

ANNUAL REPORT TO CREDITORS AND NOTEHOLDERS

10 November 2015

Dear Sir/Madam

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

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 2014 to 23 August 2015 ("the Period"). This report should be read in conjunction with our report dated 17 November 2014.

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 Annual Report dated 17 November 2014, three sets of legal proceedings were commenced in the Federal Court of Australia (Sydney) against BBL, on behalf of 1,065 shareholders (Applicants), with claims to the value of \$143 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. Since our last report, a fourth set of proceedings has been commenced on behalf of a further 234 shareholders, with claims to the value of \$2.4m. This brings the total value of claims on behalf of shareholders to \$145.4m. The details of these proceedings are summarised below:

Proceeding Number	Applicants	Value of Claim
NSD 2070/2012	78	\$12.9m
NSD 2525/2013	100	\$14.1m
NSD 947/2014	887	\$116.0m
Subtotal	1065	\$143.0m
NSD 501/2015	234	\$2.4m
Total	1,299	\$145.4m

On 4 March 2015, Justice Perram of the Federal Court handed down his judgement rejecting the claims of the applicants in the first set of proceedings (NSD 2070/2012). The applicants subsequently lodged an appeal against this judgement, and the appeal hearing was held before the Full Federal Court of Australia on 24 and 25 August 2015.

The judgement in the appeal proceedings to the Full Federal Court is currently reserved. It is not known when judgment will be received; however, we hope it will be delivered later this year, or in early 2016.

The remaining 3 proceedings are listed for further directions before the Federal Court on 4 December 2015.

Unfortunately, due to the above mentioned legal proceedings, I remain unable to comment on the value of any surplus funds that will be available for distribution to Subordinated Noteholders. I am required to finalise the above legal proceedings prior to quantifying what funds might be available for distribution to Subordinated Noteholders.

As previously advised, 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 all 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 previous 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 2014 to 23 August 2015 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.

Dec 2015 – Dec 2016

Resolution of the legal proceedings described above, including time allowed for receipt of judgement from the Full Federal Court in the first set of proceedings and resolution of the remaining three and any other legal proceedings.

January 2017	Liquidator to advertise notice of intention to declare dividend to unsecured creditors
	Collate, record and adjudicate any further Formal Proof of Debts received
February 2017	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
June 2017	Declaration and payment of 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 after the resolution of the shareholder proceedings.

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,



D. J. P. Lombé
Liquidator

Encl.

Annexure A**Summary of Receipts and Payments
24 August 2014 to 23 August 2015**

Opening Cash at Bank	25,088,781.32
Receipts during the period	
Interest	761,493.90
Total	761,493.90
Payments during the period	
Legal Fees	544,658.75
Legal Disbursements	188,403.90
Liquidator's Remuneration	413,594.00
Liquidator's Expenses	20,702.11
Email Backup & Storage Costs	1,385.89
Stationery and Printing	16,776.07
Reimbursement and Uplift payments to funding contributors	22,000.00
Total	1,207,520.72
Net Receipts / (Payments)	(446,026.82)
Net GST Receipts / (Payments)	25,613.87
Closing Cash at Bank	24,668,368.37

Annexure B

A summary of remuneration of Voluntary Administrators and Liquidators, paid as at 24 August 2015, 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'	1,754,304.50	
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
01-Jul-14 to 31-Aug-14	8,498.00	28-Oct-14
01-Sep-14 to 30-Sep-14	40,693.00	28-Oct-14
01-Oct-14 to 30-Nov-14	72,054.00	28-Oct-14
01-Dec-14 to 31-Dec-14	27,148.50	18-Dec-15
01-Jan-15 to 31-Jan-15	15,033.00	18-Dec-15
01-Feb-15 to 28-Feb-15	37,148.00	18-Dec-15
01-Mar-15 to 20-Mar-15	25,261.00	1-Apr-15
21-Mar-15 to 30-Jun-15	78,193.50	1-Apr-15
Liquidators' Remuneration:	3,428,205.50	