

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

1. Details of the reporting period

Current Period:	1 July 2007 - 30 June 2008
Previous Corresponding Period:	1 July 2006 - 30 June 2007

2. Results for announcement to the market

	% Movement	2008 A\$'000	2007 A\$'000
2.1 Revenues from ordinary activities	230%	414,481	125,399
2.2 Profit from ordinary activities after tax attributable to members	144%	36,768	15,096
2.3 Profit for the period attributable to members	144%	36,768	15,096
2.4 Distributions	Amount per security	Franked amount per security	
Final distribution	7.25 cents	-	
Interim distribution	7.25 cents	-	
2.5 Record date for determining entitlement to the Final Distribution	30 June 2008		
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.

4. Balance Sheet with notes

Refer to the Balance Sheet in the attached.

5. Cash Flow Statement with notes

Refer to the Cash Flow Statement in the attached.

6. Details of distributions

	Record Date	Payment Date
2008 Interim Distribution	31 December 2007	18 March 2008
2008 Final Distribution	30 June 2008	18 September 2008

BBW anticipates that it will pay a final distribution of 7.25 cents per stapled security on 18 September 2008. In March 2008, BBW paid an interim distribution of 7.25 cents per stapled security. The distribution that was paid on 18 March 2008 and the distribution that will be paid on 18 September 2008 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 2008 Final Distribution, eligible stapled security holders were required to lodge their DRP application forms with the registry by 30 June 2008.

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 2008 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 30 June 2008 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 security

	Current Period	Previous Period
Net tangible assets backing per stapled security	0.16	0.81

10. Control gained or lost over entities during the period

10.1 Name of entity (or group of entities) over which control was gained	<ol style="list-style-type: none"> 1. Sistemas Energeticos Abadia SA 2. Babcock & Brown Riva Holdings SARL 3. CS CWF Trust and BBRPIT Trust 4. Hiddestorf GmbH & Co KG 5. Sistemas Energeticos El Carrascal SA 6. Sistemas Energeticos El Chaparral SA 7. Sistemas Energeticos La Cerradilla SA 8. Sistemas Energeticos La Mata SA 9. Caprock Wind LLC 10. Kumeyaay Holdings LLC 11. Crescent Ridge Holdings LLC 12. Babcock & Brown Wind Portfolio Holdings 1 LLC 13. Sweetwater 4-5 Holdings LLC 14. CCWE Holdings LLC 15. Sonnenberg GmbH & Co. KG, Eschweiler GmbH, Coswig GmbH
10.2 Date control was gained	<ol style="list-style-type: none"> 1. 2 August 2007 2. 6 December 2007 3. 20 December 2007 4. 14 December 2007 5. 20 December 2007 6. 20 December 2007 7. 20 December 2007 8. 20 December 2007 9. 1 January 2008 10. 1 January 2008 11. 1 January 2008 12. 1 January 2008 13. 1 January 2008 14. 1 January 2008 15. 30 June 2008

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. \$1,768,000 2. \$38,136,000 3. \$(314,000) 4. \$(189,000) 5. \$(185,000) 6. \$(98,000) 7. \$(169,000) 8. \$(77,000) 9. \$1,364,000 10. \$592,000 11. \$2,195,000 12. \$14,581,000 13. \$3,030,000 14. \$7,105,000 15. \$0
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

11. Details of associates and joint venture entities

11.1 Name of entity (or group of entities) over which significant influence was gained	Not applicable
11.2 Date significant influence was gained	
11.3 Percentage holding in the associate	
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.	
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	

12. Other significant information

Refer to the market announcement regarding the FY08 financial results also released today by BBW.

13. Accounting standards used by foreign entities

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

14. Commentary on results

FY08 Final Distribution

Babcock & Brown Wind Partners today announced its FY08 financial result and confirmed that the combined interim and final distributions for FY08 of 14.5 cents per stapled security is fully tax deferred. The FY08 final distribution of 7.25 cents per stapled security will be paid on or about 18 September 2008. The full year FY08 distribution represents an increase of 16% on the FY07 full year distribution.

