BABCOCK & BROWN WIND PARTNERS GROUP

APPENDIX 4E

Preliminary Final Report

Name of entity:	**Babcock & Brown Wind Partners ("BBW"), a stapled entity comprising Babcock & Brown Wind Partners Limited (ABN 39 105 051 616), Babcock & Brown Wind Partners (Bermuda) Limited (ARBN 116 360 715), and the Babcock & Brown Wind Partners Trust (ARSN 116 244 118)**
ABN:	**As Above**

Details of the reporting period

Current Period:	1 July 2006 - 30 June 2007
Previous Corresponding Period:	1 July 2005 - 30 June 2006

Results for announcement to the market

		% Movement	2007 A$'000	2006 A$'000
2.1	Revenues from ordinary activities	42.1%	103,716	73,000

2.2	Profit / (Loss) from ordinary activities after tax attributable to members	N/A	13,853	(16,235)
2.3	Profit / (Loss) for the period attributable to members	N/A	13,853	(16,235)
2.4	Distributions	**Amount per security**	**Franked amount per security**	
	Final distribution Interim distribution	6.25 cents 6.25 cents	- -	
2.5	Record date for determining entitlement to the Final Distribution	29 June 2007		
2.6	Provide a brief explanation of any of the figures reported above necessary to enable the figures to be understood: Refer to section 14			

3. Income Statement with notes

Refer to the Income Statements in the attached financial statements.

4. Balance Sheet with notes

Refer to the Balance Sheet in the attached financial statements.

5. Cash Flows Statements with notes

Refer to the Cash Flows Statements in the attached financial statements.

6. Details of distributions

	Record Date	Payment Date
2007 Interim Distribution	29 December 2006	9 March 2007
2007 Final Distribution	29 June 2007	14 September 2007

BBW anticipates that it will pay a final distribution of 6.25 cents per stapled security on 14 September 2007. In March 2007, BBW paid an interim distribution of 6.25 cents per stapled security. The distribution that was paid on 9 March 2007 and the distribution that will be paid on 14 September 2007 will be fully tax deferred.

7. Details of distribution reinvestment plan

Babcock & Brown Wind Partners established a Distribution Reinvestment Plan (DRP) in June 2006 under which eligible stapled security holders were invited to reinvest part or all of any distribution received in additional stapled securities.

In relation to participating in the DRP for the 2007 Final Distribution, eligible stapled security holders were required to lodge their DRP application forms with the registry by 29 June 2007.

The price of stapled securities issued under the DRP is determined by the market price formula detailed in the DRP Terms and Conditions booklet. For the 2007 Final Distribution, the Boards of the BBW entities have determined to allot the new BBW stapled securities under the DRP to participating security holders at a discount of 2.5% to the weighted average market price of the stapled securities as calculated in accordance with the terms and conditions of the DRP.

Unless subsequently amended or withdrawn, DRP application forms received by the registry following 29 June 2007 will be included as DRP participants for future distribution payments.

8. Statement of retained earnings showing movements

Refer to the attached financial statements (Note 20, Retained Earnings)

9. Net tangible asset backing per unit

	Current Period	Previous Period
Net tangible assets backing per stapled security	0.81	1.30

10. Control gained or lost over entities during the period

10.1 Name of entity (or group of entities) over which control was gained	1. Societe d'Exploitation du Parc Eolien Les Trentes SARL 2. Societe d'Exploitation du Parc Eolien Sole de Bellevue SARL 3. Societe d'Exploitation du Parc Eolien Le Chemin Vert SARL 4. Plambeck Neue Energien Windpark Fonds XXXV Kaarst-Willich GmbH & Co. KG 5. SEC Holdco S.A. 6. Sistemas Energeticos Montes del Conjuro S.A.
10.2 Date control was gained	1. 11 December 2006 2. 11 December 2006 3. 11 December 2006 4. 15 January 2007 5. 18 June 2007 6. 29 June 2007
10.3 Consolidated profit after tax from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) since the date in the current period on which control was acquired	1. Nil (under construction) 2. Nil (under construction) 3. Nil (under construction) 4. $594,000 5. $1,340,000 6. $10,000
10.4 Profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) for the whole of the previous corresponding period	Not applicable

Refer to the attached financial statements (Note 26, Subsidiaries and Note 27, Acquisition of Businesses) for further information regarding the subsidiary entities.

11. Details of associates and joint venture entities

During the year ended 30 June 2007, the Directors determined that continued designation of unquoted Class B interests in US wind farms as equity accounted investments would result in significant differences between accounting and economic values in the long term. The Directors determined that these interests were eligible for designation at fair value through profit or loss under AASB 139: *Financial instruments: Recognition and measurement* and AASB 128: *Investments in Associates*. As a result the anticipated issues with equity accounting the Directors have now designated the unquoted shares as financial instruments at fair value through profit or loss to correct the prior year accounting policy. The following information is in relation to these financial assets, which are now no longer classified as associates.	
11.1 Name of entity (or group of entities) over which significant influence was gained	1. Sweetwater Wind 3 LLC, Kumeyaay Wind LLC 2. Bear Creek Wind LLC, Jersey Atlantic Wind Farm LLC 3. Aragonne Wind LLC, Buena Vista Wind LLC, Mendota LLC, 4. GSG LLC, Allegheny Ridge Wind Farm LLC
11.2 Date significant influence was gained	1. 31 July 2006 2. 22 December 2006 3. 9 March 2007 4. 29 June 2007
11.3 Percentage holding in the associate	Class B interest* of 100% unless stated: Sweetwater Wind 3 LLC (50%) Kumeyaay Wind LLC Bear Creek Wind LLC (59.3%) Atlantic Wind Farm LLC (59.3%) Aragonne Wind LLC (95%) Buena Vista Wind LLC Mendota LLC GSG LLC Allegheny Ridge Wind Farm LLC
11.4 Consolidated profit after tax from ordinary activities and extraordinary items after tax of the associate (or group of entities) since the date in the current period.	Not applicable
11.5 Profit (loss) from ordinary activities and extraordinary items after tax of the associate (or group of entities) for the whole of the previous corresponding period	Not applicable

* The capital structure of the US wind farms is divided into Class A and Class B membership interests. BBW invests in the Class B membership interests. Class A and Class B members' initial investment is typically in a ratio that ranges between 95%:5% to 50%:50%, respectively. The ownership interest presented above relates to the Class B ownership interest only and does not represent a controlling interest.

Details of Disposals
In June 2006, BBW originally acquired 100% of the Class B interests in the Crescent Ridge wind farm from Eurus Energy America ("Eurus"). At that time BBW entered into an agreement whereby Eurus had the ability to repurchase 25% of these interests.

In August 2006, Eurus exercised its option under this agreement and repurchased 25% of the Class B interests in the Crescent Ridge wind farm from BBW. Following that transaction BBW owns 75% of the class B member interests in the Crescent Ridge wind farm.

12. Other significant information

Refer to the attached Directors' Report and ASX announcement.

13. Accounting standards used by foreign entities

Refer to the attached financial statements Note 1, Statement of Significant Accounting Policies.

14. Commentary on results

Babcock & Brown Wind Partners (ASX: BBW) today announced its FY2007 final result and confirmed that the combined interim and final distributions for FY07 of 12.5 cents are fully tax deferred. The final FY07 distribution of 6.25 cents will be paid on 14 September.

BBW also confirmed that the FY08 distribution guidance of 14 cents per stapled security[1], representing an increase of 12% on FY07, is expected to be fully tax deferred[2].

Revenue

Following the adoption of UIG INT 4, *Determining whether an Arrangement contains a Lease*, certain income generated by BBW's wind farms is now classified as revenue from the lease of plant and equipment. Previously, this revenue was disclosed as revenue from the sale of energy and products. Comparatives for the year ended 30 June 2006 have been adjusted to reflect this change.

During FY07, BBW earned product and lease revenues of $103.7 million compared to $73.0 million in FY06, representing an increase of 42.1%.

Revenues from the sale of energy include a full year's contribution from all six Olivo wind farms, three of which were purchased during FY06, a full year's contribution from the Walkaway wind farm, which became fully operational during FY06, and a part year contribution from the Kaarst wind farm, which was purchased in January 2007.

Earnings Before Interest, Tax, Depreciation and Amortisation and Net Profit/ Loss

Earnings before interest, tax, depreciation and amortisation ("EBITDA") was $78.9 million, up 65.8% on FY06. Net profit was $13.9 million in FY07 compared to a loss of $16.2 million in FY06.

EBITDA from operations was $85.0 million (2006: $59.7 million) and fair value income from US investments was $18.6 million (2006: $2.1 million), offset by corporate expenses and management costs of $24.7 million (2006: $14.2 million before performance fee).

Depreciation and amortisation expense increased by 70% from $20.0 million in the previous corresponding period to $34.0 million in the current period due to depreciation on a significantly higher asset base and amortisation on framework agreements as well as licences in relation to the Olivo portfolio.

Net finance costs were $33.1 million for FY07, compared to $14.8 million in FY06. The FY07 costs include a gain on financial instruments of $23.9 million and a write-off of approximately $16.0 million of previously capitalised loan costs both resulting from the global refinancing.

Foreign exchange gains of $2.8 million (2006: $4.1 million) were recorded and the tax charge during the year was $0.8 million compared with a nil tax expense in FY07.

Net Operating Cash Flow

Net operating cash flow ("NOCF") was $86.0 million in FY07 compared with $14.2 million in FY06. FY06 included a payment of $20.1 million in relation to a performance fee and consequently, before this payment, the FY07 NOCF is 150.7% higher than FY06.

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[1] FY08 Distribution guidance assumes: P50 wind performance, no performance fee

[2] FY08 Distribution tax deferred assumes: current portfolio and anticipated pipeline of acquisitions

Outlook
The Directors of BBW and the management team are focused on managing the existing business effectively and efficiently and the continued growth and success of the portfolio through the acquisition of selective accretive assets.

The BBW management team is currently focussed on proposed acquisitions, including the Enersis operating wind farm assets and the US07 Portfolio, which are subject to security holder approval on 9 November 2007. If approved, the completion of the proposed acquisitions and the completion of construction of Lake Bonney 2 in the first half of 2008, together with other construction projects, will add approximately 920MW of operating assets to the portfolio in the medium term.

15. Audit / review of accounts upon which this report is based

This report is based on accounts which have been audited, refer to the attached financial statements.

16. Qualification of audit / review

Not applicable

BABCOCK & BROWN WIND PARTNERS

BABCOCK & BROWN WIND PARTNERS GROUP

ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2007

TOGETHER WITH THE DIRECTORS' REPORT

Contents

Directors' Report

In respect of the year ended 30 June 2007, the directors submit the following report for Babcock & Brown Wind Partners.

Corporate Structure

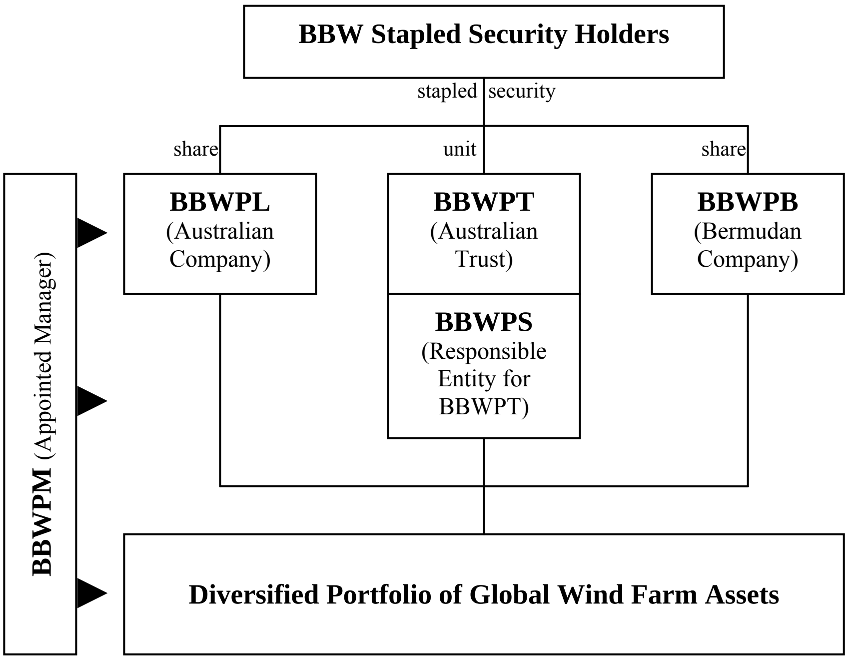
The Babcock & Brown Wind Partners Group ("**BBW**") consists of the following entities:

- Babcock & Brown Wind Partners Limited ("**BBWPL**");
- Babcock & Brown Wind Partners Trust ("**BBWPT**");
- Babcock & Brown Wind Partners (Bermuda) Limited ("**BBWPB**"); and
- the subsidiary entities of BBWPL and BBWPT.

One share in each of BBWPL and BBWPB and one unit in BBWPT have been stapled together to form a single BBW stapled security, tradable on the Australian Securities Exchange.

Babcock & Brown Wind Partners Services Limited ("**BBWPS**") is the Responsible Entity of BBWPT. Babcock & Brown Infrastructure Management Pty Limited ("**BBIM**") was replaced as the Manager of BBW on 6 March 2007 by Babcock & Brown Wind Partners Management Pty Ltd ("**BBWPM**"). BBWPS, BBIM and BBWPM are wholly owned subsidiaries of Babcock & Brown Limited ("Babcock & Brown").

The following diagram provides an overview of BBW's structure.



Directors

The names and particulars of the Directors of BBW during or since the end of the financial year are set out below.

Name	*Particulars*
<u>Peter Hofbauer</u> **(Babcock & Brown executive)** **Chairman of BBWPL, BBWPB and BBWPS** *Appointed to BBWPL on 11 June 2003* *Appointed to BBWPB on 14 September 2005* *Appointed to BBWPS on 14 April 2005*	Peter Hofbauer is the Global Head of Babcock & Brown's Infrastructure business unit and co-ordinates the group's infrastructure activities worldwide. Prior to joining Babcock & Brown in 1989, Peter worked with Price Waterhouse and Partnership Pacific Limited/Westpac Bank. He is also a director of Babcock & Brown Infrastructure Limited, the responsible entity of the Babcock & Brown Infrastructure Trust, Babcock & Brown Power Limited, and the Responsible Entity of the Babcock & Brown Power Trust. Peter is also a former director of Babcock & Brown Environmental Investments Limited. Peter holds a Bachelor of Business degree and is a member of the Institute of Chartered Accountants and the Taxation Institute of Australia. Peter is currently based in London.
<u>Anthony Battle</u> **Lead Independent Director of BBWPL, BBWPB and BBWPS** *Appointed to BBWPL on 9 September 2005* *Appointed to BBWPB on 14 September 2005* *Appointed to BBWPS on 9 September 2005*	Anthony (Tony) Battle has held various senior management positions in the finance industry for over 30 years, and at various stages has been involved in the evaluation and funding of major structured and corporate financings across a number of industry sectors. During his career, Tony has been a member of the boards of directors, executive management committees and credit committees. Tony's most recent role was in a senior position in the Corporate & Institutional division with Calyon Australia (following the merging of the international business operations of Credit Agricole Indosuez and Credit Lyonnais) and prior to that with Credit Lyonnais, Commonwealth Bank and Partnership Pacific. Tony holds a Bachelor of Commerce degree. Tony is a Fellow of the Australian Institute of Company Directors and an Associate of Chartered Secretaries Australia. Tony is based in Melbourne.
<u>Douglas Clemson</u> **Independent Director of BBWPL, BBWPB and BBWPS** *Appointed to BBWPL on 9 September 2005* *Appointed to BBWPB on 14 September 2005* *Appointed to BBWPS on 9 September 2005*	Doug Clemson is the former Finance Director of Asea Brown Boveri (ABB) where, from 1988 until his retirement in 1999, he was responsible for the corporate and project finance needs of the ABB group in Australia and New Zealand. He was instrumental in the establishment of the activities of ABB Financial Services and its participation in the co-development, construction and funding of a number of important power generation, transportation and infrastructure projects in this region. Prior to joining ABB, Doug held senior line management and finance executive positions with manufacturing groups, ACI and Smiths Industries. He is the recent chairman of Redbank Power and his previous directorships include General and Cologne Reinsurance, Electric Power Transmission Group, ABB Australia, ABB New Zealand, and Smiths Industries. Prior to joining the BBW Boards he was an independent director of Babcock & Brown Infrastructure Limited (formerly Prime Infrastructure). Doug is a qualified accountant and a Fellow of the Institute of Chartered Accountants in Australia and the Australian Institute of Company Directors. Doug is based in Sydney.

<u>Nils Andersen</u> **Independent Director of BBWPS** *Appointed to BBWPS on 9 September 2005*	Nils Andersen worked at Vestas, the Danish wind turbine manufacturer, for over 20 years. Nils was managing director of Vestas-Australia throughout 2003 and 2004, and in this role Nils was also responsible for sales and marketing in the Pacific Region and South Africa. Nils started his career with Vestas as the export manager, responsible for market development worldwide and with a special focus on Indian sub-continent and Asia-Pacific countries. He subsequently held a number of management positions in sales and market development reporting to the CEO and then the board. Nils also held a number of board positions within the Vestas group of companies, and his experience expands across the globe. Nils has also held industry positions such as export trade and international development councils and between 1994 and 1998 he was the vice-president of the European Wind Industry Association. Prior to joining Vestas, Nils worked for FL Smidth (a leading manufacturer in cement plants based in Denmark) in Brazil, South Africa and Denmark. Nils holds a Bachelor of Engineering degree and is a mechanical engineer by training. Nils is based in Denmark.
<u>Warren Murphy</u> **(Babcock & Brown executive)** **Director of BBWPL, BBWPB and BBWPS** *Appointed to BBWPL on 24 November 2003* *Appointed to BBWPB on 14 September 2005* *Appointed to BBWPS on 14 April 2005*	Warren Murphy is a senior executive in Babcock & Brown's Infrastructure group. Warren has led the development of Babcock & Brown's energy sector capability in Australia and New Zealand, including the renewable energy business, and has specialised in the development of new projects in the infrastructure sector. Recent transactions include the co-development of Redbank, Oakey, Braemar and Kwinana power stations, and the co-development of a number of renewable energy projects, including the Alinta and Lake Bonney wind farms in the initial portfolio of BBW. Prior to joining Babcock & Brown in 1997, Warren was a director of the project finance division of AIDC and before that worked at Westpac Banking Corporation. Warren holds a Bachelor of Engineering (Hons) and a Bachelor of Commerce in Accounting and Economics. Warren is based in Sydney.
<u>Michael Garland</u> **(Babcock & Brown executive)** **Alternate Director for Peter Hofbauer and Warren Murphy on BBWPL, BBWPB and BBWPS Boards** *Appointed to BBWPL, BBWPB and BBWPS on 8 May 2007*	Michael Garland manages the US Infrastructure team of Babcock & Brown. Prior to joining Babcock & Brown in 1986, Michael was a director of the State of California Energy Assessments Office where he was responsible for the implementation of the State Government's environmental and energy policies. Michael also coordinated and oversaw certain design, construction, financing and operations relating to the California State energy facilities. Michael is a graduate of the University of California at Berkeley. Michael is based in San Francisco.

