

To the creditor as addressed

17 November 2014

Dear Sir/Madam,

Babcock & Brown Limited (In Liquidation) ("BBL")
ACN 108 614 955

ANNUAL REPORT TO CREDITORS AND NOTEHOLDERS
Report pursuant to Section 508(1)(b)(ii) of the *Corporations Act 2001* ("the Act")

I refer to my appointment as Liquidator of BBL on 24 August 2009.

I confirm that I will not be convening a meeting of creditors pursuant to Section 508(1)(b)(i) of the Act, and instead, have prepared this report in accordance with Section 508(3) of the Act, to update creditors on the progress of the liquidation and to describe our acts and dealings and the general conduct of the winding up for the period 24 August 2013 to 23 August 2014 ("the Period"). This report should be read in conjunction with our report dated 22 November 2013.

A copy of this report has also been lodged with the Australian Securities and Investments Commission pursuant to Section 508(4) of the Act.

In this Report, "**Subordinated Noteholders**" means registered holders of subordinated notes issued by BBL pursuant to prospectuses issued in Australia dated 9 November 2005 (supplementary prospectus dated 21 November 2005), 9 May 2006, 12 October 2006 and investment statements issued in New Zealand dated 9 May 2006, 12 October 2006.

1. LIQUIDATOR'S ACTS AND DEALINGS FOR THE PERIOD

i. Delay to the declaration and payment of dividend to unsecured creditors

As advised in my previous Liquidator's Annual Report to Creditors and Noteholders dated 22 November 2013, legal proceedings were commenced in the Federal Court of Australia (Sydney) against BBL on behalf of 78 shareholders (Applicants), with claims to the value of \$12.9 million. The proceedings were commenced under section 1321 of the Act as a result of my decision as Liquidator to reject each of the Applicants' proofs of debt.

I defended the appeal of my decision to reject the Applicants' proofs of debt, and a court hearing was held on 14 to 16, 18 and 22 July 2014. The judge's decision is currently reserved. It is not known when judgment will be received.

In addition to the 78 Applicants, another set of proceedings have been commenced on behalf of 100 shareholders with claims to the value of \$14.1 million.

Furthermore, on 19 September 2014, a third set of proceedings was commenced on behalf of 887 shareholders, with claims to the value of \$116 million. We understand that additional shareholders may yet join this proceeding, resulting in an increase in the total value of claims.

These three sets of proceedings each arise out of my decision as Liquidator to reject each of the particular shareholder's proof of debt, and were each initiated by a common litigation funder and firm of solicitors. The second and third sets of proceedings are presently adjourned to await the outcome of the first proceedings.

Please note that due to the above mentioned legal proceedings, I am unable to comment on the value of any funds available for distribution to unsecured creditors and Subordinated Noteholders. I am required to finalise the above

legal proceedings and all unsecured creditor claims prior to quantifying what funds might be available for Subordinated Noteholders.

Pursuant to Regulation 5.6.65 of the *Corporations Regulations 2001*, I am required to re-advertise my intention to declare a dividend to ordinary unsecured creditors not more than two months before the intended date of payment. I hope to issue this notice as soon as practicable following the resolution of the abovementioned proceedings.

All future updates in relation to the proceedings and subsequent dividend process will be made available on our website at www.deloitte.com/au/babcockandbrown. All statutory notices will continue to be issued in accordance with the Act.

Once any appeals have been resolved, I will post a further update on our website providing guidance as to the timing and quantum of the first dividend payment to unsecured creditors.

ii. Tax Declaration to Noteholders

As any future dividends to noteholders are contingent upon the outcome of the litigation described above, I am unable to issue a notice declaring that BBL subordinated notes have no value. I will be in a position to issue a tax declaration in relation to the subordinated notes pursuant to the Income Tax Assessment Act after the outcome of the current court proceedings and the distribution of net recovery proceeds to unsecured creditors.

2. ONLINE UPDATES

Please note that all previously issued reports and circulars, as well as additional updates to creditors may be found on our website at the following address: www.deloitte.com/au/babcockandbrown. **I suggest that all creditors and Subordinated Noteholders visit the website regularly in order to remain updated on the progress of the Liquidation.**

3. RECEIPTS AND PAYMENTS

A summary of BBL's receipts and payments for the period 24 August 2013 to 23 August 2014 are attached as Annexure A. A summary of the Voluntary Administrators' and Liquidators' remuneration is attached as Annexure B.

4. ESTIMATED TIMEFRAME FOR COMPLETION OF LIQUIDATION

An indicative timeline for payment of the dividend to creditors is outlined below. Please note that the timetable is only our current estimate, and the timing is dependent on the resolution of the legal proceedings described above.