Revenue

During FY08, BBW earned product and lease revenues of \$414.5 million compared to \$125.4 million in FY07, representing an increase of 230%.

Revenues from the sale of energy include a full year's contribution from operating entities that were purchased in FY07. Additionally during FY08, BBW has gained control/joint control of certain US entities and is now consolidating/proportionately consolidating these revenues and results.

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

EBITDA from operations was \$331.7 million (2007: \$94.9 million) and fair value income from US investments, earned in the first half of the financial year, was \$20.5 million (2007: \$18.6 million), offset by corporate expenses and management costs of \$42.5 million (2007: \$24.7 million), which include costs relating to the Strategic Initiative (European sale process). As noted above, certain US entities have been consolidated/proportionately consolidated within the financial result. As a consequence, the fair value income from US investments will cease to be recognised after FY08.

Depreciation and amortisation expense increased by 193% from \$46.0 million in the previous corresponding period to \$134.7 million in the current period due to the significantly higher asset and licences base.

Net Operating Cash Flow

Net operating cash flow was \$186.8 million in FY08 compared with \$85.5 million in FY07 as a consequence of acquisitions and assets, formally under construction, becoming operational.

Outlook

BBW's strategy remains focussed on the efficient management of its existing portfolio of wind farms and where appropriate to manage its portfolio through selective accretive acquisitions and divestments.

Strategic Initiative

The Strategic Initiative has been extended to allow bidders further time to complete their analysis in relation to Portugal and France. BBW is committed to achieving the best outcome for security holders and will only divest assets if unrecognised value is suitably demonstrated and captured. It is still anticipated that any potential sale of the Portugal and France assets would be agreed in the final quarter of 2008.

The recent sale of BBW's Spanish wind energy portfolio as part of the Strategic Initiative, combined with the continued strong operational performance of the business provides BBW with flexibility to consider reinvestment and capital management initiatives.

BBW will also consider near term reinvestment opportunities including potential acquisitions from the Framework Agreements and 'infill' opportunities in Australia which include an extension to the existing Lake Bonney 2 wind farm.

FY09 Distribution Guidance

BBW operates in a high growth industry with global installed capacity growing by an average of 24% pa for the past 5 years and conditions in debt markets may restrict BBW's funding options for organic and new growth projects over the next few years. Recognising current credit market conditions and the growth market in which BBW operates, the Directors have decided to re-align BBW's distribution policy to provide additional balance sheet flexibility and to take account of the reduced net operating cash flow following the sale of the Spanish wind energy portfolio.

The FY09 distribution guidance has been re-stated to not less than 9.0 cents per stapled security and in accordance with BBW's long held policy of paying distributions from available net operating cash flow after debt repayments. This guidance assumes no further divestments and that the proceeds from the Spanish wind energy sale are not reinvested.

Review Secondary Listing

Following the strategic initiative BBW has concluded to more formally investigate the prospects of a secondary listing of BBW on one of the US or European stock exchanges. Following discussions with investment banks on this proposal BBW has commenced a process to appoint an adviser to review and make recommendations on the appropriateness and implications of the various options available. On the basis that a secondary listing proves beneficial, it is intended to implement such a listing in either the US or a European equity market in the first half of 2009.

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

This report is based on accounts which are in the process of being audited.

