

BABCOCK & BROWN WIND PARTNERS TRUST

ARSN 116 244 118

**Interim Financial Report
for the Half-Year Ended
31 December 2005**

Babcock & Brown Wind Partners Trust

Half-Year Report - 31 December 2005

Contents

An overview of the BBWPT accounts	3
Directors' report	4
Auditor's independence declaration	6
Independent review report to the unit holders	7
Directors' declaration	9
Consolidated income statements	10
Consolidated balance sheets	11
Consolidated statements of changes in equity	12
Consolidated cash flow statements	13
Notes to the consolidated financial statements	14

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the BBWP Prospectus and Product Disclosure Statement dated 26 September 2005 and any public announcements made by BBWP during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

Babcock & Brown Wind Partners Trust

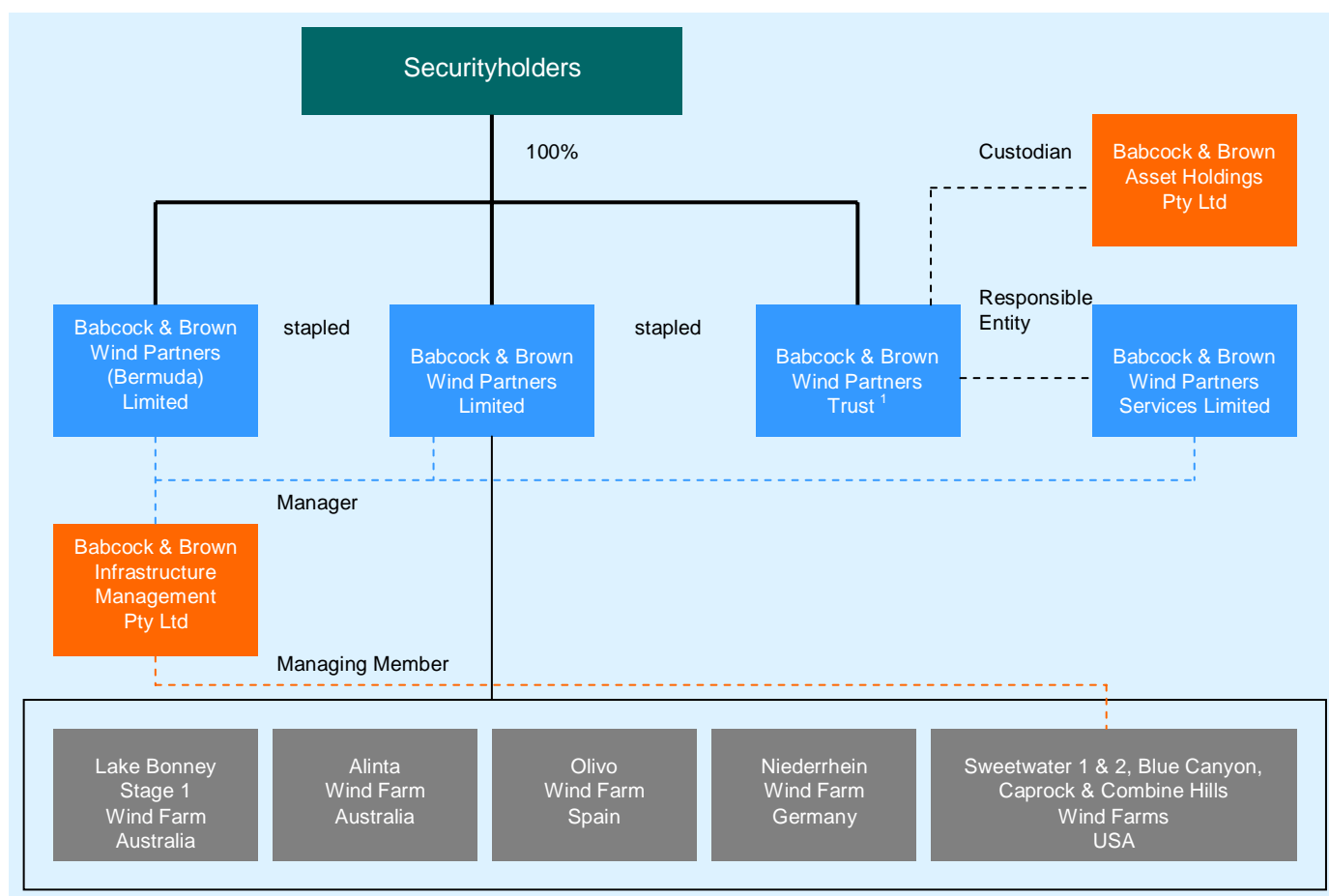
An Overview of the BBWP Accounts

Babcock & Brown Wind Partners Group (“BBWP” or the “Group”) consists of three entities:

- Babcock & Brown Wind Partners Limited (“BBWPL”);
- Babcock & Brown Wind Partners Trust (“BBWPT” or the “Trust”); and
- Babcock & Brown Wind Partners (Bermuda) Limited (“BBWPB”).