December 2014 – July 2015	Resolution of legal proceedings described above, including any appeals to higher courts.
August 2015	Liquidator to advertise notice of intention to declare dividend to unsecured creditors Collate, record and adjudicate any further Formal Proof of Debts received
October 2015	Declaration and payment of dividend to unsecured creditors Post an update on our website regarding the outcome of the above process If sufficient funds for a distribution to Subordinated Noteholders, Liquidator to advertise notice of intention to declare dividend to Subordinated Noteholders

Please note the above is an estimate and the Liquidator will endeavour to complete the various steps as soon as possible. A dividend may be available sooner if the litigation is finalised without appeals to higher courts.

Should you have any queries regarding the contents of this report, you may contact this office on +61 2 9322 5513 or bandbltd@deloitte.com.au.

Yours faithfully,


DJF
Liquidator

Annexure A

Babcock & Brown Limited (In Liquidation)

**Summary of Receipts and Payments
24 August 2013 to 23 August 2014**

Opening Cash at Bank	25,951,599.81
Receipts during the period	
Interest	988,909.88
Miscellaneous Income	275,000.00
Total	1,263,909.88
Payments during the period	
Trustee Fees	-
Trustee Expenses	2,062.50
Legal Fees	852,364.62
Legal Disbursements	815,966.03
Liquidator's Remuneration	432,493.60
Liquidator's Expenses	64,766.73
Destruction fees	-
Email Backup & Storage Costs	1,593.79
Advertising (Sale of assets)	-
Stationery and Printing	26,279.44
Reimbursement and Uplift payments to funding contributors	46,600.00
Total	2,242,126.71
Net Receipts / (Payments)	(978,216.83)
Net GST Receipts / (Payments)	115,398.34
Closing Cash at Bank	25,088,781.32

Annexure B

A summary of remuneration of Voluntary Administrators and Liquidators, paid as at 24 August 2014, is provided below. Appropriate information outlining the nature of the remuneration sought was provided to the Committee of Inspection on each occasion when approval was sought.

Voluntary Administration: 13 March 2009 to 23 August 2009
Liquidation: Post 24 August 2009

Period	Total Fees (excl GST) (\$)	Fee approval received Date of resolution
13-Mar-09 to 22-May-09	858,700.50	09-Jun-09
23-May-09 to 31-Jul-09	595,604.00	07-Aug-09
01-Aug-09 to 23-Aug-09	300,000.00	07-Aug-09
Voluntary Administrators'	<u>1,754,304.50</u>	
24-Aug-09 to 16-Apr-10	658,542.00	21-May-10
17-Apr-10 to 19-Nov-10	614,083.00	15-Dec-10
20-Nov-10 to 19-Feb-11	112,461.00	28-Feb-11
20-Feb-11 to 31-May-11	60,779.00	29-Aug-11
01-Jun-11 to 25-Nov-11	211,564.50	20-Dec-11
26-Nov-11 to 17-Feb-12	97,347.50	20-Dec-11
17-Feb-11 to 30-Apr-12	97,194.50	20-Dec-11
01-May-12 to 31-Aug-12	325,966.50	27-Sep-12
21-Aug-12 to 30-Apr-12	21,112.00	27-Sep-12
01-Sep-12 to 30-Nov-12	158,540.00	27-Sep-12
01-Dec-12 to 31-Jan-13	58,843.00	28-Feb-13
01-Feb-13 to 31-Mar-13	70,574.50	28-Feb-13
01-Apr-13 to 30-Apr-13	28,968.50	28-Feb-13
01-May-13 to 30-Jun-13	61,355.50	22-Jul-13
01-Jul-13 to 31-Jul-13	44,104.00	22-Jul-13
01-Aug-13 to 19-Sep-13	51,867.50	22-Jul-13
20-Sep-13 to 31-Oct-13	17,566.00	10-Dec-13
01-Nov-13 to 30-Nov-13	28,091.00	10-Dec-13
01-Dec-13 to 31-Jan-14	52,434.00	10-Dec-13
01-Dec-13 to 31-Jan-14	458.00	02-Apr-14
01-Feb-14 to 28-Feb-14	80,855.50	02-Apr-14
01-Mar-14 to 31-Mar-14	23,260.00	02-Apr-14
01-Apr-14 to 30-Apr-14	72,995.00	02-Apr-14
01-Apr-14 to 30-Apr-14	16,116.50	28-Jul-14
01-May-14 to 30-Jun-14	49,532.50	28-Jul-14
01-Jul-14 to 31-Aug-14	109,565.00	28-Jul-14
Liquidators' Remuneration:	<u>3,124,176.50</u>	