16. Qualification of audit / review

Not applicable

BABCOCK & BROWN WIND PARTNERS LIMITED

ANNUAL FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

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**Income statement
for the year ended 30 June 2008**

	Note	Consolidated		Parent Entity	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Revenue	2	414,481	125,399	18,763	13,597
Revaluation of financial assets	6	20,461	18,569	-	-
Other income	2	74,477	23,769	23,811	9,654
Gains on financial instruments from refinancing debt facilities		-	23,895	-	5,723
Operating expenses	2	(95,957)	(34,096)	(11,081)	(8,927)
Management charges	2	(29,212)	(21,093)	(23,513)	(17,078)
Depreciation and amortisation expense	2	(134,686)	(46,009)	(1,367)	(1,638)
Finance costs	2	(196,881)	(74,569)	(9,537)	(19,655)
Net profit/ (loss) before income tax expense		52,683	15,865	(2,924)	(18,324)
Income tax benefit / (expense)		(15,915)	(769)	(3,487)	5,006
Net profit / (loss) for the year		36,768	15,096	(6,411)	(13,318)
Attributable to stapled security holders as:					
Equity holders of the parent		23,757	8,610	(6,411)	(13,318)
Equity holders of the other stapled entities (minority interests)		699	5,754	-	-
		24,456	14,364	(6,411)	(13,318)
Other minority interests		12,312	732	-	-
		36,768	15,096	(6,411)	(13,318)
Earnings per share of the parent based on earnings attributable to the equity holders of the parent:					
Basic (cents per security)	14	2.9	1.4		
Diluted (cents per security)	14	2.9	1.4		

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

**Balance sheet
as at 30 June 2008**

	Note	Consolidated		Parent Entity	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Current assets					
Cash and cash equivalents		208,505	442,969	47,294	23,265
Trade and other receivables	3	194,213	43,994	38,573	49,078
Prepayments	4	29,792	7,008	1,458	1,040
Other current assets	5	928	72	-	-
Derivative financial instruments	7	33,372	5,986	6,650	3,570
Total current assets		466,810	500,029	93,975	76,953
Non-current assets					
Receivables	3	38,651	-	1,012,434	799,805
Prepayments	4	15,158	23,229	4,404	9,119
Investments in financial assets	6	-	527,703	-	-
Investment in associates		271	-	-	-
Shares in controlled entities		-	-	41,474	42,860
Derivative financial instruments	7	92,068	33,983	3,177	4,646
Property, plant and equipment		4,886,847	1,189,984	-	-
Deferred tax assets		72,272	44,424	23,261	21,945
Goodwill		755,376	115,739	-	-
Intangible assets		249,525	156,839	281	1,648
Total non-current assets		6,110,168	2,091,901	1,085,031	880,023
Total assets		6,576,978	2,591,930	1,179,006	956,976
Current liabilities					
Trade and other payables	8	296,392	260,304	19,630	12,726
Borrowings	9	177,921	39,241	-	2,580
Derivative financial instruments	10	9,074	264	78	-
Current tax payables		6,346	4,999	-	-
Total current liabilities		489,733	304,808	19,708	15,306
Non-current liabilities					
Payables	8	17,197	-	-	-
Borrowings	9	3,342,304	1,301,242	1,177,253	955,534
Derivative financial instruments	10	15,293	-	75	-
Deferred tax liabilities		269,078	32,255	-	-
Total non-current liabilities		3,643,872	1,333,497	1,177,328	955,534
Institutional equity partnerships classified as liabilities	11	1,305,548	198,452	-	-
Total liabilities		5,439,153	1,836,757	1,197,036	970,840
Net assets/ (liabilities)		1,137,825	755,173	(18,030)	(13,864)
Equity holders of the parent					
Contributed equity	13	4,501	4,470	4,501	4,470
Reserves		(44,659)	(42,074)	5,919	3,705
Retained earnings		12,998	(9,516)	(28,450)	(22,039)
		(27,160)	(47,120)	(18,030)	(13,864)
Equity holders of the other stapled entities (minority interests)					
Contributed equity	13	1,009,909	805,855	-	-
Reserves		(21,635)	(21,635)	-	-
Retained earnings		10,660	9,961	-	-
		998,934	794,181	-	-
Other minority interests		166,051	8,112	-	-
Total equity		1,137,825	755,173	(18,030)	(13,864)