Antonino Lo Bianco **(Babcock & Brown executive)** **Alternate Director for Warren Murphy and Peter Hofbauer on BBWPL, BBWPB and BBWPS Boards** *Appointed to BBWPL, BBWPB and BBWPS on 8 May 2007*	Antonino Lo Bianco manages the European Infrastructure team of Babcock & Brown. Prior to joining Babcock & Brown in 1993, Antonino worked with Nomura International plc as a member of its Italian Corporate Finance Group. Antonino is a graduate in Business Administration from Bocconi University in Milan. Antonino is based in Milan.

Company Secretaries

The names and particulars of the company secretaries of BBW during or since the end of the financial year are set out below.

Name	***Particulars***
David Richardson **Company Secretary of BBWPL, BBWPB and BBWPS** *Appointed 26 October 2005*	David Richardson joined Babcock & Brown in 2005 as Company Secretary for a number of the Specialised Funds and is responsible for the company secretarial function for the respective BBW Boards and Committees, as well as the corporate governance requirements within BBW. Prior to joining Babcock & Brown, David was a Company Secretary within the AMP Group, and at various stages was appointed Company Secretary for the AMP Capital Investors, Financial Services and Insurance divisions. David holds a Diploma of Law, Bachelor of Economics and a Graduate Diploma in Company Secretarial Practice. David is a Member of Chartered Secretaries Australia.
John Remedios **Company Secretary of BBWPL, BBWPB and BBWPS** *Appointed 28 June 2007*	John Remedios joined Babcock & Brown in November 2006 and is principally responsible for the company secretarial function and corporate governance requirements of Babcock & Brown Power. Prior to joining Babcock & Brown, John was a Senior Legal Counsel for AMP Capital Investors and held various company secretarial positions including Company Secretary of AMP Life Limited and Assistant Company Secretary of AMP Limited. John holds Bachelor of Economics and Bachelor of Law (Hons.) degrees from the University of Sydney and is a Member of the Law Society of New South Wales.

Former partners of the audit firm

No current Directors or Officers of BBW have been Partners of PricewaterhouseCoopers at a time when that firm has been the auditor of BBW.

Principal activities

BBW's principal activities include:

- managing its current portfolio of wind farms; and
- seeking to identify and acquire additional wind farms which meet BBW's investment criteria.

To further expand its diversified portfolio of global wind energy generation assets, BBW utilises its relationship with Babcock & Brown and develops other strategic alliances with wind generation development companies.

Review of operations

A review of the operations of BBW and the results of those operations for the year ended 30 June 2007 is included in the attached Appendix 4E.

Changes in state of affairs

During the financial year there was no significant change in the state of affairs of the consolidated entity other than that referred to in the financial statements and notes to the financial statements.

Subsequent events

Alinta Scheme of Arrangement

In August 2007, the Federal Court approved the acquisition of Alinta Limited by a consortium, of which BBW is a member, via a Scheme of Arrangement (the "Scheme"). Under the Scheme, BBW will issue approximately 130.1 million securities and pay $9.5 million in cash in exchange for $211 million in cash.

Acquisitions under the Spanish Framework Agreement

In August 2007, BBW acquired the remaining 30% interest in the Conjuro wind farm, having previously acquired the initial 70% in June 2007.

Additionally, BBW acquired a 96% interest in the Valdeconejos wind farm in August 2007 for an enterprise value of approximately $79 million.

Future developments

Disclosure of information regarding likely developments in the operations of the consolidated entity in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the consolidated entity. Accordingly, this information has not been disclosed in this report.

Environmental regulations

To the best of their knowledge and belief after making due enquiry, the Directors have determined that BBW has complied with all significant environmental regulations applicable to its operations.

Distributions

An interim distribution of 6.25 cents per stapled security for the half year to 31 December 2006 was paid on 9 March 2007.

BBW will also pay a final distribution of 6.25 cents per stapled security for the full year to 30 June 2007 on or about 14 September 2007.

Indemnification of Officers

BBW has agreed to indemnify all Directors and Officers against losses incurred in their role as Director, Alternate Director, Secretary, Executive or other employee of BBW or its subsidiaries, subject to certain exclusions, including to the extent that such indemnity is prohibited by the *Corporations Act 2001* or any other law. The agreement stipulates that BBW will meet the full amount of any such liabilities costs and expenses (including legal fees). BBW has not been advised of any claims under any of the above indemnities.

During the financial year BBW paid insurance premiums for a Directors' and Officers' liability insurance contract, that provides cover for the current and former Directors, Alternate Directors, Secretaries and Executive Officers of both BBW and its subsidiaries. The Directors have not included details of the nature of the liabilities covered in this contract or the amount of the premium paid, as disclosure is prohibited under the terms of the contract.

Directors' Meetings

Below are the number of BBW Directors' meetings held during the year to 30 June 2007 and the number of meetings attended by each Director.

	BBWPS Board		**BBWPL Board**		**BBWPB Board**	
Directors	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**
P Hofbauer	14	14	14	14	14	14
A Battle	14	14	14	14	14	14
D Clemson	14	12	14	12	14	12
N Andersen	14	12	n/a	n/a	n/a	n/a
W Murphy	14	14	14	14	14	14

Committee Meetings

The members of the BBWPL, BBWPB and BBWPS Audit, Risk & Compliance Committees are D Clemson (Chairman), A Battle and P Hofbauer. The members of the BBWPL Nomination & Remuneration Committee are A Battle (Chairman), D Clemson, N Andersen, P Hofbauer and W Murphy.

Below are the number of BBWPL, BBWPB and BBWPS Audit, Risk & Compliance Committee meetings and BBWPL Nomination & Remuneration Committee meetings held during the year to 30 June 2007, as well as the number of meetings attended by each Committee member.

	Audit, Risk & Compliance Committee		**Nomination & Remuneration Committee**[1]	
Directors	**Held**	**Attended**	**Held**	**Attended**
P Hofbauer	4	4	1	1
A Battle	4	4	1	1
D Clemson	4	3	1	1
N Andersen	4	n/a	1	1
W Murphy	4	n/a	1	1

[1] The BBWPL Nomination & Remuneration Committee was established by the BBWPL Board in February 2007.

Directors' Security Holdings

Below are the Directors' and Alternate Directors' relevant interests in BBW stapled securities throughout the financial year.

	Balance 1 July 2006	**Acquired during the year**	**Sold during the year**	**Balance 30 June 2007**
P Hofbauer	2,530,577	891,297	0	3,421,874
A Battle	30,000	2,316	0	32,316
D Clemson	140,000	0	0	140,000
N Andersen	10,700	409	0	11,109
W Murphy	1,959,577	74,131	0	2,033,708
M Garland[1]	2,142,000	0	0	2,142,000
A Lo Bianco[1]	2,142,000	0	0	2,142,000

[1] Alternate Directors.

Remuneration Report

SPECIALISED FUNDS PLATFORM

Babcock & Brown has established a Specialised Funds platform which consists of entities ("Funds") established and managed by Babcock & Brown wholly owned subsidiaries under long term Management Agreements. All staff who are employed full time in the management of the Funds or whose employment from time to time relates to the Funds are Babcock & Brown employees and are remunerated in accordance with Babcock & Brown's remuneration policies. Accordingly, this Remuneration Report details the philosophy and framework currently applicable to the Babcock & Brown Group ("B&B Group"). It should be noted that the employees of subsidiaries of BBW may be remunerated on a different basis than that applicable to Babcock & Brown employees.

Babcock & Brown is currently reviewing the philosophy and framework as it applies to the Babcock & Brown employees in the Specialised Funds platform. Babcock & Brown intends that the remuneration policies applicable to these employees should be designed to further align their interests with the interests of the Manager and the investors in the Funds.

The remuneration strategy of Babcock & Brown is critical to achieving BBW's overall objective of producing enhanced returns for investors through a strong performance culture.

The Babcock & Brown remuneration philosophy seeks to focus on:

- Driving performance over and above security holder and market expectations; and
- Ensuring variable pay is very directly linked to performance and that individuals who contribute to this performance are rewarded.

This report outlines the remuneration arrangements in place for Directors and Executives of BBW. It also provides the remuneration disclosures required by paragraphs Aus 25.4 to Aus 25.7.2 of AASB 124 Related Party Disclosures, which have been transferred to the Remuneration Report in accordance with the *Corporations Amendment Regulations 2001*. In this report, Executives refers to Key Management Personnel and the five highest remunerated executives of BBW.

The Remuneration Report has been audited by the Company's Auditors except in relation to the *Link Between Remuneration Policy and BBW's Performance* section.

REMUNERATION COMMITTEE

Role of the Babcock & Brown Remuneration Committee

The Babcock & Brown Remuneration Committee ("B&B Remuneration Committee") assists the B&B Board in achieving fairness and transparency in relation to remuneration issues whilst overseeing the remuneration and human resources policies and practices of the B&B Group.

The B&B Remuneration Committee seeks to ensure that the remuneration framework is consistent with market expectations for listed entities and stakeholder body guidelines. In doing this, the B&B Remuneration Committee seeks advice from independent remuneration advisors.

Membership of the B&B Remuneration Committee

The B&B Remuneration Committee consists of five Directors, of which three are independent Non-Executive Directors. Its members throughout 2006/2007 were:

- Ian Martin (Chair)
- James Babcock
- Phillip Green
- Elizabeth Nosworthy
- Michael Sharpe

BBW DIRECTORS

The following persons were Directors of BBW during the financial year:

Name	Role	Relevant BBW Entities
Peter Hofbauer[1]	Non-Executive Chairman	BBWPL, BBWPB and BBWPS
Anthony Battle	Lead Independent Non-Executive Director	BBWPL, BBWPB and BBWPS
Douglas Clemson	Independent Non-Executive Director	BBWPL, BBWPB and BBWPS
Nils Andersen	Independent Non-Executive Director	BBWPS
Warren Murphy[1]	Non-Executive Director	BBWPL, BBWPB and BBWPS

[1] The above non-independent Directors are employed by Babcock & Brown Australia Pty Limited.

Remuneration Policy and Structure

Independent Directors' individual fees, including committee fees, are determined by the BBW Boards within the aggregate amount approved by security holders. The current maximum aggregate amount which may be paid to Directors on each BBW Board is $500,000 per annum.

Independent Directors receive a cash fee for service. They do not receive any performance-based remuneration or any retirement benefits, other than receiving statutory superannuation.

Non-Independent Directors do not directly receive any remuneration for undertaking the role of Director of BBW. However, part of the management fee paid by BBW (approximately equivalent to the fees paid to the Independent Directors) is designated as being consideration for the Non-Independent Directors providing these services to BBW.

Fees payable to Independent Directors during the year ended 30 June 2007 are set out below:

Board / Committee	Role	Fee (p.a.)
BBWPL Board	Independent Director	$37,500
BBWPB Board	Independent Director	$10,000
BBWPS Board	Independent Director	$37,500
BBWPL/BBWPB/BBWPS Boards	Lead Independent Director	$10,000
BBWPL Audit, Risk & Compliance Committee	Independent Chairman	$4,000
	Independent Member	$2,000
BBWPB Audit, Risk & Compliance Committee	Independent Chairman	$4,000
	Independent Member	$2,000
BBWPS Audit, Risk & Compliance Committee	Independent Chairman	$4,000
	Independent Member	$2,000
BBWPL Nomination & Governance Committee	Independent Chairman	$4,000
	Independent Member	$2,000

EXECUTIVES

The following persons were Executives of BBW during the financial year and are employed by Babcock & Brown Australia Pty Limited:

Name	Role
Peter O'Connell	Chief Executive Officer (resignation effective 31 December 2006)
Miles George	Chief Executive Officer (appointment effective 1 January 2007)
Geoff Dutaillis	Chief Operating Officer
Gerard Dover	Chief Financial Officer
David Richardson	Company Secretary

Remuneration Policy and Structure

The B&B Board recognises that Babcock & Brown operates in a global market place and its success is ultimately dependent on its people. In light of this, Babcock & Brown aims to attract, retain and motivate highly-specialised and skilled employees from a global pool of talent who have the expertise to manage BBW in the best interests of the security holders of BBW.

Attracting, developing and retaining talent is essential for BBW's ongoing success. In the last year, Babcock & Brown secured the services of key individuals in a number of areas to manage the operations of the growing Specialised Funds platform. The recruitment of further key employees is integral to meeting the growth strategy of the Specialised Funds.

B&B Executives who are Directors of BBW have significant security holdings in BBW as stated in the Directors' Report.

Remuneration Framework and Philosophy

The Babcock & Brown remuneration framework has three components which are consistent with those of competitors and have been designed to drive superior levels of performance and to closely align Executive and security holder interests:

- Fixed remuneration (base salary and benefits, primarily superannuation and ancillary benefits);
- Short-term Incentive Plan (annual cash bonus and equity deferral); and
- Long-term Incentive Plan (executive share options and performance rights).

The remuneration philosophy currently provides for Executive remuneration to be significantly 'at-risk', meaning that base salary and benefits form the only part of potential annual remuneration known at the commencement of a Financial Year.

Fixed Remuneration

The B&B Board has set fixed remuneration for its Executives at or lower than the median for comparable executives in companies with comparable businesses to that of BBW. This complements the strategy of weighting the variable amount of Executive pay to encourage superior performance consistent with a strong performance oriented culture. Adjustments to fixed remuneration are made annually and are based on job role, pay relative to comparable market pay, and performance in the role.

The fixed remuneration component for the Executives generally includes cash salary as well as non-cash benefits, primarily superannuation and ancillary benefits.

Short-Term Incentive Plan (STIP) – Delivered as Cash and Deferred Equity (Bonus Deferral Rights)

For employees who receive a STIP allocation above a certain threshold level, the STIP allocation is made partly in cash and partly through a grant of Bonus Deferral Rights. All bonuses below the threshold level ($350,000 in 2006) are generally delivered entirely as cash.

Under the Bonus Deferral Rights Plan at least 25% of the STIP allocation above the threshold level is delivered as Bonus Deferral Rights which entitle the holder to shares in Babcock & Brown at no cost after a four year vesting period. The Bonus Deferral Rights act as a retention mechanism. Any Executive leaving Babcock & Brown will forfeit their Bonus Deferral Rights if they terminate employment within the four-year vesting period, unless special circumstances, such as redundancy or retirement, apply. The B&B Board also reserves the right to allow vesting in other circumstances which would include an employee leaving Babcock & Brown to pursue other interests which the B&B Board is satisfied will not compete with the B&B Group (including BBW).

As part of the corporate governance framework for Babcock & Brown's Specialised Funds, as set out in the Corporate Governance Statement, the BBW Boards are developing specific Key Performance Indicators for the senior management providing services to BBW. The framework provides that BBW independent directors will be given the opportunity to provide formal input to Babcock & Brown on the performance of the Manager as a whole and the key Babcock & Brown employees who perform services for them. The framework also provides that this input will be taken into account in determining the proposed remuneration of those key employees, as it relates to the services to BBW, and the independent directors are consulted on that remuneration.

As Short-term Incentive allocations are determined after the end of the financial year and are directly dependent on the B&B Group's financial performance, employees are not advised of a target bonus amount. As such, Chapter 2M.3.03(2)(c)(i)(ii) of the *Corporations Act 2001* Regulations does not apply to Babcock & Brown.

Long-Term Incentive Plan (LTIP)

To complement the STIP, Babcock & Brown has established a LTIP which aims to motivate and retain key executives. Going forward, selected employees will receive a mix of:

- Executive Share Options: These will entitle the employee to one share in Babcock & Brown upon vesting subject to the payment of an exercise price. The exercise price on each option will generally be based on the market value of shares at the time of grant; and/or
- Performance Rights: These will entitle the employee to one share in Babcock & Brown upon vesting.

Vesting of Executive Share Options and Performance Rights will typically be at least three years and be subject to performance hurdles. For the current year, those performance hurdles relate to the Total Shareholder Return (TSR) of Babcock & Brown Limited in comparison to all ASX 100 index companies over a four and a half year period. Going forward, as part of the review of the remuneration philosophy and framework as it applies to the Babcock & Brown employees in the Specialised Funds platform, Babcock & Brown anticipates that such performance hurdles for LTIP awarded to those employees will take into account BBW performance.

Executive Employment Agreements

The employment agreements of M George, G Dutaillis and D Richardson are able to be terminated by either the executive or Babcock & Brown on one month's written notice and the B&B Group may elect to pay the executive one month's salary in lieu of notice. The employment agreement of G Dover is able to be terminated by either the executive or Babcock & Brown with three months' written notice and the B&B Group may elect to pay the executive three months' salary in lieu of notice.

The employment agreements for these executives are also open-ended, contain no other termination payment provisions, allow executives to participate in Babcock & Brown benefit plans that are made available, and are reviewed on an annual basis.

BBW REMUNERATION OF DIRECTORS AND EXECUTIVES

Details of the nature and amount of each element of the emoluments of each Director and Executive of BBW for the year ended 30 June 2007 are set out below.

	Year	Short-term employee benefits			Post-employment benefits	Long-term employee benefits	Total
		Salary	STIP relating to current period	Non-monetary benefits	Super-annuation	Share based payments[1]	
		$	$	$	$	$	$
Directors							
P Hofbauer[2]	**2007**	**91,667**	-	-	-	-	**91,667**
	2006	-	-	-	-	-	-
A Battle	**2007**	**93,885**	-	-	**8,449**	-	**102,334**
	2006	74,636	-	-	6,717	-	81,353
D Clemson	**2007**	**89,604**	-	-	**8,063**	-	**97,667**
	2006	71,680	-	-	6,451	-	78,131
N Andersen[3]	**2007**	**35,016**	-	-	**3,151**	-	**38,167**
	2006	27,711	-	-	2,494	-	30,205
W Murphy[2]	**2007**	**85,667**	-	-	-	-	**85,667**
	2006	-	-	-	-	-	-
Total remuneration for Directors	**2007**	**395,839**	-	-	**19,663**	-	**415,502**
	2006	174,027	-	-	15,662	-	189,689
Executives[4]							
P O'Connell	**2007**	**182,500**	-	-	**6,343**	**53,718**	**242,561**
	2006	357,500	455,667	-	14,162	22,699	850,028
M George	**2007**	**131,250**	**829,250**	-	**6,343**	**194,089**	**1,160,932**
	2006	-	-	-	-	-	-
G Dutaillis	**2007**	**277,250**	**368,750**	-	**12,686**	**49,971**	**708,657**
	2006	215,312	138,750	-	9,104	6,992	370,158
G Dover	**2007**	**252,793**	**121,000**	-	**12,686**	**4,189**	**390,668**
	2006	-	-	-	-	-	-
D Richardson	**2007**	**121,934**	**106,960**	-	**12,686**	**2,234**	**243,814**
	2006	45,657	8,800	-	3,642	-	58,099
Total remuneration for Executives	**2007**	**965,727**	**1,425,960**	-	**50,744**	**304,201**	**2,746,632**
	2006	618,469	603,217	-	26,908	29,691	1,278,285

[1] BBW does not operate options or rights schemes in relation to BBW stapled securities. The share based payments noted in the table relate to the current amortised value of options/rights held over shares in Babcock & Brown Limited.