These entities have been stapled together and trade as one listed security on the Australian Stock Exchange (ASX code: BBW). The stapled security that you own represents one share in each of BBWPL and BBWPB and one unit in BBWPT.

The following diagram provides an overview of BBWP’s structure.



Note: the diagram does not show all legal entities in the structure and is provided for illustrative purposes only. The wind farms in the USA are not wholly owned by BBWP.

¹BBWPT has a non-controlling interest in Walkaway Wind Power Pty Limited, the company that operated the Alinta wind farm.

UIG 1013: *Consolidated Financial Reports in relation to Pre-Date-of-Transition Stapling Arrangements* requires one of the stapled entities of an existing stapled structure to be identified as the parent entity for the purpose of preparing consolidated financial reports. In accordance with this requirement BBWPL has been identified as the parent of the consolidated group comprising BBWPL and its controlled entities, BBWPT and its controlled entities and BBWPB and has prepared financial statements on this basis.

Additionally, BBWPT is a disclosing entity and is required to prepare financial statements for BBWPT and its controlled entities. The attached financial statements have been prepared for the BBWPT consolidated group at 31 December 2005 and should be read in conjunction with BBWPL’s consolidated financial statements.

Babcock & Brown Wind Partners Trust

Directors' Report

In respect of the half year ended 31 December 2005, the directors of Babcock & Brown Wind Partners Services Limited, the Responsible Entity for BBWPT ("BBWPS" or the "Responsible Entity"), submit the following report on the consolidated interim financial report of BBWPT and its controlled entities.

The directors report as follows:

Directors

The names of the directors of BBWPS during or since the end of the half-year and to the date of this report are:

BBWPS:

Mr P. Hofbauer

Mr W. Murphy

Mr N. Andersen (appointed 9 September 2005)

Mr A. Battle (appointed 9 September 2005)

Mr D. Clemson (appointed 9 September 2005)

Mr M. George (resigned 9 September 2005)

Mr P. Green (resigned 9 September 2005)

Review of Operations

During the half-year ended 31 December 2005, BBWP completed its initial public offering, issuing 282,837,000 stapled securities and raising \$370,897,000 after costs. BBWPT received \$365,988,000 of these net proceeds.

During the half-year BBWP increased its controlling interest in Walkaway Wind Power ("WWP") to 100%. The remaining interest was purchased through the issue of 34,286,000 BBWPL shares and 34,286,000 BBWPT units, together valued at \$1.40, total \$48,000,000, plus costs of \$1,442,000. As part of this transaction BBWPT acquired 100% of CS Walkaway Trust and B&B Walkaway Trust. BBWPT's investment amounted to \$20,890,000 of the total purchase price of \$48,000,000, plus \$749,000 of total costs of \$1,442,000.

During the half year BBWP entered into a Share Sale and Project Development Agreement with a subsidiary of Babcock & Brown Limited and a subsidiary of National Power Partners LLC ("LB2 Vendors") with respect to the Lake Bonney 2 wind farm ("LB2 Agreement").

The consideration payable to the LB2 Vendors under the LB2 Agreement was \$20,000,000 and was satisfied through the issue of shares and units by BBWPL and BBWPS, respectively. BBWPL and BBWPS issued 14,286,000 shares and 14,286,000 units, respectively, together valued at \$1.40. These securities are subject to a restricted securities and holding lock arrangement in the event that the terms of the LB2 Agreement are not achieved by the LB2 Vendors. BBWPS, as Responsible Entity of BBWPT, was a party to the Share Sale and Project Development Agreement by virtue of the fact that units in BBWPT were issued as consideration. BBWPL is the investing entity and BBWPT has no ongoing interest in Lake Bonney 2.

BBWPT's net profit after tax for the six months ended 31 December 2005 is \$700,000 (six months ended 31 December 2004: loss \$45,000). The profit generated in the six months to 31 December 2005 is comprised mainly of interest income, equity accounted profits in WWP and costs payable to Babcock & Brown Infrastructure Management Pty Limited ("BBIM" or the "Manager") in accordance with the Management Agreement between BBWPS and BBIM dated 15 September 2005.