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 2008**

	Note	Consolidated		Parent Entity	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Total equity at the beginning of the year		755,173	666,019	(13,864)	(5,624)
Movement in fair value of derivatives		16,129	3,845	2,214	5,062
Exchange differences on translation of foreign operations and movement in fair value of net investment hedges		(19,957)	(31,958)	-	-
Net income recognised directly in equity		(3,828)	(28,113)	2,214	5,062
Net profit/ (loss) for the year		36,768	15,096	(6,411)	(13,318)
Total recognised income and expense for the year		32,940	(13,017)	(4,197)	(8,256)
Transactions with equity holders in their capacity as equity holders:					
Contributions of equity, net of costs paid	13	283,157	168,675	31	16
Minority interest on acquisition of subsidiary		146,636	135	-	-
Securities issued as consideration for purchase of subsidiaries	13	24,480	-	-	-
Securities issued as consideration in relation to services	13	-	1,112	-	-
Distributions paid	15	(103,552)	(65,596)	-	-
Other movement in minority interest		(1,009)	(2,155)	-	-
Total equity at the end of the year		1,137,825	755,173	(18,030)	(13,864)
Total recognised income and expenses for the year is attributable to:					
Equity holders of the parent		19,836	(19,503)	(4,197)	(8,256)
Equity holders of the other stapled entities		792	5,754	-	-
Other minority interests		12,312	732	-	-
		32,940	(13,017)	(4,197)	(8,256)

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 2008

Note	Consolidated		Parent Entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Cash flows from operating activities				
	36,768	15,096	(6,411)	(13,318)
Profit/ (loss) for the period				
Adjustments for:				
Distributions paid to minority interests	(11,647)	-	-	-
Income recognised from sale of equity interests in institutional partnerships	(41,301)	(9,091)	-	-
Interest and change in residual interest in relation to equity interests in institutional partnerships	49,218	5,725	-	-
(Gain)/loss on revaluation for fair value through profit or loss financial assets – financial instruments	(2,728)	(15,088)	2,417	(4,257)
Gain on revaluation for fair value through profit or loss financial assets – financial asset investments	(20,461)	(18,569)	-	-
Distributions received from financial asset investments	17,706	27,420	-	-
Depreciation and amortisation of non-current assets	134,686	46,009	1,367	1,637
Foreign exchange (gain)/loss	(2,196)	-	(6,037)	1,558
Amortisation of borrowing costs capitalised	5,815	21,570	-	6,978
Increase/(decrease) in current tax liability	(5,282)	1,367	-	-
(Increase)/decrease in deferred tax balances	19,232	(4,528)	3,487	(5,004)
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	(54,740)	17,239	14,320	(12,282)
Increase/(decrease) in liabilities:				
Current payables	61,743	(1,615)	2,934	3,253
Net cash from operating activities	186,813	85,535	12,077	(21,435)
Cash flows from investing activities				
Payment for property, plant and equipment	(250,377)	(268,871)	-	-
Payment for intangible assets	(535)	-	-	-
Payment for investments in controlled entities	(352,967)	(74,545)	(486)	(957)
Prepaid investment	-	(899)	-	-
Payment for investments in associates	(253)	-	-	-
Payment for investments in financial assets	(540,929)	(296,533)	-	-
Proceeds from sale of investment in financial assets	-	13,764	-	-
Refund of investment prepayment	4,672	-	4,672	-
Loans advanced	(38,090)	-	-	-
Loans to related parties	(776,000)	(150,000)	(1,370,216)	(357,463)
Repayment of loans by related parties	776,000	150,000	1,150,967	67,087
Net cash used in investing activities	(1,178,479)	(627,084)	(215,063)	(291,333)
Cash flows from financing activities				
Proceeds from issues of equity securities, net of costs	13	253,969	153,593	28
Proceeds from borrowings		1,099,242	1,656,689	-
Repayment of borrowings		(483,973)	(1,086,325)	-
Loans from related parties		17,407	-	233,243
Repayment of borrowings to related parties		(57,095)	-	(7,471)
Distributions paid to security holders		(74,490)	(50,513)	-
Net cash provided by financing activities		755,060	673,444	225,800
Net increase in cash and cash equivalents		(236,606)	131,895	22,814
Cash and cash equivalents at the beginning of the financial year		442,969	315,984	23,265
Effects of exchange rate changes on the balance of cash held in foreign currencies		2,142	(4,910)	1,215
Cash and cash equivalents at the end of the financial year		208,505	442,969	47,294