[2] The Non-Independent Directors do not directly receive any remuneration from BBW for undertaking the role of Director of BBW, however part of the management fee payable by BBW is designated as consideration for these services.

[3] N Andersen is an Independent Director of Babcock & Brown Wind Partners Services Limited only (the Responsible Entity of the Babcock & Brown Wind Partners Trust).

[4] These are the Executives that received the highest emoluments in 2006/2007. Fees paid for their services are part of the management agreement with Babcock & Brown Wind Partners Management Pty Ltd. P O'Connell was the Chief Executive Officer of BBW from 1 July 2006 to 31 December 2006 (remuneration reflects amounts paid during this period). M George is the current Chief Executive Officer of BBW and formally commenced this role on 1 January 2007 (remuneration reflects amounts paid since that time). G Dover commenced as Chief Financial Officer on 21 August 2006. The remuneration for the services provided to BBW by D Richardson cannot be specifically determined due to his other commitments within the B&B Group, however the remuneration included above has been based on an assessment of the services performed directly for BBW throughout the financial year.

BBW Remuneration Components as a Proportion of Total BBW Remuneration

Details of the BBW remuneration components as a proportion of the total BBW remuneration for the year ended 30 June 2007 are set out below.

	Fixed remuneration	Performance-based remuneration		Total
		Cash STIP	Share based payments[1]	
	(%)	(%)	(%)	(%)
Directors				
P Hofbauer	100	-	-	100
A Battle	100	-	-	100
D Clemson	100	-	-	100
N Andersen	100	-	-	100
W Murphy	100	-	-	100
Executives[2]				
M George	12	71	17	100
G Dutaillis	41	52	7	100
G Dover	68	31	1	100
D Richardson	55	44	1	100

1 Share based payments includes the current amortised value of options and Bonus Deferral Rights over shares in Babcock & Brown Limited.

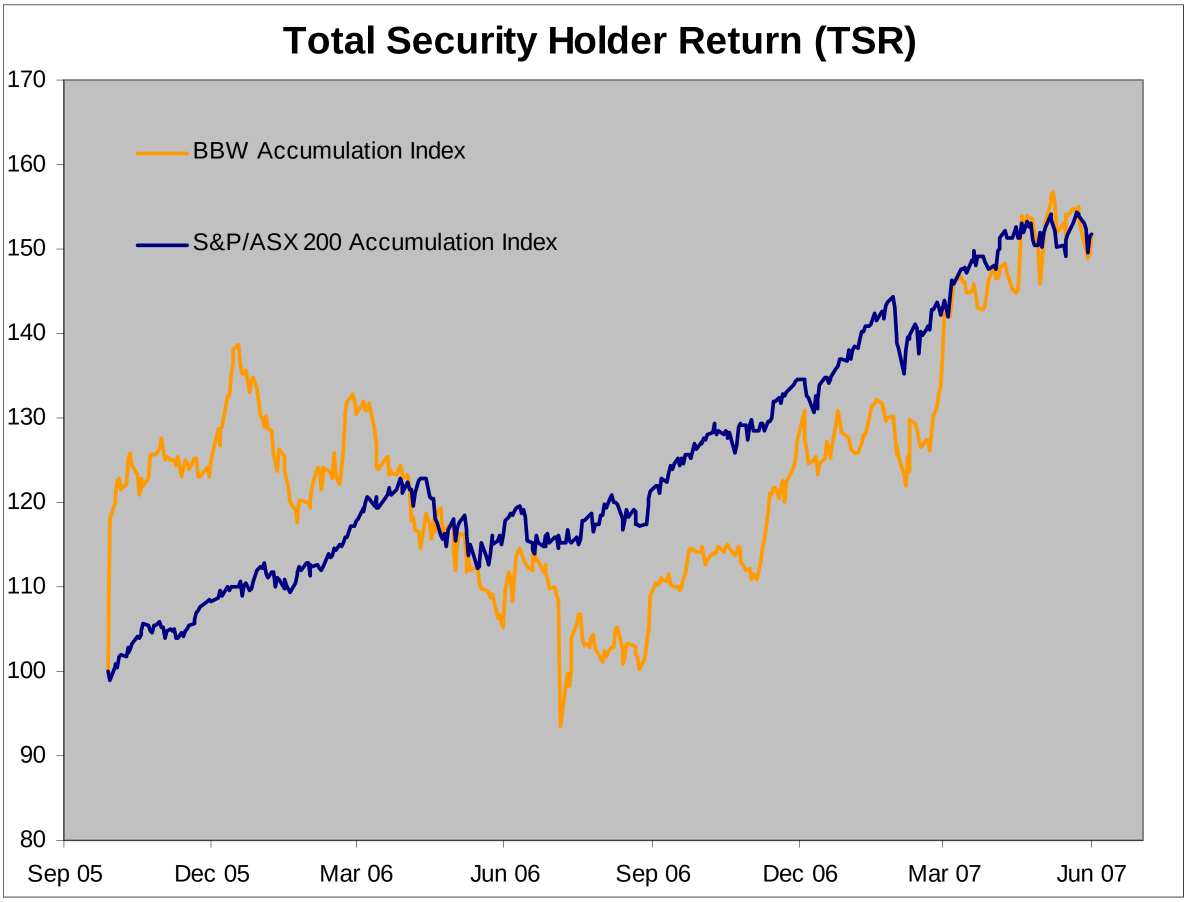
2 Executives as at 30 June 2007. M George commenced as Chief Executive Officer from 1 January 2007 (remuneration reflects amounts paid since that time). G Dover commenced as Chief Financial Officer on 21 August 2006.

BBW Security Options

No options over BBW stapled securities have been granted to the Directors or Executives during the financial year as remuneration. At the date of this report, there are no options granted over any BBW stapled securities on issue.

Link Between Remuneration Policy and BBW's Performance

Since listing on the Australian Securities Exchange (ASX) on the 28 October 2005, BBW has achieved a total security holder return of 51.7% to 30 June 2007, and has performed in line with the Standard & Poors ASX 200 accumulation index (which has also increased by 51.7%) over the same period.



The IPO listing price and the closing price of BBW stapled securities as at the end of each financial year following listing is outlined below.

IPO Listing	BBW Security Price
28 October 2005	$1.40
Financial Year Close	
30 June 2006	$1.51
30 June 2007	$1.95

The financial performance of BBW as at end of each financial year following listing is outlined below.

	FY06	FY07
Total Revenue	$73.0m	$103.7m
Net operating cash flow	$14.2m	$86.0m
EBITDA from operations	$59.4m	$85.0m
Fair value income from US Investments	$2.1m	$18.6m
Profit / (Loss)	($16.2m)	$13.9m
Distributions per stapled security	10.2 cents	12.5 cents

Proceedings on behalf of BBW

No person has applied for leave of the Court to bring proceedings on behalf of BBW, or to intervene in any proceedings to which BBW is a party, for the purpose of taking responsibility on behalf of BBW for all or part of these proceedings. BBW was not a party to any such proceedings during the year.

Non-audit services

The Directors are satisfied that the provision of non-audit services, during the year, by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 5 to the financial statements.

Auditor's independence declaration

The auditor's independence declaration is included in the financial report.

Rounding

BBWPL is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order, amounts in the Directors' report and the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

This report is made in accordance with a resolution of the Directors pursuant to section 298(2) of the *Corporations Act 2001*.

On behalf of the Directors of BBW:

Peter Hofbauer

Chairman

Sydney, 27 August 2007

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Auditor's Independence Declaration

As lead auditor for the audit of Babcock & Brown Wind Partners Limited for the year ended 30 June 2007, 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 audit; and
b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

AJ Wilson
Partner
PricewaterhouseCoopers

Sydney
27 August 2007

Income statement for the year ended 30 June 2007

	Note	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent Entity 2007 $'000	Parent Entity 2006 $'000
Revenue	2	103,716	73,000	13,597	33,825
Revaluation of financial assets	9	18,569	2,074	-	-
Other income	2	14,674	18,933	9,654	9,437
Gains on financial instruments from refinancing debt facilities	15	23,895	-	5,723	-
Operating expenses	2	(22,330)	(16,264)	(8,927)	(2,469)
Management charges	2	(21,093)	(44,379)	(17,078)	(42,493)
Depreciation and amortisation expense	2	(33,965)	(20,061)	(1,638)	(1,514)
Finance costs	2	(68,844)	(29,587)	(19,655)	(6,156)
Net profit/ (loss) before income tax expense		14,622	(16,284)	(18,324)	(9,370)
Income tax benefit / (expense)	3	(769)	49	5,006	1,886
Net profit / (loss) for the year		13,853	(16,235)	(13,318)	(7,484)
Attributable to stapled security holders as:					
Equity holders of the parent		7,367	(20,442)	(13,318)	(7,484)
Equity holders of the other stapled entities (minority interests)		5,754	4,207	-	-
		13,121	(16,235)	(13,318)	(7,484)
Other minority interests		732	-	-	-
		13,853	(16,235)	(13,318)	(7,484)
Earnings per share of the parent based on earnings attributable to the equity holders of the parent:					
Basic (cents per security)	21	1.2	(5.3)		
Diluted (cents per security)	21	1.2	(5.3)		

The above income statements should be read in conjunction with the accompanying Notes to the financial statements.

Balance sheet as at 30 June 2007

		Consolidated		Parent Entity	
	Note	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Current assets					
Cash and cash equivalents	31	441,625	311,195	23,265	64,166
Trade and other receivables	6	40,797	46,147	49,078	33,586
Prepayments	7	6,090	3,722	1,040	961
Other current assets	8	72	419	-	-
Derivative financial instruments	10	5,986	194	3,570	-
Total current assets		494,570	361,677	76,953	98,713
Non-current assets					
Receivables	6	-	-	799,805	531,124
Prepayments	7	23,228	24,295	9,119	10,327
Investments in financial assets	9	581,033	176,049	-	-
Shares in controlled entities		-	-	42,860	42,766
Derivative financial instruments	10	33,983	12,845	4,646	32
Property, plant and equipment	11	937,659	664,882	-	-
Deferred tax assets	3	44,424	10,631	21,945	9,061
Goodwill	12	115,739	16,502	-	-
Intangible assets	13	156,839	146,154	1,648	3,586
Total non-current assets		1,892,905	1,051,358	880,023	596,896
Total assets		2,387,475	1,413,035	956,976	695,609
Current liabilities					
Trade and other payables	14	257,049	56,897	12,726	10,689
Borrowings	15	39,241	39,878	2,580	-
Derivative financial instruments	16	264	1,966	-	922
Current tax payables	3	4,999	1,743	-	-
Total current liabilities		301,553	100,484	15,306	11,611
Non-current liabilities					
Borrowings	15	1,299,644	631,489	955,534	688,220
Derivative financial instruments	16	-	1,662	-	1,402
Deferred tax liabilities	3	32,255	13,381	-	-
Total non-current liabilities		1,331,899	646,532	955,534	689,622
Total liabilities		1,633,452	747,016	970,840	701,233
Net assets/ (liabilities)		754,023	666,019	(13,864)	(5,624)
Equity holders of the parent					
Contributed equity	18	4,470	4,454	4,470	4,454
Reserves	19	(41,981)	(13,868)	3,705	(1,357)
Accumulated losses	20	(10,759)	(18,126)	(22,039)	(8,721)
		(48,270)	(27,540)	(13,864)	(5,624)
Equity holders of the other stapled entities (minority interests)					
Contributed equity	18	805,855	701,680	-	-
Reserves	19	(21,635)	(21,635)	-	-
Retained earnings	20	9,961	4,207	-	-
		794,181	684,252	-	-
Other minority interests	9	8,112	9,307	-	-
Total equity		754,023	666,019	(13,864)	(5,624)

The above balance sheets should be read in conjunction with the accompanying Notes to the financial statements.

Statement of changes in equity for the year ended 30 June 2007

	Note	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent Entity 2007 $'000	Parent Entity 2006 $'000
Total equity at the beginning of the year		666,019	171,156	(5,624)	511
Adjustment to equity on adoption of AASB 132 and AASB 139, net of tax:					
- Cash flow hedges	19	-	(7,491)	-	-
- Transfer of net assets attributable to security holders from equity to liability	18	-	(163,140)	-	-
Restated total equity at the beginning of the financial year		666,019	525	(5,624)	511
Movement in fair value of derivatives	19	3,845	16,042	5,062	(1,357)
Exchange differences on translation of foreign operations and movement in fair value of net investment hedges		(31,958)	9,941	-	-
Net income recognised directly in equity		(28,113)	25,983	5,062	(1,357)
Net profit/ (loss) for the year		13,121	(16,235)	(13,318)	(7,484)
Total recognised income and expense for the year		(14,992)	9,748	(8,256)	(8,841)
Transactions with equity holders in their capacity as equity holders:					
Transfer of net assets attributable to security holders from liability to equity	18	-	161,512	-	-
Contributions of equity, net of costs paid	18	168,675	487,048	16	2,025
Movement in minority interest on acquisition of subsidiary		(1,195)	802	-	-
Securities issued as consideration for purchase of interest in subsidiaries	18	-	68,000	-	-
Securities issued as consideration for payment of incentive fee	18	-	13,028	-	681
Securities issued as consideration in relation to services	18	1,112	-	-	-
Reserves recognised on purchase of increased interest in a subsidiary	18	-	(27,807)	-	-
Minority interest recognised on purchase of increased interest in a subsidiary	18	-	(21,635)	-	-
Distributions paid	22	(65,596)	(25,202)	-	-
Total equity at the end of the year		754,023	666,019	(13,864)	(5,624)
Total recognised income and expenses for the year is attributable to:					
Equity holders of the parent		(20,746)	5,541	(8,256)	(8,841)
Equity holders of the other stapled entities		5,754	4,207	-	-
		(14,992)	9,748	(8,256)	(8,841)

The above statements of changes in equity should be read in conjunction with the accompanying Notes to the financial statements.

Cash flow statement
for the year ended 30 June 2007

	Note	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent Entity 2007 $'000	Parent Entity 2006 $'000
Cash flows from operating activities					
Profit/ (loss) for the period		13,853	(16,235)	(13,318)	(7,484)
Adjustments for:					
(Gain)/loss on revaluation for fair value through profit or loss financial assets – financial instruments		(15,088)	852	(4,257)	353
(Gain)/loss on revaluation for fair value through profit or loss financial assets – financial asset investments		(18,569)	(2,074)	-	-
Distributions received from financial asset investments		39,420	7,025	-	
Depreciation and amortisation of non-current assets		33,965	20,061	1,637	1,514
Foreign exchange (gain)/loss		-	-	1,558	(106)
Amortisation of borrowing costs capitalised		21,570	1,232	6,978	913
Non-cash incentive fee payment		-	13,028	-	13,028
Increase/(decrease) in current tax liability		1,367	652	-	-
(Increase)/decrease in deferred tax balances		(4,528)	(2,491)	(5,004)	(5,847)
Changes in operating assets and liabilities, net of effects from acquisition and disposal of businesses:					
(Increase)/decrease in assets:					
Current receivables and other current assets		15,665	(9,594)	(12,282)	(37,725)
Increase/(decrease) in liabilities:					
Current payables		(1,615)	1,702	3,253	8,812
Net cash from operating activities		86,040	14,158	(21,435)	(26,542)
Cash flows from investing activities					
Payment for property, plant and equipment		(265,931)	(76,632)	-	-
Payment for intangible assets		-	(18,271)	-	(5,100)
Payment for investments in controlled entities	31(b)	(74,545)	(98,971)	(957)	(7,787)
Prepaid investment		(899)	(10,181)	-	(10,181)
Payment for investments in financial assets		(296,533)	(146,838)	-	-
Proceeds from sale of investment in financial assets		13,764	-	-	-
Loans to related parties		(150,000)	-	(357,463)	(373,318)
Repayment of loans by related parties		150,000	-	67,087	9,044
Net cash used in investing activities		(624,144)	(350,893)	(291,333)	(387,342)
Cash flows from financing activities					
Proceeds from issues of equity securities, net of costs	18	153,593	487,048	16	2,024
Proceeds from borrowings		1,656,689	404,761	135,626	1,704
Repayment of borrowings		(1,086,325)	(312,038)	(143,691)	-
Loans from related parties		-	-	567,080	506,531
Repayment of borrowings to related parties		-	(18,785)	(286,147)	(59,848)
Distributions paid to security holders		(50,513)	(26,830)	-	-
Net cash provided by financing activities		673,444	534,156	272,884	450,411
Net increase in cash and cash equivalents		135,340	197,421	(39,884)	36,527
Cash and cash equivalents at the beginning of the financial year		311,195	110,114	64,166	27,852
Effects of exchange rate changes on the balance of cash held in foreign currencies		(4,910)	3,660	(1,017)	(213)
Cash and cash equivalents at the end of the financial year	31(a)	441,625	311,195	23,265	64,166

The above cash flow statements should be read in conjunction with the accompanying Notes to the financial statements.

Notes to the financial statements for the year ended 30 June 2007

1. Summary of accounting policies

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 years presented, unless otherwise stated. The financial report includes separate financial statements for Babcock & Brown Wind Partners Limited as an individual entity and the Group consisting of Babcock & Brown Wind Partners Limited and its subsidiaries.

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

<u>Stapled security</u>

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 ("BBW" 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 financial report consists of the consolidated financial statements of BBWPL, which comprises BBWPL and its controlled entities, BBWPT and its controlled entities and BBWPB, together acting as BBW.

<u>Compliance with IFRS</u>

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the consolidated financial statements and notes of BBWPL comply with International Financial Reporting Standards (IFRS). The parent entity financial statements and notes also comply with IFRS except that it has elected to apply the relief provided to parent entities in respect of certain disclosure requirements contained in AASB 132 *Financial Instruments: Disclosure and Presentation.*

<u>Change in accounting policies</u>

Adoption of new/revised standards.

The adoption of UIG INT 4, *Determining whether an Arrangement contains a Lease*, during the year has impacted the accounting for a number of contractual arrangements relating to electricity supply into which the Group has entered. After assessment of these arrangements, some have been determined to contain terms that should be accounted for as operating leases in accordance with AASB 117 *Leases*. Consequently, for these arrangements, revenue from the sales of electricity will be classified as revenue from the lease of plant and equipment.

As a result, $30,644,000 of revenue from the sale of energy and products for the year ended 30 June 2006 has been reclassified as revenue from the lease of plant and equipment.

Early adoption of standards

The Group has elected to apply the following pronouncements to the annual reporting period beginning 1 July 2006:

- Amended AASB 107 *Cash Flow Statements* (issued April 2007)

No adjustments to any of the financial statements were required for the above pronouncements, but certain disclosures have been amended.