First Financial Report under the Australian equivalents to International Financial Reporting Standards (A-IFRSs)

This interim financial report is the first BBWPT interim financial report to be prepared in accordance with Australian Equivalents to International Financial Reporting Standards ("A-IFRS"). AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* has been applied in preparing these

Babcock & Brown Wind Partners Trust

Directors' Report

financial statements.

Financial statements of BBWPT until 30 June 2005 had been prepared in accordance with previous Australian Generally Accepted Accounting Principles ("AGAAP"). AGAAP differs in certain respects from A-IFRS. When preparing the BBWPT interim financial report for the half year ended 31 December 2005, management has amended certain accounting, valuation and consolidation methods applied in the previous AGAAP financial statements to comply with A-IFRS. The comparative figures are restated to reflect these adjustments.

BBWPT has taken the election available to it under AASB 1 to apply AASB 132 and AASB 139 from 1 July 2005. BBWPT has applied previous AGAAP in the comparative information on financial instruments within the scope of AASB 132 and AASB 139.

Financial Results

Due to the finite life clause contained within the BBWPT Trust constitution (the "Trust Constitution"), upon adoption of AASB 132 on 1 July 2005, the units in BBWPT were classified as debt for accounting purposes. The Trust Constitution was amended on 12 September 2005 such that the finite life clauses were removed.

Accordingly, the units in BBWPT are classified as equity for accounting purposes at 12 September 2005. However, as the units in BBWPT were classified as debt for the period 1 July 2005 to 12 September 2005, the distribution that was declared and paid in August 2005 was a return of debt. No income accrued to the unit holders during the period in which the units were classified as debt.

Auditor's Independence Declaration

The auditor's independence declaration is included on page 6.

Rounding Off Of Amounts

The Trust is a registered scheme of a kind referred to in Class Order 98/0100, as amended by Class Order 04/667, issued by the Australian Securities & Investments Commission relating to the "rounding off" of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

Signed in accordance with a resolution of directors.

On behalf of the Directors of BBWPS:



Peter Hofbauer
Director

Sydney, 16 March 2006

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Auditor's Independence Declaration

As lead auditor for the review of Babcock & Brown Wind Partners Trust for the half year ended 31 December 2005, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Babcock & Brown Wind Partners Trust and the entities it controlled during the period.


AJ Wilson

Partner
PricewaterhouseCoopers

Sydney

16 March 2006

Independent review report to the members of Babcock & Brown Wind Partners Trust

Matters relating to the electronic presentation of the reviewed financial report

This review report relates to the financial report of Babcock & Brown Wind Partners Trust (the Registered Scheme) for the half-year ended 31 December 2005 included on the Babcock & Brown Wind Partners Group's web site. The directors of Babcock and Brown Wind Partner Services Limited (the Responsible Entity) are responsible for the integrity of the Babcock & Brown Wind Partners Group's website. We have not been engaged to report on the integrity of this web site. The review report refers only to the financial report identified below. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the reviewed financial report to confirm the information included in the reviewed financial report presented on this web site.

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of Babcock & Brown Wind Partners Trust:

- does not give a true and fair view, as required by the *Corporations Act 2001* in Australia, of the financial position of the Babcock & Brown Wind Partners Trust (defined below) as at 31 December 2005 and of its performance for the half-year ended on that date, and
- is not presented in accordance with the *Corporations Act 2001*, Accounting Standard AASB 134: *Interim Financial Reporting* and other mandatory financial reporting requirements in Australia, the *Corporations Regulations 2001*.

This statement must be read in conjunction with the rest of our review report.

Scope

The financial report and directors' responsibility

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, accompanying notes to the financial statements, and the directors' declaration for the Babcock & Brown Wind Partners Trust (the consolidated entity), for the half-year ended 31 December 2005. The consolidated entity comprises Babcock & Brown Wind Partners Trust (the registered scheme) and the entities it controlled during that half-year.

The directors of the Responsible Entity are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Review approach

We conducted an independent review in order for the registered scheme to lodge the financial report with the Australian Securities and Investments Commission. Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements. For further explanation of a review, visit our website <http://www.pwc.com/au/financialstatementaudit>.

We performed procedures in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report does not present fairly, in accordance with the *Corporations Act 2001*, Accounting Standard AASB 134: *Interim Financial Reporting* and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the consolidated entity's financial position, and its performance as represented by the results of its operations and cash flows.

We formed our statement on the basis of the review procedures performed, which included:

- inquiries of the Responsible Entity's personnel, and
- analytical procedures applied to financial data.

Our procedures include reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial report.

