

## ANNUAL REPORT TO CREDITORS AND NOTEHOLDERS

22 November 2013

Dear Sir/Madam

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

### **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.

In accordance with Section 508(3) of the Act, I have prepared a report on the progress of the liquidation, setting out our acts and dealings and the general conduct of the winding up for the period 24 August 2012 to 23 August 2013 ("the Period"). This report is set out below and should be read in conjunction with our report dated 22 November 2012.

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. Priority Distribution to Contributing Creditors**

As previously advised, we successfully raised c.\$557k from contributing creditors and noteholders ("Contributing Creditors") following our initial funding proposal, dated 12 August 2009. The contributions were used to fund the Liquidators' investigations into the affairs of BBL, which led to the Liquidators' successful settlement of causes of action against several of the Company's former directors and officers, and its former auditor.

Subsequently, the Liquidator obtained a Court Order entitling Contributing Creditors to obtain a preferential return out of recoveries over and above those creditors and noteholders who elected not to participate in the Funding Proposal.

As at the date of this report, a total of \$5,962,491.00 (approximately 97%) has been distributed to Contributing Creditors.

There are still a number of contributing creditors who have not completed and returned the relevant authority form to my office to obtain their reimbursement and uplift payment.

Please contact Adam Edmondson of this office on +61 2 9322 5513 if you are a Contributing Creditor and have not yet received your reimbursement and uplift payment.

## **ii. Delay to the declaration and payment of dividend**

On 26 June 2012, a notice was issued to all ordinary unsecured creditors of my intention to declare a first and final dividend to ordinary unsecured creditors of BBL.

Following this notice a significant number of complicated ordinary unsecured claims were received by my office.

Each claim received required detailed examination, and in many cases, legal consultation. In many instances, further verification and supporting information was requested in order to adjudicate the claims.

Following the review and adjudication of all ordinary unsecured claims, and relevant additional information, a number of claimants lodged appeals in the Federal Court of Australia and Supreme Court of New South Wales.

**Please note that due to the above legal proceedings, I am unable to comment on the value of any surplus funds that will be available for distribution to Subordinated Noteholders at this time. I am required to finalise the above legal proceedings and all unsecured creditor claims prior to quantifying what funds are 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. At this stage, I hope to issue this notice by September 2014.

All notable updates in relation to the dividend process will be made available on our website at [www.deloitte.com/au/babcockandbrown](http://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 provide a further update on our website providing guidance as to the timing and quantum of the first dividend payment to unsecured creditors.

## **iii. Sale of Shareholding and Subordinated Loan agreement with Babcock and Brown International Pty Ltd**

Following consultation with BBL's Committee of Inspection ("Committee"), on 24 May 2013 I commenced a sale campaign to Liquidate BBL's remaining assets, namely a majority shareholding in Babcock and Brown International Pty Ltd and a Subordinated Loan agreement to same.

The sale process completed on 28 August 2013 following approval of the sale by the Committee. The proceeds from the sale of assets have been received and are included in the Liquidator's bank account.

## **iv. Tax Declaration to Noteholders**

As any future dividends to noteholders are contingent upon the outcome of the creditor appeals 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 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](http://www.deloitte.com/au/babcockandbrown)

We 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 is 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 solely reliant on the ability to resolve the current legal proceedings as quickly as possible.

December 2013 – August 2014	Completion of legal proceedings relating to claimants' appeals of their proof of debt rejection notices, including time allowed for receipt of Court judgement.
September 2014	Liquidator to advertise notice of intention to declare dividend to unsecured creditors  Collate, record and adjudicate any further Formal Proof of Debts received
November 2014	Declaration and payment of dividend to unsecured creditors  Post an update on our website regarding the outcome of the above process  Liquidator to advertise notice of intention to declare dividend to Subordinated Noteholders
February 2015	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.

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](mailto:bandbltd@deloitte.com.au).

Yours faithfully,



**D/J F Lombe**  
Liquidator

Encl.

**Annexure A**

**Babcock & Brown Limited (In Liquidation)**

**Summary of Receipts and Payments  
24 August 2012 to 23 August 2013**

<b>Opening Cash at Bank</b>	<b>\$ 26,581,837.48</b>
<b>Receipts during the period</b>	
Interest	1,046,665.54
<b>Total</b>	<b>1,046,665.54</b>
<b>Payments during the period</b>	
Trustee Fees	375,470.18
Trustee Expenses	1,375.00
Legal Fees	437,350.10
Legal Disbursements	19,800.27
Liquidator's Remuneration	846,410.40
Liquidator's Expenses	52,146.41
Destruction fees	117.62
Email Backup & Storage Costs	1,298.43
Advertising (Sale of assets)	3,851.24
Stationery and Printing	20,338.02
Reimbursement and Uplift payments to funding contributors	88,137.98
<b>Total</b>	<b>1,846,295.65</b>
<b>Net Receipts / (Payments)</b>	<b>(799,630.11)</b>
Net GST Receipts / (Payments)	169,392.44
<b>Closing Cash at Bank</b>	<b>\$ 25,951,599.81</b>

## Annexure B

A summary of remuneration of Voluntary Administrators and Liquidators, paid as at 24 August 2012, 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	Note	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
<b>Voluntary Administrators'</b>		<b>1,754,304.50</b>	
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-09 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	08-Oct-13
<b>Liquidators' Remuneration:</b>		<b>2,673,303.00</b>	