Correction of accounting policy regarding investments in unquoted Class B shares in US wind farms.

The Directors have determined that continued designation of unquoted Class B interests in US wind farms as equity accounted investments would result in significant differences between accounting and economic values in the long term. Specifically, equity accounting methodology is not able to account for Production Tax Credits ('PTCs') and tax loss benefits which flow directly to Class A members rather than through the financial results of each wind farm (refer Note 9 for further explanation of investment structures).

1. Summary of accounting policies *(cont'd)*

The Directors have now determined that Class B interests in US wind farms were eligible for designation at fair value through profit or loss under AASB 139: *Financial instruments: Recognition and measurement* and AASB 128: *Investments in Associates*. As a result of the anticipated issues with equity accounting the Directors have now designated the unquoted shares as financial assets at fair value through profit or loss to correct the prior year accounting policy.

Investments previously stated in the balance sheet at $176.0m and share of net profits from associates previously stated in the income statement at $2.1m were not materially different to values determined using the new fair value methodology. Consequently the correction of the accounting policy has not resulted in any impact to previously reported net losses of $16.2m or net assets of $666.0m and the amounts have been re-classified for comparability purposes.

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.

(b) Consolidated accounts

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.

In accordance with UIG 1013, consolidated financial statements have been prepared by BBWPL as the identified parent of BBW and the combined financial report prepared for BBW at 1 July 2004 has been used for the purpose of applying AASB 1 at the date of transition to restate BBW's comparative information. The financial statements of BBW should be read in conjunction with the separate financial statements of BBWPT for the period ended 30 June 2007.

AASB Interpretation 1002 *Post-Date-of-Transition Stapling Arrangements* applies to stapling arrangements occurring during annual reporting periods ending on or after 31 December 2005 where the identified parent does not obtain an ownership interest in the entity whose securities have been stapled. As a consequence of the stapling arrangement involving no acquisition consideration and no ownership interest being acquired by the combining entities, no goodwill is recognised in relation to the stapling arrangement and the interests of the equity holders in the stapled securities are treated as minority interests.

Whilst stapled arrangements occurring prior to the application of AASB Interpretation 1002 are grandfathered and can continue to be accounted for in accordance with the principles established in UIG 1013, for disclosure purposes and the fact that BBW has entered into stapling arrangements both pre and post transition to AIFRS, the interests of the equity holders in all stapled securities (regardless of whether the stapling occurred pre or post transition to AIFRS) has been treated as minority interest under the principles established in AASB Interpretation 1002.

1. Summary of accounting policies (*cont'd*)

(c) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of BBWPL as at 30 June 2007 and the results of all subsidiaries for the year then ended. BBWPL and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group (refer Note 1(f)).

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests results in gains and losses for the Group that are recorded in the income statement. Purchases from minority investments result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of identifiable net assets of the subsidiary.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Minority interests in the results and equity of subsidiaries are shown separately in the consolidated income statement and balance sheets respectively.

Investments in subsidiaries are accounted for at cost in the individual financial statements of BBWPL.

1. Summary of accounting policies *(cont'd)*

(d) Investment in financial assets

As stated in Note 1(a), the Group has corrected its accounting policy for the recognition and measurement of its unquoted Class B interests in US wind farms from the equity accounted method to fair value through profit and loss.

Investments in financial assets at fair value through profit or loss are re-valued at each reporting date, or when there is a change in the nature of the investment, to their fair values in accordance with AASB 139: *Financial Instruments: Recognition and Measurement*. Changes in the fair values of investments in financial assets at fair value through profit or loss, both positive and negative have been recognised in the Income Statement for the period.

Interests in unlisted class B membership shares are valued using a discounted cash flow analysis. The methodology applied is a generally accepted methodology for valuing wind farms and a basis in which market participants price new acquisitions.

The valuation methodology is periodically compared to other market information such as independent valuations and recent wind farm transactions to ensure that assumptions and valuations are reliable.

Interest, dividends and other distributions received from investments brought to account at fair value are credited against the investments when received.

Discount rates and sensitivities are disclosed in Note 9.

(e) Trade and other payables

Trade payables and other accounts payable are recognised when the Group becomes obliged to make future payments resulting from the purchase of goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

(f) Business combinations

The purchase method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the fair value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill (refer Note 1(p)). If the cost of the recognised is less than the Group's share of the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

1. Summary of accounting policies (*cont'd*)

(g) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities, which are not an incremental cost relating to the actual draw-down on the facility, are recognised as prepayments and amortised on a straight-line basis over the term of the facility.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or other expenses.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(h) Borrowing costs

Borrowing costs directly attributable to assets under construction are capitalised as part of the cost of those assets. Other borrowing costs are expensed.

(i) Assets under construction

Costs incurred in relation to assets under construction are deferred to future periods.

Deferred costs are transferred to plant and equipment from the time the asset is held ready for use on a commercial basis.

(j) Property, plant and equipment

Plant and equipment, including equipment under finance lease, are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the item. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is recognised. All other repairs and maintenance are charged to the income statement during the reporting period in which they are incurred.

Depreciation is provided on plant and equipment. Depreciation is calculated on a straight line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period. The following estimated useful lives are used in the calculation of depreciation:

Plant and equipment	25 years

1. Summary of accounting policies *(cont'd)*

(k) Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including forward foreign exchange contracts and interest rate swaps and cross currency swaps.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at each reporting date. The resulting gain or loss is recognised in the income statement immediately unless the derivative is designated and effective as a hedging instrument, in which event, the timing of the recognition in the income statement depends on the nature of the hedge relationship.

The Group designates certain derivatives as either hedges of highly probable forecast transactions (cash flow hedges) or hedges of net investments in foreign operations (net investment hedge).

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within other income or other expenses.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the income statement within 'finance costs'. The gain or loss relating to the effective portion of forward foreign exchange contracts hedging export sales is recognised in the income statement within 'sales'. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, fixed assets) the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in profit or loss as depreciation in the case of fixed assets.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in the income statement.

Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in the foreign currency translation reserve; the gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Gains and losses deferred in the foreign currency translation reserve are recognised immediately in the income statement when the foreign operation is disposed of.

Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement.

1. Summary of accounting policies (*cont'd*)

(l) 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.

(m) Segment reporting

A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

1. Summary of accounting policies *(cont'd)*

(n) Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is the Group's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when they are deferred in equity as qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss.

Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilites for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences are recognised in the income statement, as part of the gain or loss on sale where applicable.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entities and translated at the closing rate.

1. Summary of accounting policies *(cont'd)*

(o) Income tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are realised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be realised. However, deferred tax assets and liabilities are not realised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not realised in relation to taxable temporary differences arising from goodwill.

Deferred tax liabilities are realised for taxable temporary differences arising on investments in subsidiaries and associates except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only realised to the extent that it is probable that there will be sufficient taxable profits against which to realise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the company/ Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

Under current Bermudan law, BBWPB will not be subject to any income, withholding or capital gains taxes in Bermuda.

1. Summary of accounting policies *(cont'd)*

Tax consolidation

Legislation to allow groups, comprising a parent entity and its Australian wholly owned entities, to elect to consolidate and be treated as a single entity for income tax purposes was substantially enacted on 21 October 2002. This legislation includes both mandatory and elective elements, and is applicable to BBWPL and its controlled entities. This legislation is not applicable to the Trust.

The head entity, BBWPL, and the controlled entities in the tax-consolidated group continue to account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right.

In addition to its own current and deferred amounts, BBWPL also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the group. Details about the tax funding agreement are disclosed in Note 3.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

(p) Intangible assets

Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the Group's share of the net identifiable assets, liabilities and contingent liabilities acquired at the date of acquisition. Goodwill on acquisition is separately disclosed in the balance sheet. Goodwill acquired in business combinations is not amortised, but tested for impairment annually and whenever there is an indication that the goodwill may be impaired. Any impairment is amortised immediately in the income statement and is not subsequently reversed. Goodwill on acquisitions of subsidiaries is included in intangible assets.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the Group's investment in each country of operation by each primary reporting segment.

Framework Agreements

Costs incurred with respect to entering into framework agreements, which provide a pre-emptive right to acquire assets (subject to certain conditions being met), have been amortised. To the extent that an agreement relates to a specific asset(s), the related costs are amortised as an ancillary cost of acquisition. Where an agreement does not relate to a specific asset, the costs are amortised over the period of the agreements, which vary from 15 months to 3 years.

Licences

Licences are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of licences over their estimated useful lives, which are based on the lease term of the related wind farm.

1. Summary of accounting policies (cont'd)

(q) Leased assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Group as lessee

Assets held under finance leases are initially recognised at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are recognised in accordance with the Group's general policy on borrowing costs.

Finance leased assets are amortised on a straight line basis over the estimated useful life of the asset.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefits of incentives are recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Group as lessor

Refer to Note 1(v) for the accounting policy in respect of lease income from operating leases.

(r) Impairment of assets

At each reporting date, the consolidated group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss.

If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Goodwill, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired. An impairment of goodwill is not subsequently reversed.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

For assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating unit). If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the income statement immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in the income statement immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

1. Summary of accounting policies *(cont'd)*

(s) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents comprise cash on hand deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

(t) Provisions

Provisions are recognised when the consolidated group has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

(u) Distributions and dividends

Provision is made for the amount of any distribution or dividend declared being appropriately authorised and no longer at the discretion of the entity, on or before the end of, but not distributed at balance date.

(v) Revenue recognition

The Group recognised revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below.

The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised for the major business activities as follows:

Electricity sales

Product sales are generated from the sale of electricity generated from the Group's wind farms. Revenues from product sales are recognised on an accruals basis. Product sales revenue is only recognised when the significant risks and rewards of ownership of the products has passed to the buyer and the Group attains the right to be compensated.

Lease income

In accordance with UIG 4 *Determining whether an Asset Contains a Lease* revenue generated under certain power purchase agreements are classified as lease income.

Lease income from operating leases is recognised in income when the right to receive payment is established.

Other revenue

Interest income is recognised using the effective interest method.

Dividend income is recognised when the right to receive payment is established.

Revenue from rendering of services is recognised when services are provided (refer Note 29).

1. Summary of accounting policies *(cont'd)*

Other income – revaluation of investments

Income from investments in financial assets at fair value through profit or loss constitutes changes in the fair value of investments in unlisted securities. Income relating to these investments is brought to account as described in Note 1(d).

(w) Loans and receivables

Trade receivables, loans and other receivables are recorded at amortised cost less impairment. Trade receivables are generally due for settlement within 30 days.

A provision for impairment of loans and receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of loans and receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the profit and loss account.

(x) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

If the entity reacquires its own equity instruments, for example, as the result of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the profit or loss and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised directly in equity.

(y) Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(z) Fair value estimation

The fair value of the financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purpose.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market prices for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest-rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the balance sheet date.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(aa) Rounding of amounts

The Group is of a kind referred to in Class order 98/0100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

(ab) New accounting standards and UIG interpretations

Certain new accounting standards and UIG interpretations have been published that are not mandatory for 30 June 2007 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 7 *Financial Instruments: Disclosures* and AASB 2005-10 *Amendments to Australian Accounting Standards* (AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038)

AASB 7 and AASB 2005-10 are applicable to annual reporting periods beginning on or after 1 January 2007. The Group has not adopted the standards early. Application of the standards will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the Group's financial instruments.

(ii) AASB-I 10 *Interim Financial Reporting and Impairment*

AASB-I 10 is applicable to reporting periods commencing on or after 1 November 2006. The Group has not recognised an impairment loss in relation to goodwill, investments in equity instruments or financial assets carried at cost in an interim reporting period but subsequently reversed the impairment loss in the annual financial report. Application of the interpretation will therefore have no impact on the Group's or the parent entity's financial statements.

1. Summary of accounting policies *(cont'd)*

(ac) Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

(i) Estimated useful economic life of property, plant and equipment

As disclosed in Note 1(j) the Group depreciates property, plant and equipment over 25 years. This period of depreciation is utilised for assets that have useful economic lives in excess of 25 years as the life of the project is 25 years and no determination to extend the life of the project has been made at this stage.

(ii) Income taxes

The Group is subject to income taxes in Australia and jurisdictions where it has foreign operations. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain.

(iii) Forecast cash flows and discount rates

As disclosed in Note 1(d), the Group determines the value of its US investments, being financial assets at fair value through profit or loss, using a discounted cash flow methodology. This methodology requires assumptions to be made in respect of forecast cash flows and discount rates. These assumptions are subject to variation from period to period.

2. Profit from operations

	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent Entity 2007 $'000	Parent Entity 2006 $'000
Revenue				
Revenue from the sale of energy and products	55,883	37,106	-	-
Revenue from lease of plant and equipment[1]	44,656	30,644	-	-
Compensation for revenues lost as a result of O&M providers not meeting contracted turbine availability targets	3,177	-	-	-
Compensation for revenues lost as a result of construction completion dates not being met	-	5,250	-	-
Revenue from the rendering of services	-	-	13,597	33,825
	103,716	73,000	13,597	33,825
Other income				
Interest income	10,394	14,472	3,531	9,145
Foreign exchange gains	2,826	4,170	4,669	169
Fair value gains on financial instruments	1,454	291	1,454	123
	14,674	18,933	9,654	9,437

[1] Under UIG INT 4, certain of BBW's contractual arrangements relating to electricity supply have been classified as leases.

	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent Entity 2007 $'000	Parent Entity 2006 $'000
Profit/ (loss) before income tax has been arrived at after charging the following expenses:				
Administration, consulting and legal fees	3,595	2,967	8,927	2,469
Wind farm operations and maintenance costs	18,735	13,297	-	-
	22,330	16,264	8,927	2,469
Depreciation of property, plant & equipment	28,949	16,217	-	-
Amortisation of intangible assets	5,016	3,844	1,638	1,514
	33,965	20,061	1,638	1,514
Finance costs:				
Interest expense	42,447	25,705	10,665	4,348
Fair value losses on financial instruments	2,219	1,143	-	476
Write-off of capitalised loans costs due to re-financing	15,965	-	5,090	-
Other finance charges	8,213	2,739	3,900	1,332
	68,844	29,587	19,655	6,156
Management charges*:				
Base fees	14,770	7,165	10,755	5,279
Incentive fee	-	33,150	-	33,150
Management expenses	6,323	4,064	6,323	4,064
	21,093	44,379	17,078	42,493

*Refer Note 18 and Note 29 for further details.

3. Income taxes

(a) Income tax expense

	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent Entity 2007 $'000	Parent Entity 2006 $'000
Income tax comprises:				
Current tax	(7,110)	(3,070)	(5,234)	(1,805)
Deferred tax	7,879	3,021	228	(81)
	769	(49)	(5,006)	(1,886)
Deferred income tax expense included in income tax (revenue) / expense comprises:				
Decrease / (increase) in deferred tax assets	(169)	(345)	(71)	(81)
(Decrease) / increase in deferred tax liabilities	8,048	3,366	299	-
	7,879	3,021	228	(81)

Tax losses derived in the current year are shown as current tax expense.

(b) Numerical reconciliation of income tax expense/ (benefit) to prima facie tax payable:

	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent Entity 2007 $'000	Parent Entity 2006 $'000
Profit/ (loss) from continuing operations before income tax expense	14,622	(16,284)	(18,324)	(9,370)
Income tax expense calculated at 30% (2006: 30%)	4,387	(4,885)	(5,497)	(2,811)
Tax effect of amounts which are not deductible / (taxable) in calculating taxable income:				
Non-deductible expenses	770	231	-	-
Non-assessable income	(5,896)	(1,199)	-	-
Non-deductible expenses for trade tax purposes	95	184	-	-
Amortisation of framework agreements	491	454	491	454
Management Fee	1,195	4,900	-	-
Sundry items	121	(104)	-	(134)
Difference in overseas tax rates	(394)	(236)	-	-
Previously recognised and unused tax losses	-	606	-	605
Income tax expense/ (benefit)	769	(49)	(5,006)	(1,886)

	Consolidated		Parent Entity	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
3. Income taxes *(cont'd)*				
(c) Amounts recognised directly in equity				
The following current and deferred amounts were not recognised in net profit or loss but charged directly to equity during the period:				
Current tax	-	-	-	-
Net deferred tax	8,314	(5,062)	(2,322)	151
	8,314	(5,062)	(2,322)	151
(d) Tax losses				
Unused tax losses for which no deferred tax asset has been recognised	-	-	-	-
Potential tax benefit @ 30%	-	-	-	-

(e) Tax consolidation

BBWPL and its wholly-owned Australian resident entities have formed a tax-consolidated group with effect from 1 July 2003 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is BBWPL. The members of the tax-consolidated group are identified at Note 26.

Entities within the tax-consolidated group have entered into a tax funding arrangement and a tax sharing agreement with the head entity. Under the terms of the tax funding arrangement, BBWPL and each of the entities in the tax-consolidated group has agreed to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the entity. Such amounts are reflected in amounts receivable from or payable to other entities in the tax-consolidated group.

The tax sharing agreement entered into between members of the tax-consolidated group provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote.

	Consolidated		Parent Entity	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
(f) Current tax liabilities				
Current tax payables:				
Income tax payable attributable to:				
Australian entities in the group	1,079	-	-	-
Overseas entities in the group	3,920	1,743	-	-
	4,999	1,743	-	-

	Consolidated		Parent Entity	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
(g) Deferred tax balances				
Deferred tax assets comprise temporary differences attributable to:				
Unused revenue tax losses - corporate	24,637	9,222	23,684	8,249
Unused tax losses for trade tax purposes	565	64	-	-
Deductible equity raising costs	80	119	90	119
Effect of hedge movements	2,943	731	105	687
Unrealised foreign exchange loss	15,078	490	(1,634)	6
Other	1,121	5	(300)	-
	44,424	10,631	21,945	9,061
Deferred tax liabilities comprise temporary differences attributable to:				
Depreciation	(18,804)	(9,755)	-	-
Effect of hedge movements	(12,363)	(2,932)	-	-
Other	(1,088)	(694)	-	-
	(32,255)	(13,381)	-	-

3. Income taxes *(cont'd)*

Taxable and deductible temporary differences arise from the following:

2007	Opening balance $'000	Consolidated Charged to income $'000	Charged to equity $'000	Acquisitions/ disposals $'000	Closing balance $'000
Gross deferred tax assets:					
Unused revenue tax losses – corporate	9,222	15,415	-	-	24,637
Unused tax losses for trade tax purposes	64	501	-	-	565
Deductible equity raising costs	119	-	(39)	-	80
Effect of hedge movements	731	-	2,212	-	2,943
Unrealised foreign exchange loss	490	-	14,588	-	15,078
Other	5	1,116	-	-	1,121
	10,631	17,032	16,761	-	44,424
Gross deferred tax liabilities:					
Depreciation	(9,755)	(9,049)	-	-	(18,804)
Effect of hedge movements	(2,932)	-	(9,431)	-	(12,363)
Other	(694)	-	(394)	-	(1,088)
	(13,381)	(9,049)	(9,825)	-	(32,255)

3. Income taxes *(cont'd)*

2006	Opening balance $'000	Charged to income $'000	Consolidated Charged to equity $'000	Acquisitions/ disposals $'000	Closing balance $'000
Gross deferred tax assets:					
Unused revenue tax losses – corporate	4,092	5,130	-	-	9,222
Unused tax losses for trade tax purposes	-	64	-	-	64
Deductible equity raising costs	-	-	119	-	119
Effect of hedge movements	-	150	581	-	731
Unrealised foreign exchange loss	200	-	290	-	490
Other	-	5	-	-	5
	4,292	5,349	990	-	10,631
Gross deferred tax liabilities:					
Depreciation	(5,618)	(2,915)	-	(1,222)	(9,755)
Effect of hedge movements	-	-	(2,932)	-	(2,932)
Other	(183)	(511)	-	-	(694)
	(5,801)	(3,426)	(2,932)	(1,222)	(13,381)

4. Key management personnel remuneration

As permitted by the Corporations Amendment Regulations 2001, the company has disclosed information required by paragraphs Aus 25.4 to Aus 25.7.2 of AASB 124 *Related Party Disclosures* under the heading "remuneration report" within the Directors' Report and not within the financial report.