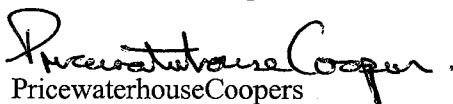
These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit. We have not performed an audit, and accordingly, we do not express an audit opinion.

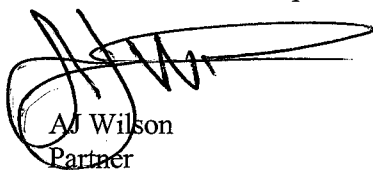
While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Our review did not involve an analysis of the prudence of business decisions made by directors or management.

Independence

In conducting our review, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.


PricewaterhouseCoopers


AJ Wilson
Partner

Sydney
16 March 2006

Babcock & Brown Wind Partners Trust

Directors' Declaration on the Consolidated Financial Report of Babcock & Brown Wind Partners Trust

In the opinion of the directors of Babcock & Brown Wind Partners Services Limited ("BBWPS"), the consolidated financial statements for Babcock & Brown Wind Partners Trust ("BBWPT" or the "Trust") (as defined in Note 1) as set out on pages 10 to 22:

- a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- b) give a true and fair view of the consolidated financial position of BBWPT as at 31 December 2005 and of its performance, as represented by the results of its operations and cash flows, for the six months ended on that date.

In the directors' opinion:

- a) the financial statements and notes are in accordance with the Corporations Act 2001; and
- b) there are reasonable grounds to believe that the Trust will be able to pay their respective debts as and when they become due and payable.

This declaration is made in accordance with a signed resolution of directors pursuant to s.303(5) of the Corporations Act 2001.

On behalf of the Directors of BBWPS:



Peter Hofbauer

Director

Sydney, 16 March 2006

Babcock & Brown Wind Partners Trust

Consolidated Income Statements for the Half-Year Ended 31 December 2005

	Note	Half-Year Ended 31 Dec 05 \$'000	Half-Year Ended 31 Dec 04 \$'000
Interest income		321	8
Management charges		(257)	(53)
Share of net profit or loss of associates accounted for using the equity method		935	-
Finance costs - net profit attributable to the minority interest*		(299)	-
Net operating profit/ (loss)		700	(45)
Net operating profit/ (loss) attributable to the unit holders		700	(45)
Net operating profit/ (loss) attributable to minority interests		-	-
		700	(45)
Basic and diluted earnings per unit (cents)	5	0.25	(0.05)

The above Consolidated Income Statements should be read in conjunction with the accompanying notes on pages 14 to 22.

* This represents the net profit attributable to the minority interest relating to a subsidiary trust of BBWPT. The trust deed of the subsidiary trust contains a finite life clause. Consequently, the units of the subsidiary trust are classified as debt for accounting purposes and the minority interest represented above is classified as finance costs.

Babcock & Brown Wind Partners Trust

Consolidated Balance Sheets as at 31 December 2005

	Note	As at 31 Dec 2005 \$'000	As at 30 June 2005 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents		327	103
Other		1,207	-
Total Current Assets		1,534	103
Non-Current Assets			
Investments accounted for using the equity method		48,722	-
Related party loans receivable		572,998	163,037
Loans receivable from associate		1,215	-
Total Non-Current Assets		622,935	163,037
Total Assets		624,469	163,140
LIABILITIES			
Current Liabilities			
Payables		1,286	-
Total Current Liabilities		1,286	-
Non-Current Liabilities			
Payables		494	-
Share of net assets attributable to minority interests*		27,169	-
Total Non-Current Liabilities		27,663	-
Total Liabilities		28,949	-
Net Assets		595,520	163,140
Equity			
Contributed equity	7	594,820	163,140
Retained profits		700	-
Net assets attributable to the unit holders		595,520	163,140
Total Equity		595,520	163,140

The above Consolidated Balance Sheets should be read in conjunction with the accompanying notes on pages 14 to 22.

* This represents the share of net assets attributable to the minority interest relating to a subsidiary trust of BBWPT. The trust deed of the subsidiary trust contains a finite life clause. Consequently, the units of the subsidiary trust are classified as debt for accounting purposes and the minority interest represented above is classified as a non current liability.

