007: A\$11.3 million
- Revolving purchase facility to PCL – 3 years with annual review periods at discretion of Ancora, secured against inventory
- Specific triggers in the event of deterioration in underlying loan credit performance
- Losses mitigated by three levels of credit enhancement
 - A\$5.0 million first loss insurance wrap provided by AA rated insurer (20% of facility limit)
 - cash deposit for 10% of drawdown
 - personal guarantee from PIF directors
- Investment has performed in line with expectations
 - Cash economic income greater than forecast because of higher outstanding investment balance
 - No losses in the underlying portfolio
- No interest rate sensitivity because of natural hedging between funding and receipts, thus preserving margin
- No indicators of impairment



AVOCA VI CLO INVESTMENT

- Investment balance as at 30 Sep 2007: €4.0 million
- BBSFF owns subordinated notes secured against European senior secured, second lien and mezzanine loans which were issued by Avoca VI CLO plc on 16 November 2006 and managed by Avoca Capital Holdings
- Investment is performing in line with expectations:
 - cash economic income in line with original expectations
 - no losses incurred, which is better than anticipated
 - transaction has successfully ramped significantly quicker than BBSFF expected
 - average investment spread was lower than the target assumed by Avoca but Avoca anticipates an increase in investment spreads during the reinvestment period given the increase in interest margins
- As at 30 September 2007, 91% of the portfolio by value was invested in senior secured loans and 9% in second lien loans; no mezzanine loans in the portfolio
- No indicators of impairment
- Underlying investment is largely insulated from movements in interest rates, but the return is affected by credit spreads

Capital structure as at 28 September 2007

Note rating	Outstanding amt (€m)	Margin (bps)
AAA (Snr)	301.5	21
AAA (Sub)	64.0	28
AA	19.4	35
A	31.5	55
BBB	20.0	135
BB	23.9	335
B	10.0	495
N/R	37.7	n/a

Loan criteria (applicable for reinvestment period)

- Max of 5.0% for loans rated less than B-/B3
- Max of 15.0% for loans other than snr secured loans
- Max asset size of 2.5% for indiv snr notes
- Max asset size of 1.5% for indiv 2nd lien
- Max asset size of 1.0% for mezz loans

AVOCA VII CLO INVESTMENT

- Investment balance as at 30 Sep 2007: €15.2 million
- BBSFF owns subordinated notes secured against European senior secured, second lien and mezzanine loans and Class F notes (rated “B” by Standard & Poor’s) which were issued by Avoca VII CLO plc and managed by Avoca
- Investment is performing in line with expectations
 - no cash economic income expected in 1H 2007
 - no losses incurred
 - transaction ramped significantly quicker than BBSFF expected
 - average investment spread was lower than the target assumed by Avoca but within BBSFF’s expectations. Avoca anticipates an increase in investment spreads during the reinvestment period given the increase in interest margins
- As at 30 Sep 2007 86% of the portfolio by value was invested in senior secured loans, 12% in second lien loans and 2% in mezzanine loans
- Underlying investment is largely insulated from movements in interest rates, but the return on the subordinated note is affected by credit spreads
- No indicators of impairment

Capital structure at 28 September 2007

Note rating	Outstanding amt (€m)	Margin (bps)
AAA (Snr)	284.0	21
AAA (Sub)	62.5	28
AAA (Sub)	144.0	22
AA	48.5	37
A	42.0	58
BBB	23.0	125
BB	28.2	340
B	14.0	495
N/R	48.0	n/a

Loan criteria (applicable for reinvestment period)

- Max of 5.0% for loans rated less than B-/B3
- Max of 15.0% for loans other than snr secured loans
- Max asset size of 2.5% for indiv snr notes
- Max asset size of 1.5% for indiv 2nd lien
- Max asset size of 1.0% for mezz loans

PARADOX CAPITAL LLC – SUBORDINATED LOAN

- Investment balance as at 30 Sep 2007. US\$15.0 million, plus an additional US\$5.0 million facility
- Substantively, this is the subordinate debt in a long term warehouse of IP loans
- Investment is performing in line with expectations
 - cash economic income in line with original expectations
 - no losses have been incurred on the underlying loan portfolio and there have been no defaults
- Total return varies based on movements in USD Libor
- No indicators of impairment