Details of key management personnel

The Key Management Personnel (KMP) of BBW during the year were:

Name	Role
P O'Connell	Chief Executive Officer (resignation effective 31 December 2006)
M George	Chief Executive Officer (appointment effective 1 January 2007)
G Dutaillis	Chief Operating Officer
G Dover	Chief Financial Officer (commenced 21 August 2006)
D Richardson	Company Secretary

Key management personnel remuneration

The aggregate remuneration of the KMP of BBW for the 2006 and 2007 financial years is set out below:

	2007	2006
Short-term employee benefits	$2,391,687	$1,221,686
Post-employment benefits (superannuation)	$50,744	$26,908
Other Long-term benefits / Share based payments	$304,201	$29,691
Total	$2,746,632	$1,278,285

Options held over BBW securities

The KMPs did not hold any options issued over BBW stapled securities during the 2006 and 2007 financial years.

Bonus deferral rights held over BBW securities

The KMPs did not hold any Bonus Deferral Rights issued in relation to BBW stapled securities during the 2006 and 2007 financial years.

Security holdings in BBW

Outlined below are the security holdings of the KMPs over the period 1 July 2006 to 30 June 2007 in BBW.

	Balance 1 July 2006	Acquired during the year	Sold during the year	Balance 30 June 2007
P O'Connell[1]	357,000	-	357,000	-
M George[2]	250,000	250,000	-	500,000
G Dutaillis	535,000	30,000	-	565,000
G Dover[3]	-	10,000	-	10,000
D Richardson	-	5,000	-	5,000

[1] P O'Connell resigned as Chief Executive Officer of BBW effective 31 December 2006.
[2] M George was appointed as Chief Executive Officer of BBW effective 1 January 2007.
[3] G Dover commenced as Chief Financial Officer of BBW on 21 August 2006.

No BBW securities were granted as remuneration to the KMPs during the 2007 financial year and no BBW securities were acquired upon the exercise of options during the financial year.

4. Key management personnel remuneration *(cont'd)*

Outlined below are the security holdings of the KMPs for the period 28 October 2005 (Initial Public Officer of BBW stapled securities) to 30 June 2006 in BBW.

	Balance 28 October 2005	Acquired during the year	Sold during the year	Balance 30 June 2006
Peter O'Connell	714,000	-	357,000	357,000
Miles George[1]	N/A	N/A	N/A	N/A
Geoff Dutaillis	535,000	-	-	535,000
Gerard Dover[2]	N/A	N/A	N/A	N/A
David Richardson	-	-	-	-

[1] M George was not a KMP of BBW during FY06.
[2] G Dover was not employed at Babcock & Brown during FY06.

No BBW securities were granted as remuneration to the KMPs during FY06 and no BBW securities were acquired upon the exercise of options during the financial year.

Loans to key personnel and their personally related entities from BBW

No loans have been made by BBW to any KMPs or their personally related entities throughout the 2006 and 2007 financial years.

	Consolidated		Parent Entity	
	2007 $	2006 $	2007 $	2006 $
5. Remuneration of auditors				
PricewaterhouseCoopers: Audit services				
Audit and review of the financial report	862,639	687,691*	30,125	25,677
Assistance with transition to Australian-equivalents to International Financial Reporting Standards	-	95,009	-	-
Total remuneration for audit services	862,639	782,700	30,125	25,677
PricewaterhouseCoopers: Non-Audit services				
Audit related services				
Due diligence services	132,990	-	13	-
Taxation services				
Review of transfer pricing arrangements	9,900	-	9,900	-
Total remuneration for Non-Audit Services	142,890	-	9,913	-

* Audit fees for 2006 have been adjusted to include under-accruals in respect of the year end audit.

	Consolidated		Parent Entity	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
6. Trade and other receivables				
Current				
Trade receivables	16,848	14,709	-	-
Compensation for loss of revenue (Note 2)	-	5,250	-	-
Interest receivable	170	175	676	-
Amounts due from related parties (Note 29)	-	-	47,456	31,378
Goods & Services Tax and other tax receivables	22,739	25,792	946	2,208
Other receivables	1,040	221	-	-
	40,797	46,147	49,078	33,586
Non-current				
Amounts due from related parties	-	-	799,805	531,124
	-	-	799,805	531,124

	Consolidated		Parent Entity	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
7. Prepayments				
Current				
Prepaid operations expenses	4,464	2,042	-	-
Other prepayments	1,626	1,680	1,040	961
	6,090	3,722	1,040	961
Non-current				
Prepaid operations expenses	14,109	9,171	-	-
Prepaid investment costs (Note 27)	9,119	10,327	9,119	10,327
Other prepayments	-	4,797	-	-
	23,228	24,295	9,119	10,327
8. Other current assets				
Other	72	419	-	-
	72	419	-	-

9. Financial assets

	Consolidated		Parent Entity	
	2007 $'000	**2006 $'000**	**2007 $'000**	**2006 $'000**
Class B investments in US wind farms	581,033	176,049	-	-

The Group invests in wind farms in the United States through unquoted Class B shares. The principal activity of all investments is the generation of electricity from wind resources. The investment structure is commonly adopted by market participants in the United States.

Investments in the US are typically funded through the issuance of unquoted Class A and Class B shares. Class A Members are allocated 100% of the tax benefits that flow from a project and after Class B capital is repaid, all cash distributions until a target return is achieved (typically in the range of 5.5% to 8.5% per annum). At this time (the "Reallocation Date") the Class A ongoing portion of the allocation of tax benefits and cash is reduced to a proportion which ranges between 5% and 25%, with the remainder allocated to the Class B Members.

The Class A Members receive a significant portion of their return on investment from the allocation of Production Tax Credits ("PTCs") (available during the first 10 years of operation calculated on the electricity sales of a windfarm) and depreciation deductions on plant & equipment. Because the Class A Members are allocated all of the tax benefits prior to the Reallocation Date, the Class A Members may receive more of their economic return through tax benefits than as a direct cash return.

The Table below summarises the Group's investments in US wind farms during the year ended 30 June 2007.

US Wind Farm Portfolio	**Notes below**	**$'000**
Balance at 1 July 2006		176,049
Investment purchases	(1)	464,544
Distributions received from investments*		(40,127)
Net revaluation increment to 30 June 2007	(2)	18,569
Revaluation increments attributable to foreign exchange movements recognised directly in equity to 30 June 2007	(3)	(38,002)
Balance at 30 June 2007	(4)	**581,033**

* Includes distributions paid to minority interests.

9. Financial assets *(cont'd)*

(1) During the year ended 30 June 2007, the Group acquired and sold the following investments in US wind farms:

Investments	$'000
US05	
Acquisition of Class B interests in Kumeyaay, Sweetwater 3, Jersey Atlantic & Bear Creek	115,451
US06	
Acquisition of Class B interests in Aragonne Mesa, Buena Vista, Mendota, Allegheny Ridge Phase 1 & GSG	362,857
Crescent Ridge	
Part disposal (25%) of Class B interests	(13,764)
Net purchases for the year ended 30 June 2007	**464,544**

***** The acquisition of Class B interests in Allegheny Ridge Phase 1 and GSG occurred on 29 June 2007. The related payment of approximately $181,776,000 was made on 2 July 2007.

(2) The net revaluation gain for the year can be analysed as follows:

Net revaluation gain	Notes	$'000
Increase in average discount rate applied to investments	(a)	(13,629)
Net increase arising from revision of operational assumptions	(b)	32,198
Total		**18,569**

(a) On average, the discount rate range increased to between 7.9%-8.6% at the time of valuation resulting in a decrease in the valuation of $13,629,000.

(b) The valuation increase arising from operational assumptions of $32,198,000 was largely attributable to increases in estimated long term energy prices offset by assumptions of reduced short-term availability compared to the prior year. The increases have an immediate impact on farms supplying electricity at market prices but also impact farms with PPA agreements that expire before the end of their useful economic lives.

(3) The net foreign exchange loss is directly attributable to the weakening of the US Dollar against the functional reporting currency of the Group, the Australian Dollar. During the year the US Dollar declined by approximately 15% against the Australian Dollar.

9. Financial assets *(cont'd)*

(4) At the year end the Group did not control any of its investments either through direct voting rights or indirectly through voting rights at management committees.

As at 30 June 2007 the valuation of the Group's investments amounted to $581,033,000 (including minority interests). The valuation of these unquoted investments has been determined by the use of discounted cash flow techniques as stated in Note 1(d). The sensitivity of the current 30 June 2007 valuation to changes in the discount rate and revenue forecasts are highlighted in the following table.

Financial assets	**Discount rate**		**Revenue**	
	1/2% lower	**1/2% higher**	**1% lower**	**1% higher**
Change in 30 June 2007 valuation	24,696	(23,193)	(12,764)	12,244

Minority Interest
BBW records a minority interest in respect of one of its investment LLCs of which it owns less than 100%. BBW has recorded the minority interest at fair value $8,247,000 (2006: $9,307,000).

10. Derivative financial instruments - assets

	Consolidated		**Parent Entity**	
	2007 $'000	**2006 $'000**	**2007 $'000**	**2006 $'000**
Current				
At fair value:				
Foreign currency forward contracts	3,464	-	3,464	-
Interest rate swaps	2,522	194	106	-
	5,986	194	3,570	-
Non-current				
At fair value:				
Foreign currency forward contracts	2,036	597	2,036	-
Interest rate swaps	31,947	12,248	2,610	32
	33,983	12,845	4,646	32

Refer Note 32 for further information.

11. Property, plant and equipment

	Assets under construction $'000	Consolidated Plant & Equipment at cost $'000	Total $'000
Gross carrying amount			
Balance at 1 July 2005	150,788	233,085	383,873
Additions	102,550	4,304	106,854
Transfers	(217,751)	217,751	-
Acquisitions through business combinations	4,100	171,981	176,081
Net foreign currency exchange differences	994	19,635	20,629
Balance at 1 July 2006	40,681	646,756	687,437
Additions	241,569	34,031	275,600
Transfers (i)	(41,950)	13,323	(28,627)
Acquisitions through business combinations	-	82,960	82,960
Net foreign currency exchange differences	(1,440)	(28,343)	(29,783)
Balance at 30 June 2007	238,860	748,727	987,587
Accumulated depreciation/ amortisation and impairment			
Balance at 1 July 2005	-	(5,672)	(5,672)
Depreciation expense	-	(16,217)	(16,217)
Net foreign currency exchange differences	-	(666)	(666)
Balance at 1 July 2006	-	(22,555)	(22,555)
Depreciation expense	-	(28,949)	(28,949)
Net foreign currency exchange differences	-	1,576	1,576
Balance at 30 June 2007	-	(49,928)	(49,928)
Net book value			
As at 30 June 2006	40,681	624,201	664,882
As at 30 June 2007	238,860	698,799	937,659

(i) Transfers – net transfers of $28,627,000 relate to a reallocation of project-related agreements and licences ($23,210,000) that resulted from a purchase price allocation exercise that was completed during the year ended 30 June 2007 in relation to the Fruges wind farms and to prepaid service arrangements transferred to prepayments ($5,417,000).

The Group has certain assets valued at $56,036,000 which are accounted for under finance leases (2006: $46,231,000). Refer Note 15 and Note 25.

The parent entity does not have property, plant and equipment.

12. Goodwill

	Consolidated		Parent Entity	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Gross carrying amount				
Balance at beginning of financial year	16,502	1,798	-	-
Additional amounts recognised from business combinations occurring during the period (Note 27)	101,462	14,469	-	-
Amounts reclassified following a purchase price reallocation exercise – see (b) below	(2,147)	-	-	-
Net foreign currency exchange differences	(78)	235	-	-
Balance at end of financial year.	115,739	16,502	-	-

(a) Allocation of goodwill to cash-generating units

As permitted under AASB 3 *Business Combinations* an exercise to allocate the purchase price paid for each of the acquisitions of the Kaarst, Monte Seixo, Serra do Cando and Conjuro wind farms will take place within a 12 month period from acquisition. This could result in a revision to the amount of goodwill recorded. As a result, at reporting date goodwill has not yet been allocated to a cash generating unit.

(b) Amounts reclassified following a purchase price reallocation exercise

Goodwill of approximately $2,147,000 was recognised in relation to the purchase of the Fruges wind farms. Following the allocation of the purchase price during the year ended 30 June 2007, this goodwill has been transferred to intangible assets.

(c) Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to country of operation.

A segment-level summary of the goodwill allocation is presented below.

	2007 $'000	2006 $'000
France (Fruges)	-	2,214
Germany (Eifel, Kaarst)	15,529	14,288
Spain (Monte Seixo, Serra do Cando and Conjuro)	100,210	-
	115,739	**16,502**

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering the life of the wind farm.

A value-in-use calculation was performed in respect of Eifel only, since the other assets, for which there is a goodwill balance at 30 June 2007,(Kaarst, Monte Seixo, Serra do Cando and Conjuro) are subject to a purchase price allocation exercise under AASB 3 *Business Combinations*.

The calculation for Eifel confirmed that there was no impairment at 30 June 2007. Key assumptions of the calculation have not been disclosed as the resulting impacts are not material to these financial statements.

13. Intangible assets

	Consolidated Framework agreement $'000	Project-related agreements and licences $'000	Total $'000
Balance at 1 July 2005	-	24,049	24,049
Additions	5,100	33,171	38,271
Additions through business combinations	-	82,132	82,132
Net foreign currency exchange differences	-	5,966	5,966
Balance at 1 July 2006	5,100	145,318	150,418
Transfers (i)	(300)	25,357	25,057
Net foreign currency exchange differences	-	(9,721)	(9,721)
Balance at 30 June 2007	4,800	160,954	165,754
Accumulated amortisation and impairment			
Balance at 1 July 2005	-	(298)	(298)
Amortisation expense (ii)	(1,514)	(2,330)	(3,844))
Net foreign currency exchange differences	-	(122)	(122)
Balance at 1 July 2006	(1,514)	(2,750)	(4,264)
Amortisation expense (ii)	(1,638)	(3,378)	(5,016)
Net foreign currency exchange differences	-	365	365
Balance at 30 June 2007	(3,152)	(5,763)	(8,915)
Net book value			
As at 30 June 2006	3,586	142,568	146,154
As at 30 June 2007	1,648	155,191	156,839

	Parent Entity Framework agreement	Project-related agreements and licences	Total
Balance at 1 July 2005	-	-	-
Additions	5,100	-	5,100
Balance at 1 July 2006	5,100	-	5,100
Transfers (i)	(300)	-	(300)
Additions	-	-	-
Balance at 30 June 2007	4,800	-	4,800
Accumulated amortisation and impairment			
Balance at 1 July 2005	-	-	-
Amortisation expense (ii)	(1,514)	-	(1,514)
Balance at 1 July 2006	(1,514)	-	(1,514)
Amortisation expense (ii)	(1,638)	-	(1,638)
Balance at 30 June 2007	(3,152)	-	(3,152)
Net book value			
As at 30 June 2006	3,586	-	3,586
As at 30 June 2007	1,648	-	1,648

(i) Transfers - project-related agreements and licences

(a) $2,147,000 during the year ended 30 June 2007 relate to Fruges – refer Note 12.

(b) $23,210,000 during the year ended 30 June 2007 relate to Fruges -refer Note 11

(ii) Amortisation expense is included in the line item Depreciation and Amortisation in the income statement.

13. Intangible assets *(cont.)*

Significant intangible assets

Additions – Project-related agreements and licences

Total additions in the year ended 30 June 2006 were $33,171,000. Refer (a) below.

Total additions through business combinations in the year ended 30 June 2006 were $82,132,000. Refer (b) below.

Total additions in the year ended 30 June 2007 were $23,210,000. Refer (c) below.

(a) Lake Bonney Stage 2

In September 2005 the Group entered into a Project Development Agreement ("PDA") in relation to Lake Bonney Stage 2 wind farm.

Under this PDA a fee of $20,000,000 was paid through the issuance of 14,286,000 stapled securities, each valued at $1.40 (see Note 18 Contributed Equity). Half of the fee was payable to a subsidiary of Babcock & Brown Limited – refer to Note 29. These securities were returnable to the extent that the developers did not meet certain conditions under the PDA. At 31 December 2005 the date by which the conditions needed to be met was not reached and accordingly the fee was disclosed as a prepayment in the accounts for the half year ended 31 December 2005.

In May 2006, the conditions of the PDA were fulfilled and the Group commenced construction of Lake Bonney Stage 2. Additional costs of $13,171,000 were incurred in relation to other project-related agreements and licences connected with Lake Bonney Stage 2.

(b) Olivo

In the year ended 30 June 2006, following the allocation of the purchase price paid for each of the six wind farms that comprise the Olivo portfolio, project-related licences amounting to $106,181,000 were recorded ($24,049,000 in the opening balance at 1 July 2005 and $82,132,000 during the year ended 30 June 2006). This has resulted in a restatement of 2005 balances. The licences are to be amortised over the lease period.

(c) Fruges

Following an exercise performed during the year ended 30 June 2007 to allocate the purchase price in relation to the acquisition and subsequent construction of the Fruges wind farms, project-related licences amounting to $23,210,000 have been recorded. The licences will be amortised over the lease term when the wind farms commence operation.