Babcock & Brown Wind Partners Trust

Consolidated Statements of Changes in Equity for the Half-Year Ended 31 December 2005

	Note	6 months to 31 December 2005 \$'000	6 months to 31 December 2004 \$'000
Total equity at the beginning of the half year		163,140	63,524
Adjustment to equity on adoption of AASB 132 and AASB 139			
- Transfer of net assets attributable to security holders from equity to liability*		(163,140)	-
Net profit/ (loss) for the half year		700	(45)
Total recognised income and expense for the half year		700	(45)
Transactions with equity holders in their capacity as equity holders:			
Transfer of net assets attributable to security holders from liability to equity*		161,512	-
Contributions of equity, net of transaction costs paid		365,988	44,846
Securities issued as consideration for purchase of interest in subsidiaries		67,320	-
Distributions paid*	2	-	(1,746)
Total equity at the end of the half year		595,520	106,579

The above Consolidated Statements of Changes in Equity should be read in conjunction with the accompanying notes on pages 14 to 22.

* Upon the implementation of A-IFRS in the half year ended 31 December 2005, security holder interests were initially accounted for as debt. Following a change in the constitution on 12 September 2005, security holder interests were reclassified as equity. Under the election granted under AASB 132 and AASB 139, these interests were also accounted for as equity in the comparative period.

BBWPT paid a distribution of \$1,628,000 in August 2005, prior to the change in the constitution, which has been recognised as a reduction in this debt.

Babcock & Brown Wind Partners Trust

Consolidated Cash Flow Statements For the Half-Year Ended 31 December 2005

Note	Half-Year Ended 31 Dec 05 \$'000 Inflows / (Outflows)	Half-Year Ended 31 Dec 04 \$'000 Inflows / (Outflows)
Cash Flows from Operating Activities		
Interest and other costs of finance paid	328	10
Net Cash Provided By Operating Activities	<u>328</u>	<u>10</u>
Cash Flows from Financing Activities		
Distributions paid to security holders*	(1,628)	(1,746)
Proceeds from issue of units, net of costs	365,988	44,846
Borrowings provided to related parties	(365,988)	(44,846)
Proceeds from repayment of borrowings from related parties	1,524	1,746
Net Cash Used In Financing Activities	<u>(104)</u>	<u></u>
Net increase in cash held	<u>224</u>	<u>10</u>
Cash and cash equivalents at the beginning of the half-year	103	<u></u>
Cash and cash equivalents at the end of the half-year	<u><u>327</u></u>	<u><u>10</u></u>

The above Consolidated Cash Flow Statements should be read in conjunction with the accompanying notes on pages 14 to 22.

* Upon the implementation of A-IFRS in the half year ended 31 December 2005 and prior to a change in the Trust's constitution in September 2005, security holder interests were initially accounted for as debt. BBWPT paid a distribution of \$1,628,000 in August 2005, prior to the change in the constitution, which has been recognised as a reduction in this debt.

Babcock & Brown Wind Partners Trust

Consolidated Cash Flow Statements For the Half-Year Ended 31 December 2005

1. Summary of Significant Accounting Policies

This general purpose financial report for the interim half year reporting period ended 31 December 2005 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the BBWP Prospectus and Product Disclosure Statement dated 26 September 2005 and any public announcements made by BBWP during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

(a) Basis of Preparation of Half Year Financial Report

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Application of AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards

This interim financial report is the first BBWPT interim financial report to be prepared in accordance with Australian Equivalents to International Financial Reporting Standards (“A-IFRS”). AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* has been applied in preparing these financial statements.

Financial statements of BBWPT until 30 June 2005 had been prepared in accordance with previous Australian Generally Accepted Accounting Principles (“AGAAP”). AGAAP differs in certain respects from A-IFRS. When preparing the BBWPT interim financial report for the half year ended 31 December 2005, management has amended certain accounting, valuation and consolidation methods applied in the previous AGAAP financial statements to comply with A-IFRS. The comparative figures are restated to reflect these adjustments, except as stated below.

BBWPT has taken the election available under AASB 1 to apply AASB 132 and AASB 139 from 1 July 2005. BBWP has applied previous AGAAP in the comparative information on financial instruments within the scope of AASB 132 and AASB 139.

Reconciliations and descriptions of the effect of transition from previous AGAAP to A-IFRS on BBWPT’s equity are given in Note 8.

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value through the income statement.

Stapled Security

The shares of Babcock & Brown Wind Partners Limited (“BBWPL” or the “Company”) and Babcock & Brown Wind Partners (Bermuda) Limited (“BBWPB”) and the units of Babcock & Brown Wind Partners Trust (“BBWPT” or the “Trust”) are combined and issued as stapled securities in Babcock & Brown Wind Partners Group (“BBWP” or the “Group”). The shares of BBWPL and BBWPB and the units of BBWPT cannot be traded separately and can only be traded as stapled securities.

This interim financial report consists of the consolidated financial statements of BBWPT and its controlled entities and should be read in conjunction with BBWPL’s consolidated financial statements.