Capital structure of Paradox transaction*

Senior debt	US\$250m
BBSFF subordinated debt	US\$20m
Babcock & Brown equity	US\$10m

* When fully drawn



Current Asset Review - Alternative Assets

AGSO LOAN GUARANTEE

- Investment balance as at 30 Sep 2007: A\$50.0 million guarantee to allow Babcock & Brown Group to borrow up to an additional A\$50.0 million from Deutsche Bank under a prime broking facility
- Can be used for shorter term cash flow management of up to S\$40m to allow BBSFF to manage cash in a high yield and secured investment
- Investment is performing in line with expectations
 - cash economic income higher than expected owing to higher investment balance
 - LVR has been in the order of <70.0%
- Interest rate risk reduced through return on cash which supports the guarantee being correlated with the Deutsche Bank cost of funds
- No indicators of impairment

Terms of Guarantee

Fee	12.5% less Deutsche Bank cost of funds
Security	First priority position over shares
Max LVR	80%
Role of DB	- Monitor LVR - Enforce Security
Term	3 years



PARAMOUNT MEZZANINE LOAN

- Investment balance as at 30 Sep 2007: US\$15.0 million
- Total cost of Paramount Bay project expected to be US\$277.0 million; construction costs are on budget and >90% of raw materials have been purchased
- Pre-sales (for which deposits have been received) as at 30 September 2007 of US\$231.2 million
- Loan (principal & interest) will be fully repaid once consummated presales reach US\$302.1 million
- BBSFF will be fully repaid if remaining project is sold at 25% discount to expectations
- Construction of development preceding according to plan and it is expected to be ready in mid-2009
- Sales activity through 07/08 not expected to be significant given:
 - no expected substantial price escalation apparent; and
 - high rise not able to be accessed at this time and units not delivering until mid 2009

This is consistent with selling patterns for comparable developments

- Fixed rate loan from BBSFF, therefore no interest rate sensitivity
- No indicators of impairment

Sources of project funding

Senior debt	US\$216m
Loan	US\$30m
Equity	US\$31m



Artist's impression

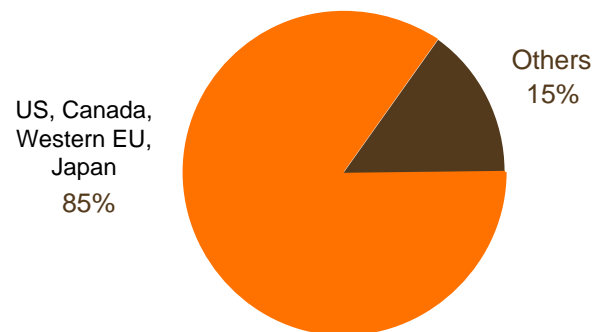
MUSIC COPYRIGHT ASSETS

- Investment balance as at 30 Sep 2007. US\$30.7 million (excluding acquisition costs)
- BBSFF owns the copyright in over 1,000 musical compositions, which entitles it to revenue from the use of the song whenever and however it is used

Sources of music publishing revenue

Mechanical (35% – 40%)	A mechanical right entitles the copyright owner to royalties each time a copy of any song covered by the copyright is produced, whether physical (CDs) or non-physical (digital downloads, mobile phone ring tones)
Performance (40% - 50%)	The owner of the copyright is entitled to royalties by granting a performance licence allowing public performance or communication of any music covered under the copyright
Synchronisation (10% - 15%)	A synchronisation licence is issued by the copyright owner each time a song covered under the copyright accompanies a visual image, such as in advertisements and movie soundtracks
Others (5%)	Other sources of publishing revenue include granting print licences when a song covered under the copyright is written down and published

Music copyright royalties by region



Source: Enders Analysis

- Investment is performing in line with expectations
- The current decline in mechanical sales affecting the music industry is hardest felt in new releases and current songs – a class of song which BBSFF does not target
- Interest rate risk reduced through fixed debt funding cost
- No indicators of impairment