14. Trade and other payables

	Consolidated		Parent	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Current				
Trade payables	48,009	38,424	1,676	1,998
Amounts due to related parties	203,269	15,046	5,907	4,819
Interest payable	292	1,004	5,143	3,872
Goods and services tax payable	4,863	2,423	-	-
Other	616	-	-	-
	257,049	56,897	12,726	10,689

15. Borrowings

	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent 2007 $'000	Parent 2006 $'000
Current				
Unsecured				
At amortised cost:				
Loans from related parties*	-	-	2,580	-
	-	-	2,580	-
Secured				
At amortised cost:				
Global Facility (i)	36,902			
Bank loans – Lake Bonney loan facility (ii)	-	5,604	-	-
Bank loans – Walkaway loan facility (ii)	-	-	-	-
Bank loans – Olivento loan facility (ii)	-	30,667	-	-
Bank loans – Niederrhein loan facility (ii)	-	1,886	-	-
	36,902	38,157	-	-
Finance lease liabilities (iii)	2,339	1,721	-	-
Banking facilities	39,241	39,878	-	-
	39,241	39,878	2,580	-
Non-current				
Unsecured				
At amortised cost:				
Loans from related parties	-	-	955,534	684,932
	-	-	955,534	684,932
Secured				
At amortised cost:				
Global Facility (i)	1,250,635	-	-	-
Babcock & Brown Wind Partners – Corporate Facility (ii)	-	3,288	-	3,288
Bank loans – Lake Bonney loan facility (ii)	-	121,726	-	-
Lake Bonney mezzanine debt facility (ii)	-	15,908	-	-
Bank loans – Walkaway loan facility (ii)	-	169,150	-	-
Bank loans – Olivento loan facility (ii)	-	254,895	-	-
Bank loans – Niederrhein loan facility (ii)	-	26,651	-	-
	1,250,635	591,618	-	3,288
Finance lease liabilities (iii)	49,009	39,871	-	-
	1,299,644	631,489	955,534	688,220

* Further information relating to loans from related parties is set out in Note 29.

15. Borrowings (*cont.*)

(i) Debt facilities at 30 June 2007

The Group completed a €1,030,607,000 refinancing and releveraging of its global wind farm portfolio in May 2007, aggregating project, asset and corporate level debt across various jurisdictions into a single facility.

There is no asset level security, however each borrower under the Global Facility is a guarantor of the facilities. In addition, lenders have first ranking security over the issued share capital of, or other ownership interest in:

- the borrowers other than BBWPL, and
- the direct subsidiaries of the borrowers, which are holding entities of each wind farm in BBW's portfolio.

Drawings under the facility are in multiple currencies to match the underlying currencies of BBW's investments and provide a natural foreign currency hedge in relation to the debt servicing of amounts drawn under the facility. The base currency of the facility is the Euro.

The facility has a 15 year term and has been provided by Banco Espirito Santo de Investimento, S.A. (Espírito Santo Investment), Millennium investment banking (Banco Millennium BCP Investimento, S.A.), Bank of Scotland (HBOS) and Dexia Credit Local.

Subsequent to the year ended 30 June 2007, a syndication of the facility was completed. The mandated lead arrangers, which are noted above, were joined by 11 international financial institutions in the final banking syndicate.

On refinancing corporate and project facilities, previously capitalised loan set up costs amounting to $15,966,000 were expensed as a financing charge. Refer Note 2. The loan costs capitalised in respect of the new facility are $28,339,000. In addition, the repayment of project level debt previously designated as hedged items was treated as a termination of hedging arrangements. At the time gains amounting to $23,895,000 previously deferred in equity were transferred to the income statement.

The facility is split into the following components:

Facility at 30 June 2007	**Original Commitment**	**Utilised at Balance Date (ii)**
	€'000	€'000
Term loan (i)	752,478	674,140
Construction	237,049	135,819
VAT/ GST	14,569	6,182
Working capital	12,757	5,480
	1,016,853	**821,621**
Letter of credit and guarantee	13,754	10,209
	1,030,607	**831,830**

(i) Term loan commitment reduced to €751,609,000 following the repayment of €869,000 in June 2007.
(ii) This represents the Euro-equivalent of funds drawn in multiple currencies at the exchange rate in effect at the date of drawdown. The total funds drawn down by currency and exchanged at the year end rate are presented in the following table:

	Utilised (Local curr '000)	**Utilised (AUD '000)**
Australian Dollars	497,997	497,997
Euro	355,377	562,503
US Dollars	216,942	255,376
		1,315,876

15. Borrowings (*cont.*)

The Group pays interest each six months based on Euribor (Euro drawings), BBSY (Australian Dollar) or LIBOR (other currencies), plus a margin. The Group is required to and has entered into financial instruments to fix the interest rate for a portion of the loan. Repayments under the facility are due each six months until the end of the facility's term.

At balance date, approximately €197,908,000 of the facility was unused.

(ii) Debt facilities at 30 June 2006

The Group's debt facilities in the prior year is disclosed below:

Facilities at 30 June 2006	Commitment	Utilised at Balance Date
	$'000	$'000
Corporate facility	150,000	3,288
Lake Bonney		
– Construction	310,000	127,330
– Mezzanine	16,500	15,908
Walkaway		
– Term loan	169,500	169,500
– Working Capital	2,000	-
Olivento	333,913	285,562
Niederrhein	32,534	28,537
	1,014,447	**630,125**

Loan set up costs of $18,117,000 were included in the prior year loan balance of $630,125,000.

(iii) Finance lease liabilities
Refer Note 25.

	Consolidated		Parent Entity	
	2007 $'000	**2006 $'000**	**2007 $'000**	**2006 $'000**
16. Derivative financial instruments - liabilities				
Current				
At fair value:				
Foreign currency forward contracts	-	1,100	-	903
Interest rate swaps	264	866	-	19
	264	1,966	-	922
Non-current				
At fair value:				
Foreign currency forward contracts	-	1,402	-	1,402
Interest rate swaps	-	260	-	-
	-	1,662	-	1,402

Refer Note 32 for further information.

17. Capitalised borrowing costs				
Borrowing costs capitalised during the financial year	10,500	5,615	-	-
Weighted average capitalisation rate on funds borrowed generally	6.3%	5.7%	-	-

18. Contributed equity

	Consolidated		Parent Entity	
	No'000	$'000	No'000	$'000
Fully paid stapled securities/shares				
Balance as at 1 July 2005	162,756	164,888	162,756	1,748
Transfer of net assets attributable to security holders from equity to liability (i)	-	(163,140)	-	-
Transfer of net assets attributable to security holders from liability to equity (i)	-	161,512	-	-
Lake Bonney 2 (ii)	14,286	20,000	14,286	200
Walkaway Wind Farm (iii)	34,286	48,000	34,286	480
Capital raising, net of issue costs (iv)	356,937	487,048	356,937	2,024
Incentive fee (v)	7,037	13,028	7,037	2
Capital distribution – refer Note 22	-	(25,202)	-	-
Balance as at 30 June 2006	575,302	706,134	575,302	4,454
Attributable to:				
Equity holders of the parent		4,454		4,454
Equity holders of the other stapled securities (minority interests)		701,680		-
		706,134		4,454
Balance as at 1 July 2006	575,302	706,134	575,302	4,454
Capital distribution – refer Note 22	-	(65,596)	-	-
Distribution reinvestment plan – refer Note 22	10,044	15,082	10,044	-
Lake Bonney 2 (ii)	625	1,112	625	-
Capital raising, net of issue costs (iv)	87,100	153,593	87,100	16
Balance as at 30 June 2007	673,071	810,325	673,071	4,470
Attributable to:				
Equity holders of the parent		4,470		4,470
Equity holders of the other stapled securities (minority interests)		805,855		-
		810,325		4,470

18. Contributed equity (*cont.*)

Stapled securities entitle the holder to participate in dividends from BBWPL and BBWPB and in distributions from BBWPT. The holder is entitled to participate in the proceeds on winding up of the company in proportion to the number of and amounts paid on the securities held.

(i) Change in Constitution

Upon the implementation of A-IFRS, security holder interests were initially accounted for as debt. Following a change in the BBWPT 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.

(ii) Lake Bonney Stage 2

In September 2005 BBWPL and BBWPS, as responsible entity of BBWPT, entered into a Project Development Agreement ("PDA") with both a subsidiary of Babcock & Brown Limited and of National Power Partners LLC ("LB2 Vendors") in respect of Lake Bonney Stage 2 ("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 BBWPT, respectively ("LB2 Consideration Securities"). 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 BBWPT issued 14,286,000 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.

Under the arrangement to provide certain management services to Lake Bonney Wind Power Pty Limited in relation to the Lake Bonney Stage 2 wind farm, 625,287 fully paid stapled securities were issued to NPP Projects II LLC in April 2007.

(iii) Walkaway Wind Farm

In September 2005, BBWPL and BBWPS entered into a Sale and Purchase Agreement to purchase the remaining 25% of Walkaway Wind Power Pty Limited ("Walkaway Acquisition Agreement") that was not previously owned by BBW. 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 BBWPT, respectively ("Walkaway Purchase Price Securities"). In addition to the issue of shares and units, ancillary costs of $1,442,000 were incurred.

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 BBWPT 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.

(iv) Capital raising, net of issue costs

During the year ended 30 June 2007, BBW issued 87,100,000 stapled securities pursuant to a private placement. Each stapled security was valued at $1.80 and total proceeds amounted to $156,780,000 before costs of $3,187,000.

During the year ended 30 June 2006, BBW issued 282,837,000 stapled securities pursuant to its initial public offering. Each stapled security was valued at $1.40 and total proceeds amounted to $395,972,000 before costs of $25,180,000.

In June 2006, BBW issued 74,100,000 stapled securities pursuant to a private placement. Each stapled security was valued at $1.60 and total proceeds amounted to $118,560,000 before costs of $2,304,000.

	Consolidated		Parent Entity	
	No'000	**$'000**	**No'000**	**$'000**
Year ended 30 June 2007				
Capital raising	87,100	156,780	87,100	15
Less: Issue costs	-	(3,187)	-	-
	87,100	**153,593**	**87,100**	**15**
Year ended 30 June 2006				
Initial public offer	282,837	395,972	282,837	2,828
Capital raising	74,100	118,560	74,100	12
	356,937	514,532	356,937	2,840
Less: Issue costs	-	(27,484)	-	(816)
	356,937	**487,048**	**356,937**	**2,024**

(v) Incentive Fee

The Management Agreement entered into between BBWPL and Babcock & Brown Infrastructure Management Pty Limited includes provisions for an incentive fee (see Note 29). Under the Agreement, up to 60% of the incentive fee may be paid in stapled securities. In the year ended 30 June 2006, the incentive fee amounted to $33,150,000 and approximately 40%, or $13,028,000 was settled through the issue of 7,037,000 stapled securities at a price of $1.85 per stapled security. No incentive fee was payable in the year ended 30 June 2007.

19. Reserves

	Consolidated		Parent Entity	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Foreign currency translation	(26,570)	5,388	-	-
Hedging	12,396	8,551	3,705	(1,357)
Acquisition	(49,442)	(49,442)	-	-
	(63,616)	(35,503)	3,705	(1,357)
Attributable to:				
Equity holders of the parent	(41,981)	(13,868)	3,705	(1,357)
Equity holders of the other stapled securities (minority interests)	(21,635)	(21,635)	-	-
	(63,616)	(35,503)	3,705	(1,357)
Foreign currency translation reserve				
Balance at beginning of financial year	5,388	(4,553)	-	-
Translation of foreign operations	(51,834)	11,307	-	-
Forward exchange contracts	7,398	(1,952)	-	-
Deferred tax arising from translation	12,478	586	-	-
Balance at end of financial year	(26,570)	5,388	-	-

Exchange differences arising on translation of foreign controlled entities are taken to the foreign currency translation reserve, as described in Note 1(n). The reserve is recognised in profit and loss when the net investment is disposed of.

	Consolidated		Parent Entity	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
19. Reserves *(cont'd)*				
Hedging reserve				
Balance at beginning of financial year	8,551	(7,491)	(1,357)	-
Gain/(loss) recognised:				
Forward exchange contracts	(2,006)	898	7,398	(1,952)
Interest rate swaps	7,500	22,018	(13)	13
Deferred tax arising on hedges	(1,649)	(6,874)	(2,323)	582
Balance at end of financial year	12,396	8,551	3,705	(1,357)

The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised directly in equity, as described in Note 1(k). Amounts are recognised in profit and loss when the associated hedged transaction settles.

Acquisition reserve				
Balance at beginning of financial year	(49,442)	-	-	-
Alinta Wind Farm	-	(49,442)	-	-
Balance at end of financial year	(49,442)	(49,442)	-	-

Prior to the acquisition BBWPL owned 75% of the share capital of Walkaway Wind Power Pty Limited ("WWP") and consolidated WWP accordingly. Therefore, the acquisition of the remaining 25% did not result in a change of control but was an acquisition of the minority shareholders.

These transactions are treated as transactions between owners of the group. Additional goodwill is recognised only to the extent that it represents goodwill which was attributable to the minority interest at the acquisition date but is now attributable to the parent entity. No such goodwill was recognised in relation to WWP. The difference between the purchase consideration and the amount by which minority interest is adjusted was recognised in the acquisition reserve.

20. Accumulated losses

	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent Entity 2007 $'000	Parent Entity 2006 $'000
Balance at beginning of financial year	(13,919)	2,316	(8,721)	(1,237)
Net profit/ (loss) attributable to stapled security holders	13,121	(16,235)	(13,318)	(7,484)
Balance at end of financial year	(798)	(13,919)	(22,039)	(8,721)
Attributable to:				
Equity holders of the parent	(10,759)	(18,126)	(22,039)	(8,721)
Equity holders of the other stapled securities (minority interests)	9,961	4,207	-	-
	(798)	(13,919)	(22,039)	(8,721)

21. Earnings per security/ share

	Consolidated	
	2007 Cents per security	2006 Cents per security
Basic and diluted earnings per stapled security/ parent entity share:		
Parent entity share	1.2	(5.3)
Stapled security	2.2	(4.2)

The earnings and weighted average number of securities/ shares used in the calculation of basic and diluted earnings per security/ share are as follows:

	2007 $'000	2006 $'000
Earnings attributable to the parent entity share holders	7,367	(20,442)
Earnings attributable to the stapled security holders	13,121	(16,235)
	2007 No.'000	**2006 No.'000**
Weighted average number of securities/ shares for the purposes of basic and diluted earnings per security/ share	594,227	386,137

22. Distributions and finance costs paid

	2007 Cents per security	2007 Total $'000	2006 Cents per security	2006 Total $'000
Recognised amounts				
Ordinary securities				
Final distribution in respect of 2006 year (2005: finance cost) of 5.1 cents per stapled security (2005: 1.0 cents) paid in September 2006 (2005: August 2005[1]), 100% tax deferred from BBWPT's contributed equity	5.10	29,340	1.00	1,628
Interim distribution in respect of 2007 year of 6.25 cents (2006: 5.1 cents) per stapled security paid 9 March 2007 (2006: 23 March 2006), 100% tax deferred (2006: 100% tax deferred)	6.25	36,256	5.10	25,202
		65,596		26,830
Distributions paid in cash or satisfied by the issue of new stapled securities under the Distribution Reinvestment Plan during the year ended 30 June 2007 and the year ended 30 June 2006 were as follows:				
Paid in cash		50,513		26,830
Satisfied by the issue of stapled securities		15,083		-
		65,596		26,830

[1]Upon implementation of A-IFRS 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 as a finance cost.

On 27 August 2007, the Directors of BBW declared a final distribution in respect of the year ended 30 June 2007 of 6.25 cents per stapled security (2006: 5.1 cents), 100% tax deferred. The amount that will be paid on 14 September 2007 (2006: 29 September 2006) will be $42,067,000 (2006: $22,820,000). As the distribution was declared subsequent to 30 June 2007 no provision has been included as at 30 June 2007.

No franking credits have been generated by the parent entity.

	Consolidated		Parent Entity	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
23. Commitments for expenditure				
(a) Capital expenditure commitments				
Not longer than 1 year	158,421	109,561	-	-
Longer than 1 year and not longer than 5 years	1,900	158,088	-	-
	160,321	267,649	-	-

(b) Lease commitments

Finance lease liabilities and non-cancellable operating lease commitments are disclosed in Note 25 to the financial statements.

	Consolidated		Parent Entity	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
(c) Other expenditure commitments				
Other				
Not longer than 1 year	3,666	4,038	-	-
Longer than 1 year and not longer than 5 years	15,078	15,785	-	-
Longer than 5 years	52,695	54,827	-	-
	71,439	74,650	-	-

Includes commitments relating to operations and maintenance arrangements and connection agreements.

24. Contingent liabilities and contingent assets	Consolidated		Parent Entity	
Contingent liabilities	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Letters of credit	9,663	108,540	-	99,000
Guarantees	89,753	59,211	78,587	54,679
	99,416	167,751	78,857	153,679

Guarantees generally relate to wind farm construction, operations and decommissioning. No liability was recognised by the parent entity of the Group in relation to these guarantees, as their combined fair value is immaterial.

In the year ended 30 June 2006 a letter of credit for $99,000,000 was provided to the financiers of the Lake Bonney Stage 2 project as security in support of LBWP's equity commitment under the financing documents. This guarantee was not retained following the global refinance in May 2007.

25. Leases

Finance leases

Leasing arrangements

Finance leases relate to wind turbine generators at the Eifel wind farm and have a term of 14 years with an option to purchase at the end of the term.

Finance lease liabilities

	Minimum future lease payments			
	Consolidated		Parent Entity	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Commitments in relation to finance leases are payable as follows:				
No later than 1 year	5,079	4,267	-	-
Later than 1 year and not later than 5 years	20,314	17,067	-	-
Later than five years	46,789	41,556	-	-
Minimum lease payments*	72,182	62,890	-	-
Less future finance charges	(20,834)	(21,298)	-	-
Present value of minimum lease payments	51,348	41,592	-	-
Included in the financial statements as:				
Current borrowings (Note 15)	2,339	1,721	-	-
Non-current borrowings (Note 15)	49,009	39,871	-	-
	51,348	41,592	-	-

* Minimum future lease payments include the aggregate of all lease payments and any guaranteed residual.