Babcock & Brown Wind Partners Trust

Consolidated Cash Flow Statements For the Half-Year Ended 31 December 2005

(b) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of the entities controlled by BBWPT at 31 December 2005, and the results of those controlled entities for the period then ended. The effects of all transactions between entities in the consolidated group are eliminated in full. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

Where control of an entity is obtained during the financial period, its results are included in the consolidated statement of financial performance from the date on which control is obtained. Where control of an entity ceases during the financial period its results are included for that part of the period during which control existed.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after reassessment, the fair values of the identifiable net assets acquired exceeds the cost of acquisition, the deficiency is credited to the income statement in the period of acquisition.

The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised.

In preparing the consolidated financial statements, all intercompany balances and transactions, and unrealised profits arising within the consolidated group are eliminated in full.

(c) Trust Formation

BBWPT was established in Australia on 16 June 2003. On 26 September 2005, the Trust became a registered scheme. On 26 September 2005 Babcock & Brown Wind Partners Services Limited became the responsible entity of the Trust.

(d) Payables

Trade payables and other accounts payable are recognised when the consolidated group becomes obliged to make future payments resulting from the purchase of goods and services.

(e) Acquisition of Assets

On acquisition of an asset, including a lease interest, fair values reflecting conditions at the date of acquisition are attributed to the identifiable separate assets and liabilities acquired. Where the fair value of the consideration paid exceeds the fair value of the identifiable separate assets and liabilities acquired, the difference is recognised as goodwill.

(f) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

Babcock & Brown Wind Partners Trust

Consolidated Cash Flow Statements For the Half-Year Ended 31 December 2005

- (g) Financial Instruments Issued by the Trust

Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

Transaction costs on the issue of equity instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

- (h) Income Tax

Under current legislation, BBWPT is not subject to income tax as unit holders are presently entitled to the income of the Trust.

- (i) Investments

Investments in controlled entities are recorded at cost. Subsequent to initial recognition, investments in associates are accounted for under the equity method in the consolidated financial statements.

Dividend revenue is recorded on a receivables basis. Interest revenue is recognised on an accruals basis.

- (j) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

- (k) Revenue Recognition

Interest income is recognised on an accruals basis.

- (l) Loans and Receivables

Trade receivables, loans and other receivables are recorded at amortised cost less impairment.

Babcock & Brown Wind Partners Trust

Consolidated Cash Flow Statements For the Half-Year Ended 31 December 2005

	Half-Year Ended 31 Dec 05 \$'000	Half-Year Ended 31 Dec 04 \$'000
2. Distributions and Finance Costs Paid and Proposed		
Finance costs in respect of 2005 year (2004: distribution) of 1.0 cents per stapled security (2004: 2.8 cents) paid in August 2005* (2004: August 2004) from the Trust's contributed equity	1,628	1,746
Total finance costs or distributions paid	<u>1,628</u>	<u>1,746</u>

The interim distributions in respect of ordinary securities for the financial half-years ended 31 December 2004 and 2005 have not been recognised in this report because the distributions have not been declared at the respective reporting dates.

On 24 February 2006, the board of directors of BBWPS declared an interim distribution in respect of the half-year period to 31 December 2005 of 5.1 cents per stapled security. The amount that will be paid on 23 March 2006 will be \$25,202,000.

The balance of the franking account at 31 December 2005 is \$ nil (31 December 2004: \$ nil).

* Upon the implementation of A-IFRS in the half year ended 31 December 2005 and prior to a change in BBWPT's constitution, security holder interests were initially accounted for as debt. BBWPT paid a distribution of \$1,628,000 in August 2005, which has been recognised as a reduction in this debt.

3. Segment Information

The principal activities of the consolidated entity during the period were to lend and manage funds to entities carrying on wind farm businesses. During the period, the Trust also acquired a non-controlling interest in entities that carry on wind farm businesses. These activities were based in Australia.

Babcock & Brown Wind Partners Trust

Consolidated Cash Flow Statements For the Half-Year Ended 31 December 2005

4. Changes in the Composition of the Consolidated Entity

Acquisition of Businesses

Name of Business acquired	Notes	Principal Activity	Date of Acquisition	Ownership Interest of Shares / Units %	Cost of Acquisition \$'000
CS Walkaway Trust	(1)	Wind energy	September	100	21,639
B&B Walkaway Trust	(1)	generation	2005	100	

(1) Please see Note 7, Issuances, Repurchases, and Repayments of Securities for an explanation as to the method by which the cost of acquisition was satisfied.