Operating leases

	Consolidated		Parent Entity	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
Not longer than 1 year	3,829	1,777	-	-
Longer than 1 year and not longer than 5 years	15,682	8,160	-	-
Longer than 5 years	76,981	59,406	-	-
	96,492	69,343	-	-

26. Subsidiaries

	Name of entity	Country of incorporation	Ownership interest 2007 %	2006 %
	Parent entity			
*	Babcock & Brown Wind Partners Limited	Australia		
	Other stapled entities			
	Babcock & Brown Wind Partners (Bermuda) Limited	Bermuda		
	Babcock & Brown Wind Partners Trust	Australia		
	Subsidiaries of BBW			
	B&B Blue Canyon LLC	USA	100%	100%
	B&B Caprock LLC	USA	80%	80%
	B&B Combine Hills LLC	USA	100%	100%
	B&B Eifel UK Ltd	UK	100%	100%
	B&B Kumeyaay LLC	USA	100%	-
*	B&B LB2 Pty Limited	Australia	100%	100%
	B&B Sweetwater 1 LLC	USA	100%	100%
	B&B Sweetwater 2 LLC	USA	100%	100%
	B&B Sweetwater 3 LLC	USA	100%	-
*	B&B Walkaway Pty Limited	Australia	100%	100%
	B&B Walkaway Trust	Australia	100%	100%
	B&B Wind Park Jersey LLC	USA	100%	-
*	B&B Wind Pty Limited	Australia	100%	100%
*	BBWP Europe Pty Limited	Australia	100%	100%
*	BBWP Europe 2 Pty Limited	Australia	100%	100%
*	BBWP Europe 3 Pty Limited	Australia	100%	-
*	BBWP Europe 4 Pty Limited	Australia	100%	-
	BBWP Europe Holdings Malta I Limited	Malta	100%	-
	BBWP Europe Holdings Malta II Limited	Malta	100%	-
	BBWP Europe Holdings Lux SARL	Luxembourg	100%	-
	BBWP Europe KG Holdings II Lux SARL	Luxembourg	100%	-
	BBWP Spain Holdings Lux SARL	Luxembourg	100%	-
*	BBWP Finance Aust Pty Limited	Australia	100%	-
*	BBWP Finance (Germany) Pty Limited	Australia	100%	-
	BBWP Finance Lux SARL	Luxembourg	100%	-
*	BBWP Germany Holdings Pty Limited	Australia	100%	-
*	BBWP US Partnership	USA	100%	-
	BBWP US Corporation	USA	100%	-
	BBWP (US) LLC	USA	-	100%
*	BBWP (US) Pty Limited	Australia	100%	100%

26. Subsidiaries *(cont.)*

*	BBWP (US) 2 Pty Limited	Australia	100%	-
	Babcock & Brown Wind Partners France SAS	France	100%	100%
	Babcock & Brown Wind Partners Trust	Australia	100%	100%
	Babcock & Brown Wind Partners US LLC	USA	100%	100%
	Babcock & Brown Wind Partners (Bermuda) Limited	Bermuda	100%	100%
	Babcock & Brown Wind Partners (Spain) S.L.	Spain	100%	100%
	Babcock & Brown Wind Portfolio I LLC	USA	100%	-
*	CS Walkaway Pty Limited	Australia	100%	100%
	CS Walkaway Trust	Australia	100%	100%
	Global Wind Partners UK Ltd	UK	100%	100%
	Global Wind Partners UK 2 Ltd	UK	100%	100%
	Global Wind Partners UK 3 Ltd	UK	100%	100%
	Global Wind Partners UK 4 Ltd	UK	100%	-
*	GWP Europe Pty Limited	Australia	100%	100%
*	GWP Europe 2 Pty Limited	Australia	100%	100%
*	GWP Walkaway Pty Limited	Australia	100%	100%
	Kaarst GmbH & Co KG Partnership	Germany	100%	-
*	Lake Bonney Wind Power Pty Limited	Australia	100%	100%
*	Lake Bonney Wind Power 2 Pty Limited	Australia	100%	100%
*	Lake Bonney Wind Power 3 Pty Limited	Australia	100%	100%
*	NPP LB2 LLC	USA	100%	100%
*	NPP Projects I LLC	USA	100%	100%
*	NPP Projects V LLC	USA	100%	100%
*	NPP Walkaway Pty Limited	Australia	100%	100%
*	NPP Walkaway Trust	Australia	100%	100%
	Olivento S.L.	Spain	100%	100%
*	Plambeck Neue Energien Windpark Fonds XXXV Kaarst – Willich GmbH & CO. KG	Germany	100%	-
	Renewable Power Ventures Investment Trust	Australia	100%	100%
	SEC Holdco S.A.	Spain	100%	-
	Sistemas Energeticos Del Sardon S.A.U.	Spain	-	100%
	Sistemas Energeticos Montes de Conjuro S.A.U.	Spain	70%	-
	Sistemas Energeticos Montes de Leon S.A.U.	Spain	-	100%
	Sistemas Energeticos Opinen S.A.U.	Spain	100%	100%
	Sistemas Energeticos Serra da Loba S.A.U.	Spain	-	100%
	Sistemas Energeticos Sierra del Trigo S.A.U.	Spain	100%	100%
	Sistemas Energeticos Villarubia S.A.U.	Spain	100%	100%
	Societe d'Exploitation du Parc Eolien de Fond Du Moulin SARL	France	100%	100%
	Societe d'Exploitation du Parc Eolien de Mont Felix SARL	France	100%	100%
	Societe d'Exploitation du Parc Eolien Le Marquay SARL	France	100%	100%
	Societe d'Exploitation du Parc Eolien Le Chemin Vert SARL	France	100%	-
	Societe d'Exploitation du Parc Eolien Les Trentes SARL	France	100%	-
	Societe d'Exploitation du Parc Eolien Sole de Bellevue SARL	France	100%	-
	Walkaway Wind Power Pty Limited	Australia	100%	100%
	Windpark Eifel GmbH & Co KG Partnership	Germany	100%	100%
	Windpark Niederrhein GmbH & Co KG Partnership	Germany	99%	99%

* Denotes a member of the BBWPL tax consolidated group.

27. Acquisition of businesses

2007

The Group made the following acquisitions during the year ended 30 June 2007:

$'000	Monte Seixo/ Serra do Cando (i)	Conjuro (ii)	Kaarst (iii)	Total
Year ended 30 June 2007				
Consideration				
Cash, including associated costs, less cash acquired	**80,187**	**658**	**980**	**81,825**
Net assets/ (liabilities) acquired				
Cash	11,333	5	-	11,338
Receivables	3,450	257	-	3,707
Plant and equipment	57,090	25,842	-	82,932
Other assets	1,880	4,379	-	6,259
Payables	(534)	(856)	-	(1,390)
Interest bearing liabilities	(78,763)	(29,945)	-	(108,708)
Other liabilities	(2,160)	(133)	-	(2,293)
	(7,704)	**(451)**	**-**	**(8,155)**
Less: cash acquired	(11,333)	(5)	-	(11,338)
Add: minority interest	-	135	-	135
Implied goodwill	99,224	979	980	101,183
	80,187	**658**	**980**	**81,825**

Provisional values

For each of the following acquisitions, provisional values have been recorded as of 30 June 2007. AASB 3 *Business Combinations* requires the assets and liabilities of a subsidiary to be recognised by the acquiring entity at fair value. AASB 3 allows an acquiring entity 12 months from acquisition date to finalise the acquisition accounting. Any movements in the acquired net assets based on fair values will be recognised in the year ended 30 June 2008 and comparatives will be appropriately restated.

(i) Monte Seixo/ Serra do Cando

In June 2007, Olivento S.L., a subsidiary of BBWPL, purchased 100% of the share capital of SEC Holdco SA that operates the Monte Seixo and Serra do Cando wind farms.

The purchase price was approximately $80,187,000, including associated costs and net of cash acquired.

The provisional values of net liabilities acquired, $7,704,000, are provided in the table above.
The acquired business contributed revenues of $2,204,000 and net profit of $1,340,000 to the Group for the period from acquisition to 30 June 2007. If the acquisition had occurred on 1 July 2006, revenue of $23,044,000 and net profit of $2,229,000 would have been contributed to the Group.

27. Acquisition of businesses *(cont.)*

(ii) Conjuro

In June 2007, Olivento S.L., a subsidiary of BBWPL, purchased 70% of the share capital of Montes del Conjuro SA that operates the Conjuro wind farm.

The purchase price was approximately $658,000, including associated costs and net of cash acquired. The provisional values of net liabilities acquired, $451,000, are provided in the table above.

The acquired business contributed revenues of $181,000 and net profit of $10,000 to the Group for the period from acquisition to 30 June 2007. If the acquisition had occurred on 1 July 2006, revenue of $1,191,000 and net loss of $327,000 would have been contributed to the Group.

Subsequent to 30 June 2007, the remaining 30% interest was purchased – refer Note 30.

(iii) Kaarst

In January 2007, BBWP Germany Holdings Pty Limited, a subsidiary of BBWPL, purchased 100% of the share capital of the Kaarst GmbH & Co KG partnership that operates the Kaarst wind farm.

During the period, 10 MW of installed capacity was constructed and commenced operating. A further 2 MW will be constructed during the first half of the 2008 financial year.

The purchase price was approximately $980,000, including associated costs and reduction in the prepaid investment costs, and has been provisionally recognised as goodwill prior to an exercise to allocate the purchase price.

The business was acquired at the point that operations commenced and contributed revenues of $1,280,000 and a net profit of $594,000 to the Group for the period from acquisition in January 2007 to 30 June 2007.

Part of the consideration for the purchase price of the shares, approximately $395,000, was fulfilled as a reduction to the prepayment made under the Framework Agreement with Plambeck Neue Energien AG in March 2006.

2006

Babcock & Brown Wind Partners (Bermuda) Limited

The shares in Babcock & Brown Wind Partners (Bermuda) Limited are stapled to shares in BBWPL and units in BBWPT. AASB Interpretation 1002 applies to stapling arrangements occurring during annual reporting periods ending on or after 31 December 2005 where the identified parent, in this case BBWPL, does not obtain an ownership interest in the entity whose securities have been stapled, BBWPB. As a consequence of the stapling arrangement involving no acquisition consideration and no ownership interest being acquired by the combining entities, no goodwill is recognised in relation to the stapling arrangement and the interests of the equity holders in the stapled securities are treated as minority interests.

27. Acquisition of businesses *(cont.)*

Walkaway Wind Power Pty Limited

In September 2005, BBWPL and BBWPS entered into a Sale and Purchase Agreement to purchase the remaining 25% of Walkaway Wind Power Pty Limited ("Walkaway Acquisition Agreement") that was not previously owned by BBW. 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 BBWPT, respectively ("Walkaway Purchase Price Securities"). In addition to the issue of shares and units, ancillary costs of $1,442,000 were incurred. 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 BBWPT 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.

The transaction resulted in the purchase of 100% of the following entities:

- CS Walkaway Pty Limited
- CS Walkaway Trust
- B&B Walkaway Pty Limited
- B&B Walkaway Trust
- NPP Projects V LLC

These entities indirectly own 25% of Walkaway Wind Power Pty Limited ("WWP"). This acquisition resulted in the Group increasing its ownership interest in the share capital of WWP from 75% to 100%. The fair value of the net assets of the purchased group was nil. Given that there was no goodwill recognised upon the initial transaction, in which 75% of WWP was purchased, no goodwill is recognised as a result of this transaction. The purchase price of $49,442,000 has been recognised within equity. Furthermore, since BBWPL already controlled WWP, WWP's net assets and results continue to be consolidated.

27. Acquisition of businesses _(cont.)_

Olivento S.L.

During the year ended 30 June 2006, BBW purchased 100% of the share capital of three wind farms in relation to the Olivo portfolio. The entities that were purchased were Montes de Leon S.A.U., Del Sardon S.A.U. and Serra da Loba S.A.U. An exercise to allocate the purchase price paid for these assets was undertaken and the following summarises the carrying and fair values at acquisition following this exercise:

	$'000 Carrying value	$'000 Fair value
Consideration		
Cash paid, net of cash acquired		71,235
Net assets acquired		
Cash	5,873	5,873
Receivables	17,336	17,336
Other assets	3,473	3,473
Licences	-	74,367
Plant and equipment	137,807	139,668
Deferred tax asset	-	189
Payables	(4,650)	(4,650)
Interest bearing liabilities	(158,555)	(158,555)
Deferred tax liability	-	(593)
	1,284	77,108
Less: cash acquired		(5,873)
Implied goodwill		-
		71,235

The acquired businesses contributed revenues of $11,728,000 and net profit of $1,951,000 to the Group for the period from acquisition to 30 June 2006. If the acquisitions had occurred on 1 July 2005, a further $19,259,000 of revenue and $3,409,000 of net profit would have been contributed to the Group.

During the year ended 30 June 2005, BBW purchased 100% of the share capital of three wind farms in relation to the Olivo portfolio. The entities that were purchased were Sierra del Trigo S.A.U., Opinen S.A.U. and Villarubia S.A.U. An exercise to allocate the purchase price paid for these assets was undertaken during the year ended 30 June 2006 and the following summarises the carrying and fair values at acquisition following this exercise:

27. Acquisition of businesses *(cont.)*

	$'000 Carrying value	$'000 Fair value
Consideration		
Cash paid, net of cash acquired		40,966
Net assets acquired		
Cash	2,032	2,032
Receivables	8,352	8,352
Other assets	1,160	1,160
Licences	-	25,072
Plant and equipment	98,619	101,400
Payables	(4,760)	(4,760)
Interest bearing liabilities	(89,368)	(89,368)
Deferred tax liability	-	(890)
	16,035	42,998
Less: cash acquired		(2,032)
Implied goodwill		-
		40,966

Eifel
During the year ended 30 June 2006, BBW purchased 100% of the share capital of B&B Eifel UK Limited ("Eifel UK"). Eifel UK has a 100% interest in the Windpark Eifel GmbH & Co KG partnership, which operates the Eifel wind farm. The purchase price was approximately $6,646,000, which includes associated costs of $2,950,000. The values of net liabilities acquired, $5,609,000, comprised the following:

	$'000 Fair value
Consideration	
Cash paid, net of cash acquired	4,160
Net assets acquired	
Cash	2,486
Receivables	667
Plant and equipment	36,322
Payables	(1,141)
Interest bearing liabilities	(43,943)
	(5,609)
Less: cash acquired	(2,486)
Implied goodwill	12,255
	4,160

27. Acquisition of businesses *(cont.)*

The acquired business contributed revenues of $2,131,000 and net loss of $123,000 to the Group for the period from acquisition, 1 January 2006, to 30 June 2006. If the acquisition had occurred on 1 July 2005, a further $5,500,000 of revenue and $265,000 of net profit would have been contributed to the Group.

AASB 3, Business Combinations requires the assets liabilities of a subsidiary to be recognised by the acquiring entity at fair value. AASB 3 also allows an acquiring entity 12 months from acquisition date to finalise the acquisition accounting. Any movements in the acquired net assets based on fair values will be recognised in the year ended 30 June 2007 and comparatives will be appropriately restated.

Fruges

During the year ended 30 June 2006, BBW acquired 100% of three companies in France, Societe d'Exploitation du Parc Eolien Le Marquay SARL, Societe d'Exploitation du Parc Eolien Fond du Moulin SARL and Societe d'Exploitation du Parc Eolien Mont Felix SARL. Each of the three companies is in the process of developing a wind farm in France (the "Fruges Wind Farms").

The Fruges Wind Farms are in the construction phase and contributed no amount of revenue or net profit/ loss to the Group's result.

The purchase price paid was approximately $12,000 for each company, plus costs of approximately $2,214,000. The book value of the net assets comprised cash of approximately $12,000 and goodwill of approximately $2,214,000 was originally recognised in the balance sheet as at 30 June 2006. Subsequent to the year ended 30 June 2006, an exercise to allocate the purchase price was undertaken and goodwill of $2,214,000 was reclassified as intangible assets in relation to agreements and licences.

Plambeck

BBW entered into a Framework Agreement with Plambeck Neue Energien AG in March 2006. Under this Agreement a prepayment of €6,000,000 (A$ 10,181,000) was made towards future investments. The amount paid will reduce the purchase price of future acquisitions under the Agreement.

During the year ended 30 June 2007, the Group purchased Kaarst under the Framework Agreement, resulting in a reduction of the prepayment by approximately $395,000 (refer Note 27 (iii) above).

28. Segment information

The Group operates in one business segment, the generation of electricity from wind energy.

The wind farms that generate this electricity are located in Australia, Spain, Germany, France and the United States. BBW reports its primary segment information on a geographical basis.

The France wind farms are in construction and no revenue or result has been generated from this segment.

The wind farms in the US are accounted for as financial assets – refer Note 9.

Segment revenues

	External sales	
	2007 $'000	2006 $'000
Australia	44,929	35,894
Spain	44,627	32,446
Germany	14,160	4,660
Total	103,716	73,000

Segment results
2007

	Australia $'000	**Spain $'000**	**Germany $'000**	**Total $'000**
Segmental result	23,951	20,901	7,899	52,751
Revaluation of US wind farm investments				18,569
Unallocated, including net interest				(56,698)
Profit/ (loss) before income tax expense				14,622
Income tax expense				(769)
Profit/ (loss) for the period				13,853

2006

	Australia $'000	**Spain $'000**	**Germany $'000**	**Total $'000**
Segmental result	9,668	8,719	1,017	19,404
Revaluation of US wind farm investments				2,074
Unallocated, including net interest				(37,762)
Loss before income tax expense				(16,284)
Income tax benefit				49
Loss for the period				(16,235)

Segment assets and liabilities

	Assets		Liabilities	
	2007 $'000	**2006 $'000**	**2007 $'000**	**2006 $'000**
Australia	672,054	488,601	648,493	367,430
Spain	524,362	403,037	395,071	317,434
Germany	123,026	87,570	102,279	78,463
France	50,153	9,728	50,330	-
USA	823,325	302,456	508,103	1,226
Total of all segments	2,192,920	1,291,392	1,704,276	764,553
Unallocated	212,420	121,474	18,374	(18,330)
Eliminations	(17,865)	169	(89,198)	793
Consolidated	2,387,475	1,413,035	1,633,452	747,016

28. Segment information *(cont'd)*

Other segment information

	Australia 2007 $'000	Spain 2007 $'000	Germany 2007 $'000	France 2007 $'000	US 2007 $'000	Unallocated 2007 $'000	Consolidated 2007 $'000
Carrying value of investments in financial assets (US wind farms)	-	-	-	-	581,033	-	581,033
Revaluation of US wind farm investments					18,569	-	18,569
Acquisition of segment assets:							
Financial assets	-	-	-	-	296,533	-	296,533
Property, plant & equipment	201,594	2,080	36,159	35,767	-	-	275,600
Depreciation and amortisation of segment assets	(13,047)	(15,652)	(3,505)	-	-	(1,761)	(33,965)

	Australia 2006 $'000	Spain 2006 $'000	Germany 2006 $'000	France 2006 $'000	US 2006 $'000	Unallocated 2006 $'000	Consolidated 2006 $'000
Carrying value of investments in financial assets	-	-	-	-	176,049	-	176,049
Revaluation of US wind farm investments	-	-	-	-	2,074	-	2,074
Acquisition of segment assets:							
Financial assets	-	-	-	-	146,838	-	146,838
Property, plant & equipment	69,977	-	29,169	7,708	-	-	106,854
Intangible assets	33,171	-	-	-	-	5,100	38,271
Depreciation and amortisation of segment assets	(9,727)	(7,603)	(1,217)	-	-	(1,514)	(20,061)

29. Related party disclosures

(a) Equity interests in related parties

Equity interests in subsidiaries

Details of the percentage ownership held in subsidiaries are disclosed in Note 26 to the financial statements.

(b) Key management personnel disclosures

Details of key management personnel remuneration are disclosed in Note 4 to the financial statements.

29. Related party disclosures *(cont'd)*

(c) Other related party transactions

Transactions involving the parent entity

During the financial year, various subsidiaries received management services from BBWPL. The total value of the services received was $13,597,000 (2006: $33,825,000).