Together these entities control approximately 67% of the voting rights of Renewable Power Ventures Investment Trust ("RPVIT"). RPVIT has significant influence over the financial and operating decisions of Walkaway Wind Power Pty Limited ("WWP") and equity accounts WWP. BBWPT consolidates RPVIT and records a minority interest relating to the portion of RPVIT it does not control. BBWPL owns the remaining interest in RPVIT.

Details of the fair values of the assets and liabilities acquired are as follows:

	\$'000
Purchase consideration:	
Securities issued	20,890
Direct costs relating to the acquisition	749
Total purchase consideration	21,639
Fair value of net identifiable assets acquired	(21,639)
Goodwill on acquisition	-

The assets and liabilities acquired are as follows:

	Carrying value \$'000	Fair value \$'000
Investment in Walkaway Wind Power	8,505	49,000
Loans receivable	2,234	1,215
Loans payable	(10,734)	(494)
Net assets	5	49,721
Minority interests*		(28,082)
Net identifiable assets acquired		21,639

The acquired entities contributed a share of net profit from associates, net of minority interests, of \$636,000 to BBWPT for the period from 14 September 2005 to 31 December 2005. Consolidated revenue and net profit would have been no different had this acquisition taken place at 1 July 2005.

* The minority interest represents BBWPL's interest in RPVIT. Due to the finite life clause contained within the RPVIT trust deed, units in RPVIT have been treated as debt for accounting purposes.

Babcock & Brown Wind Partners Trust

Consolidated Cash Flow Statements For the Half-Year Ended 31 December 2005

5. Earnings/ Loss Per Unit

	6 months to 31 December 2005	6 months to 31 December 2004
Earnings/ Loss per Unit		
Basic and diluted earnings per unit (cents)	0.25	(0.05)
Earnings used in calculation of basic and diluted earnings per unit to unit holders (\$'000)	700	(45)
Weighted average number of units on issue used in calculation of earnings per unit ('000)	284,997	90,308

6. Contingent Liabilities

	31 Dec 2005 \$'000	30 June 2005 \$'000
Contingent Liabilities		
Letters of credit	1,346	-
	1,346	-

7. Issuances, Repurchases, and Repayments of Securities

Alinta Wind Farm

In September 2005, BBWPL and BBWPS entered into a Sale and Purchase Agreement to purchase the remaining interest of Walkaway Wind Power Pty Limited ("Walkaway Acquisition Agreement") that was not previously owned by BBWP. The consideration payable under the Walkaway Acquisition Agreement was \$48,000,000, which was satisfied through the issue of shares and units by BBWPL and BBWPS, respectively ("Walkaway Purchase Price Securities"). In addition to the issue of shares and units, BBWP incurred ancillary costs of \$1,442,000.

The combined fair value of each share and unit that comprised the Walkaway Purchase Price Securities was \$1.40, which was based on the offer price of stapled securities at the subsequent initial public offering in October 2005. Correspondingly, BBWPL issued 34,286,000 shares and BBWPS issued 34,286,000 units.

Subsequently, pursuant to the initial public offering in October 2005, each share in BBWPL and each unit in BBWPT was stapled to a share in BBWPB.

As a consequence of the transaction, BBWPT acquired 100% of the units of CS Walkaway Trust and B&B Walkaway Trust. Of the total purchase consideration, BBWPT's portion amounted to \$20,890,000, plus direct costs relating to the acquisition of \$749,000.

Lake Bonney 2

In September 2005 BBWPL and BBWPS, as responsible entity of BBWPT, entered into a Share Sale and Project Development Agreement with a subsidiary of Babcock & Brown Limited and a subsidiary of National Power Partners LLC ("LB2 Vendors") with respect to the Lake Bonney 2 wind farm ("LB2 Agreement").

BBWPL is the investing entity under the LB2 Agreement; BBWPS is only a party to the LB2 Agreement by virtue of the fact that BBWPS, as responsible entity of BBWPT, has issued units pursuant to the agreement as follows.

Babcock & Brown Wind Partners Trust

Consolidated Cash Flow Statements For the Half-Year Ended 31 December 2005

The consideration payable to the LB2 Vendors under the LB2 Agreement was \$20,000,000 and was satisfied through the issue of shares and units by BBWPL and BBWPS, respectively ("LB2 Consideration Securities"). The proceeds from the issue of units by BBWPS were on lent to BBWPL. The investment was made by BBWPL and is disclosed as a Prepayment in the Interim Financial Report of BBWPL for the year ended 31 December 2005.