Transactions involving other related parties

Receivables from related parties are disclosed in Note 6. Payables to related parties are disclosed in Note 14. Transactions were made on normal commercial terms and conditions and under normal market rates.

Custodian, Responsible Entity and Manager fees and costs

Under the terms of the Custodian Agreement with Babcock & Brown Asset Holdings Pty Limited ("BBAH"), which is a subsidiary of Babcock & Brown Limited, 0.0125% of the gross asset value of BBWPT is payable. During the year ended 30 June 2007, fees paid or payable to the Custodian by the Group were $94,000 (2006: $50,000).

Under BBWPT's constitution BBWPS is entitled to a management fee of 2% per annum of the value of the gross assets of BBW. BBWPS previously exercised its right under the constitution to waive the fee referred to above such that it is paid remuneration of $500,000 per annum, increased by CPI annually. BBWPT incurred an amount of $533,000 (2006: $347,000) in the year ended 30 June 2007. Prior to BBWPS becoming responsible entity of BBWPT, a trustee fee was payable. This amounted to $326,000 during the year ended 30 June 2006, but is not applicable in the year ended 30 June 2007.

Management agreements were previously entered into with Babcock & Brown Infrastructure Pty Limited ("BBIM"), a subsidiary of Babcock & Brown Limited. During the year ended 30 June 2007, these agreements were novated from BBIM to Babcock & Brown Wind Partners Management Pty Limited ("BBWPM" or the "Manager"), which is another subsidiary of Babcock & Brown Limited. Under the management agreements between, BBWPM, and each of BBWPL, BBWPS (as responsible entity of BBWPT) and BBWPB, a base fee of 1.4% per annum of the net investment value ("NIV") of BBW at the end of each quarter is payable. During the year ended 30 June 2007, a change to the base fee calculation was agreed as a consequence of the global refinancing. This change resulted in the corporate level debt component of the base fee formula being capped at 14% of the NIV.

Additionally, a performance fee is payable half-yearly calculated as 20% of the amount (if any) of the excess percentage return of BBW stapled securities over the S&P/ ASX 200 Accumulation Index for each half year, multiplied by BBW's market capitalisation at the end of the half year.

Base management fees paid or payable to BBIM or BBWPM were $14,770,000 (2006: $7,165,000) during the year. Of this amount, BBWPL incurred $10,755,000 (2006: $5,279,000), BBWPT incurred $1,661,000 (2006: $730,000) and BBWPB incurred $2,354,000 (2006: $1,156,000). Performance fees paid or payable to BBWPM or BBIM by BBWPL were nil during the year (2006: $33,150,000 to BBIM settled by way of cash and through the issue of 7,037,000 BBW stapled securities). Under the management agreement between BBWPL and BBWPM, the Manager is entitled to an amount per annum in respect of expenses. This amount was initially set at $6,000,000 per annum and is adjusted annually for CPI. During the year BBWPL incurred $6,323,000 (2006: $4,064,000) representing management expenses incurred by the Manager in the performance of its duties for the period to 30 June 2007.

Under a management agreement between Olivento S.L. and each of Babcock & Brown Limited and Babcock & Brown S.L., approximately $554,000 (2006: $1,030,000) was paid or payable during the year ended 30 June 2007.

Transactions with US financial assets

Distributions received from US financial assets are set out in Note 9.

Other related party transactions

At 30 June 2007, companies within the Babcock & Brown Limited group held 81,162,000 (2006: 81,162,000) stapled securities in BBW and during the year ended 30 June 2007 received $9,212,000 (2006: $3,779,000) as distributions on stapled securities held.

BBWPL has entered into tax sharing and tax funding agreements. The terms of these agreements are provided in Note 3.

BBWPL, BBWPS (as responsible entity of BBWPT) and BBWPB have entered into an Exclusive Financial Advisory Agreement with Babcock & Brown Australia Pty Limited ("BBA"), a subsidiary of Babcock & Brown Limited. Under this Agreement, the following payments have been made with respect to certain transactions. During the year ended 30 June 2007, $14,016,000 (2006: $19,879,000) of fees were paid or were payable by the Group to BBA for financial advisory and debt arranging services in relation to various acquisitions.

During the year ended 30 June 2007, the Group paid BBA $11,871,000 for debt advisory fees associated with securing the global facility referred to in Note 15.

During the year ended 30 June 2007, BBWPT advanced a loan of $150,000,000 to Babcock & Brown Limited. The loan was subsequently repaid during the year ended 30 June 2007. The interest rate on the loan was 8.00% and $657,000 was derived during the period in which the loan was outstanding.

During the year ended 30 June 2006, the Group paid a subsidiary of Babcock & Brown Limited interest of $256,000 relating to an outstanding loan that was repaid in November 2005. The interest rate on the loan was 8.75%.

The BBW Group paid approximately $382,000 (2006: $210,000) to Renerco A.G. under Technical Management Agreements during the year ended 30 June 2007.

As a result of the placement that was completed during the year ended 30 June 2007, and pending security holder approval, the Group will issue 4.35 million stapled securities to a subsidiary of Babcock & Brown Limited for $1.80 per stapled security. This item has not been recorded since its recognition is subject to the security holder approval.

Related party balances

At the year end the BBW Group owed the following amounts to various subsidiaries of Babcock & Brown:

BBPOP Wind Equity LLC	$181,776,000*
Babcock & Brown Australia Pty Limited	$11,438,000
Babcock & Brown Wind Partners Management Pty Limited	$7,429,000
Babcock & Brown Wind Partners Services Limited	$143,000
Babcock & Brown Asset Holdings Pty Limited	$28,000

*This amount relates to the acquisition of the second phase of the US06 transaction which was completed on 29 June 2007. Related payments were made on 2 July 2007.

No provisions for doubtful debts have been raised in relation to any outstanding balances, and no expense has been recognised in respect of bad or doubtful debts due from related parties.

(d) Parent entities

The parent entity in the Group is BBWPL.

The ultimate Australian parent entity is BBWPL.

The ultimate parent entity is BBWPL.

30. Subsequent events

Alinta Scheme of Arrangement

In August 2007, the Federal Court approved the acquisition of Alinta Limited by a consortium, of which BBW is a member, via a Scheme of Arrangement (the “Scheme”).

Under the Scheme, BBW will issue approximately 130,100,000 securities and pay $9,500,000 in cash in exchange for $211,000,000 in cash.

Acquisitions under the Spanish Framework Agreement

In August 2007, BBW acquired the remaining 30% interest in the Conjuro wind farm, having previously purchased the initial 70% in June 2007.

Additionally, BBW acquired a 96% interest in the Valdeconejos wind farm in August 2007 for an enterprise value of approximately $79,000,000.

31. Notes to the cash flow statement

(a) Reconciliation of cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents includes cash on hand and in banks, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:

	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent Entity 2007 $'000	Parent Entity 2006 $'000
Cash and cash equivalents	441,625	311,195	23,265	64,166
	441,625	311,195	23,265	64,166

(b) Businesses acquired

During the financial year, 4 businesses (2006: 7), Fruges II, Kaarst, SEC Holdco (Monte Seixo and Serra do Cando) and Conjuro, were acquired. Details of the acquisitions are as follows:

	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent Entity 2007 $'000	Parent Entity 2006 $'000
Consideration				
Cash and cash equivalents*	85,883	107,342	957	10,273
Fair value of net assets acquired				
Cash	11,338	8,371	-	2,486
Receivables and other current assets	3,706	19,667	-	667
Property, plant and equipment	82,932	170,990	-	36,322
Equity accounted investments	-	19,744	-	-
Licences	-	74,367	-	-
Deferred tax assets	6,259	189	-	-
Payables	(1,390)	(5,791)	-	(1,141)
Interest bearing liabilities	(108,707)	(203,869)	-	(43,943)
Deferred tax liabilities	-	(593)	-	-
Other liabiltiies	(2,292)	-	-	-
Net assets/ (liabilities) acquired	(8,154)	83,075	-	(5,609)
Premium on acquisition	94,037	24,267	957	15,882
Net cash outflow on acquisition				
Cash and cash equivalents consideration	85,883	107,342	957	10,273
Less cash and cash equivalent balances acquired	(11,338)	(8,371)	-	(2,486)
Cash paid for purchase of controlled entity	74,545	98,971	957	7,787

* During the year ended 30 June 2007, costs of approximately $7,280,000 were unpaid at balance date. During the year ended 30 June 2006, BBWPL purchased Eifel. In addition to this purchase, BBWPL incurred and paid costs of approximately $3,627,000 in relation to the Walkaway, Fruges and Olivo acquisitions.

31. Notes to the cash flow statement *(cont'd)*

(c) Non-cash financing and investing activities

	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent Entity 2007 $'000	Parent Entity 2006 $'000
Distribution reinvestment plan	15,083	-	-	-
Walkaway Wind Power Pty Limited (Note 18)	-	48,000	-	27,086
Lake Bonney Wind Power Pty Limited (Note 18)	1,112	20,000	-	-
	16,195	68,000	-	27,086

The acquisition of certain Class B membership interests in the GSG and Allegheny Ridge Phase 1 wind farms took place on 29 June 2007, however the related payment did not settle until 2 July 2007.

(d) Restricted cash balances

As at balance date $14,164,000 (2006: $79,012,000) of cash held is restricted and includes amounts held under project cost reserves (2006: under debt service and project cost reserves, as well as funds that were cash collateralised in relation to guarantees).

32. Financial instruments

(a) Financial risk management objectives

The Group's treasury function provides services to the business, co-ordinates access to domestic and international financial markets, and manages the financial risks relating to the operations of the Group.

The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The use of financial derivatives is governed by the Group's policies approved by the Directors, which provide written principles on the use of financial derivatives.

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign currency risk, including:

- interest rate swaps
- foreign currency forward contracts

(b) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 1 to the financial statements.

(c) Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

Forward foreign exchange contracts

The Group mitigates foreign currency exposures by undertaking debt funding in the currency of the related asset. The Group also enters into forward foreign exchange contracts to hedge foreign currency payments and receipts.

The following table details the forward foreign currency contracts outstanding as at reporting date:

	Average exchange rate		**Foreign currency**		**Contract value**		**Fair value**	
Outstanding contracts	**2007**	**2006**	**2007 FC'000**	**2006 FC'000**	**2007 $'000**	**2006 $'000**	**2007 $'000**	**2006 $'000**
Buy EUR sell AUD	-	0.5691	-	71,982	-	126,484	-	467
Buy USD sell AUD	-	0.7398	-	6,879	-	9,298	-	31
Sell EUR buy AUD	0.5787	0.5860	15,700	24,984	27,130	42,633	1,711	(1,862)
Sell USD buy AUD	0.7737	0.7482	38,475	27,555	49,726	36,821	3,789	(443)
					76,856	**215,236**	**5,500**	**(1,807)**

The Group entered into contracts to hedge its exposures relating to its net investments in overseas entities to reduce the potential for exchange rate movements to impact on investment returns for periods of up to 3 years.

As at reporting date the aggregate amount of unrealised gains under forward foreign exchange contracts relating to anticipated future transactions is $1,107,000 (2006: $1,053,000 of unrealised losses). In the current year, these unrealised gains have been deferred in the hedging reserve to the extent the hedge is effective.

The cash flows are expected to occur at various dates between one month to 2 years. At balance date, the details of outstanding contracts are:

Buy Euro	Sold Australian Dollar		Average exchange rate	
	2007	**2006**	**2007**	**2006**
0-1 year	-	65,800	-	0.5691
1-2 years	-	60,784	-	0.5691
	-	**126,584**		

Buy USD	Sold Australian Dollar		Average exchange rate	
	2007	**2006**	**2007**	**2006**
0-1 year	-	-	-	-
1-2 years	-	9,298	-	0.7398
	-	**9,298**		

Buy AUD	Sold Euro		Average exchange rate	
	2007	**2006**	**2007**	**2006**
0-1 year	17,685	15,502	0.5822	0.5989
1-2 years	9,445	27,131	0.5721	0.5787
	27,130	**42,633**		

Buy AUD	Sold USD		Average exchange rate	
	2007	**2006**	**2007**	**2006**
0-1 year	29,406	26,156	0.7796	0.7467
1-2 years	15,377	10,665	0.7674	0.7525
2-3 years	4,943	-	0.7585	-
	49,726	**36,821**		

(d) Cash flow and Interest rate risk management

The Group's income and operating cash flows are exposed to cash flow and interest rate risk as it borrows funds at floating interest rates. The risk is managed by maintaining an appropriate mix between fixed and floating rate borrowings, by the use of interest rate swap contracts.

Interest rate swap contracts

Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on debt held. The fair value of interest rate swaps are based on market values of equivalent instruments at the reporting date and are disclosed below. The average interest rate is based on the outstanding balances at the start of the financial year.

The following tables detail the notional principal amounts and remaining terms of interest rate swap contracts outstanding as at reporting date:

	Average contracted fixed interest rate		Notional principal amount		Fair value	
Outstanding floating for fixed contracts	**2007 %**	**2006 %**	**2007 $'000**	**2006 $'000**	**2007 $'000**	**2006 $'000**
Fixed swap – Australia Dollar	6.54	6.23	(424,575)	(304,566)	9,372	2,497
Fixed swap - Euro	4.14	3.64	(447,038)	(142,643)	16,050	8,819
Fixed swap – US Dollar	5.26	-	(347,222)	-	8,783	-
			(1,218,835)	**(447,209)**	**34,205**	**11,316**

32. Financial instruments (cont'd)

2007	Weighted average effective interest rate	Variable interest rate	Fixed interest maturity dates: Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	5+ years	Non interest bearing	Total
	%	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets:										
Cash and cash equivalents	2.95	441,625	-	-	-	-	-	-	-	441,625
Trade and other receivables	-	-	-	-	-	-	-	-	40,797	40,797
Investments in financial assets	-	-	-	-	-	-	-	-	581,033	581,033
		441,625	-	-	-	-	-	-	621,830	1,063,455
Financial liabilities:										
Payables	-	-	-	-	-	-	-	-	257,049	257,049
Interest rate swaps*	5.30	(1,218,835)	35,311	19,694	37,830	77,063	126,092	922,845	-	-
Bank loans	6.27	1,287,537	-	-	-	-	-	-	-	1,287,537
Finance lease liabilities	6.42	51,348	-	-	-	-	-	-	-	51,348
		120,050	35,311	19,694	37,830	77,063	126,092	922,845	257,049	1,595,934

* Notional principal amounts.

32. Financial instruments (cont'd)

	Weighted average effective interest rate	Variable interest rate	Fixed interest maturity dates						Non interest bearing	Total
			Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	5+ years		
2006	**%**	**$**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Financial assets:										
Cash and cash equivalents	2.75	311,195	-	-	-	-	-	-	-	311,195
Trade and other receivables	-	-	-	-	-	-	-	-	46,566	46,566
Investments in financial assets	-	-	-	-	-	-	-	-	176,049	176,049
		311,195	-	-	-	-	-	-	222,615	533,810
Financial liabilities:										
Payables	-	-	-	-	-	-	-	-	56,897	56,897
Interest rate swaps*	5.10	(447,209)	-	-	46,555	-	-	400,654	-	-
Bank loans	5.76	629,775	-	-	-	-	-	-	-	629,775
Finance lease liabilities	6.29	41,592	-	-	-	-	-	-	-	41,592
		224,158	-	-	46,555	-	-	400,654	56,897	728,264

* Notional principal amounts.

(d) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded are spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the Audit, Risk and Compliance Committee annually. The Group measures credit risk on a fair value basis.

Trade accounts receivable consist of a small number of customers, spread across diverse geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee insurance cover is purchased.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Group's maximum exposure to credit risk.

(e) Fair value of financial instruments

The Directors are of the opinion that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair values.

The fair values and net fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The fair value of derivative instruments, included in hedging assets and liabilities, are calculated using quoted prices. Where such prices are not available use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments.

Transaction costs are included in the determination of net fair value.

(f) Liquidity risk management

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Directors' declaration

In the opinion of the Directors of Babcock & Brown Wind Partners Limited ("BBWPL"):

(a) the financial statements and notes set out on pages 16 to 88 are in accordance with the *Corporations Act 2001* including:

   (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

   (ii) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2007 and of their performance, as represented by the results of their operations, changes in equity and their cash flows, for the financial year ended on that date; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations by the Chief Executive Officer and the Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the Directors pursuant to section 295(5) of the *Corporations Act 2001*.

On behalf of the Directors of BBWPL:

Peter Hofbauer
Chairman

27 August 2007

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Independent auditor's report to the members of

Babcock & Brown Wind Partners Limited

Report on the financial report and the AASB 124 Remuneration disclosures contained in the directors' report

We have audited the accompanying financial report of Babcock & Brown Wind Partners Limited (the company), which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both Babcock & Brown Wind Partners Limited and the Babcock & Brown Wind Partners Group (the consolidated entity). The consolidated entity comprises the (the company) and the entities it controlled at the year's end or from time to time during the financial year.

We have also audited the remuneration disclosures contained in the directors' report. As permitted by the *Corporations Regulations 2001*, the company has disclosed information about the remuneration of directors and executives ("remuneration disclosures"), required by Accounting Standard AASB 124 *Related Party Disclosures*, under the heading "remuneration report" in pages 7 to 12 of the directors' report and not in the financial report.

Directors' responsibility for the financial report and the AASB 124 Remunerations disclosures contained in the directors' report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the consolidated financial statements comply with International Financial Reporting Standards.

The directors of the company are also responsible for the remuneration disclosures contained in the directors' report.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement. Our responsibility is to also express an opinion on the remuneration disclosures contained in the directors' report based on our audit.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report and the remuneration disclosures contained in the directors' report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report and the remuneration disclosures contained in the directors' report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report and the remuneration disclosures contained in the directors' report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report and the remuneration disclosures contained in the directors' report.

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

For further explanation of an audit, visit our website
http://www.pwc.com/au/financialstatementaudit.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Matters relating to the electronic presentation of the audited financial report

This audit report relates to the financial report and remuneration disclosures of Babcock & Brown Wind Partners Limited (the company) for the financial year ended 30 June 2007 included on the Babcock & Brown Wind Partners Limited web site. The company's directors are responsible for the integrity of the Babcock & Brown Wind Partners Limited web site. We have not been engaged to report on the integrity of this web site. The audit report refers only to the financial report and remuneration disclosures identified above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report or remuneration disclosures. 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 audited financial report and remuneration disclosures to confirm the information included in the audited financial report and remuneration disclosures presented on this web site.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion on the financial report

In our opinion:

(a) the financial report of Babcock & Brown Wind Partners Limited is in accordance with the *Corporation Act 2001*, including:

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(i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2007 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the consolidated financial statements comply with International Financial Reporting Standards as disclosed in Note 1(a).

Auditor's opinion on the AASB 124 Remuneration disclosures contained in the directors' report

In our opinion, the remuneration disclosures that are contained in pages 7 to 12 of the directors' report comply with Accounting Standard AASB 124.

PricewaterhouseCoopers

AJ Wilson
Partner

Sydney
27 August 2007