The combined fair value of each share and unit that comprised the LB2 Consideration Securities was \$1.40, which was based on the offer price of stapled securities at the subsequent initial public offering in October 2005. Correspondingly, BBWPL issued 14,286,000 shares and BBWPS issued 14,286,000 units. The 14,286,000 stapled securities are subject to a restriction agreement, as well as a holding lock arrangement, until the point that the LB2 Vendors satisfy the terms of the LB2 Agreement.

Subsequently, pursuant to the initial public offering in October 2005, each share in BBWPL and each unit in BBWPT was stapled to a share in BBWPB.

Initial Public Offering

During the half-year reporting period, BBWPT issued 282,837,000 units pursuant to its initial public offering. Total proceeds, net of costs, amounted to \$365,988,000.

The following table provides the movement in contributed equity during the period:

	Units (No. '000s)	Units (\$'000)
Opening balance at 1 July 2005	162,756	163,140
Transfer of net assets attributable to unit holders from equity to liability*	-	(163,140)
Transfer of net assets attributable to unit holders from liability to equity*	-	161,512
Alinta wind farm	34,286	47,520
Lake Bonney 2	14,286	19,800
Initial public offering, net of costs	282,837	365,988
Closing balance at 31 December 2005	494,165	594,820

* Upon the implementation of A-IFRS in the half year ended 31 December 2005, unit holder interests were initially accounted for as debt. Following a change in the constitution on 12 September 2005, unit holder interests were reclassified as equity. Under the election granted under AASB 132 and AASB 139, these interests were also accounted for as equity in the comparative period.

BBWPT paid a distribution of \$1,628,000 in August 2005, prior to the change in the constitution, which has been recognised as a reduction in this debt.

Babcock & Brown Wind Partners Trust

Consolidated Cash Flow Statements For the Half-Year Ended 31 December 2005

8. Impacts of the Adoption of Australian Equivalents to International Financial Reporting Standards

The consolidated entity changed its accounting policies on 1 July 2005 to comply with Australian equivalents to International Financial Reporting Standards ("A-IFRS"). The transition to A-IFRS is accounted for in accordance with Accounting Standard AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards', with 1 July 2004 as the date of transition, except for financial instruments, including derivatives, where the date of transition is 1 July 2005.

An explanation of how the transition from superseded policies to A-IFRS has affected the consolidated entity's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

Effect of A-IFRS on the balance sheet as at 1 July 2004 and 31 December 2004

There is no effect of A-IFRS on the balance sheets as at 1 July 2004, as at 31 December 2004 or as at 30 June 2005. Note that BBWPT has taken advantage of the election available to it under AASB 132 and AASB 139.

Effect of A-IFRS on the income statement for the half-year ended 31 December 2004 and the year ended 30 June 2005

There is no effect of A-IFRS on the income statement for the half-year ended 31 December 2004 and the year ended 30 June 2005. Note that BBWPT has taken advantage of the election available to it under AASB 132 and AASB 139.

Effect of A-IFRS on the balance sheet as at 1 July 2005

	AGAAP/ A-IFRS 30 June 2005 \$'000	Effect of transition to A-IFRS \$'000	A-IFRS 1 July 2005 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents	103	-	103
Total Current Assets	103	-	103
Non-Current Assets			
Related party loans receivable	163,037	-	163,037
Total Non-Current Assets	163,037	-	163,037
Total Assets	163,140	-	163,140
LIABILITIES			
Current Liabilities			
Unit holder liabilities	-	163,140	163,140
Total Current Liabilities	-	163,140	163,140
Total Liabilities	-	163,140	163,140
Net Assets	163,140	(163,140)	-
Equity			
Contributed equity	163,140	(163,140)	-
Total Equity	163,140	(163,140)	-

Babcock & Brown Wind Partners Trust

Consolidated Cash Flow Statements For the Half-Year Ended 31 December 2005

Effect of A-IFRS on the cash flow statement for the financial year ended 30 June 2005

There are no material differences between the cash flow statement presented under A-IFRS and the cash flow statement presented under the superseded policies.

Notes to the reconciliations of equity

For the purposes of presenting the 1 July 2005 balance sheet under A-IFRS, the following adjustments were made to the AGAAP presentation:

Financial instruments

Transfer of Equity to Debt

Due to the finite life clause contained within the BBWPT Trust Constitution, upon adoption of AASB 132 on 1 July 2005, the units in BBWPT, \$163,140,000, were classified as debt for accounting purposes.

The Trust Constitution was amended on 12 September 2005 such that the finite life clauses were removed. Accordingly, the units in BBWPT were reclassified as equity for accounting purposes at 12 September 2005.