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 2008

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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*.

Stapled security

The shares of Babcock & Brown Wind Partners Limited ("BBWPL" or the "Company") and Babcock & Brown Wind Partners (Bermuda) Limited ("BBWPB") and the units of Babcock & Brown Wind Partners Trust ("BBWPT" or the "Trust") are combined and issued as stapled securities in Babcock & Brown Wind Partners Group ("BBW"). 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.

Compliance with IFRS

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the consolidated financial report of BBWPL complies 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*.

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 profit or loss.

Correction of accounting policy in relation to jointly controlled assets

The directors have determined that the accounting policy in relation to certain jointly controlled US wind farms was incorrect. The wind farms include Sweetwater 1, Sweetwater 2, Sweetwater 3 and Combine Hills. The wind farms had previously been recognised as associates and designated as fair value through the profit and loss under AASB 139: Financial Instruments: Recognition and Measurement and AASB 128: Investments in Associates.

The directors have now determined that BBW had joint control of these interests. Joint control arises given that the strategic and operating decisions of the wind farms require unanimous consent amongst the B Class investors. As a result we have elected to proportionately consolidate our interests in accordance with AASB 131 Interests in Joint Ventures. The Group believes that this correction reflects the results of these investments in a manner which is consistent with the majority of the Group's consolidated investments in institutional partnerships and provides more meaningful information.

1. Summary of accounting policies (cont'd)

(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 2008.

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.

(c) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of BBWPL as at 30 June 2008 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)).

1. Summary of accounting policies (cont'd)

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.

(ii) Jointly controlled entities

Jointly controlled entities, consolidated under the proportionate consolidation method, are entities over whose activities the Group has joint control, under a contractual agreement, together with the other owners of the entity. The consolidated financial statements include the Group's proportionate share of the joint venture's assets and liabilities, revenues and expenses, from the date the joint control begins until it ceases.

(d) Investment in financial assets

Financial assets comprise institutional equity partnerships where the Group does not have the power to govern the financial and operating policies of the entity. Financial assets are recognised at fair value each reporting period through profit and loss.

Revaluations of financial assets are determined using a discounted cash flow analysis. The methodology applied continues to be a generally accepted methodology for valuing wind farms and a basis in which market participants price new acquisitions.

1. Summary of accounting policies (cont'd)

(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 acquisition 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.

(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.

1. Summary of accounting policies (cont'd)

(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
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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).

(i) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is 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.

(ii) 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 partially disposed of or sold.

(iii) 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 (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST component of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented 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.

(n) Foreign currency translation

(i) 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.

(ii) 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.

1. Summary of accounting policies (cont'd)

(iii) 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 liabilities 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.

(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 the 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.

1. Summary of accounting policies (cont'd)

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 the 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 Bermudian law, BBWPB will not be subject to any income, withholding or capital gains taxes in Bermuda.

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.

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.

1. Summary of accounting policies (cont'd)

(p) Intangible assets

(i) 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.

(ii) 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.

(iii) 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.

(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.

(i) 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.

(ii) Group as lessor

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

1. Summary of accounting policies (cont'd)

(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.

(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 the 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.

1. Summary of accounting policies (cont'd)

(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:

(i) 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.

(ii) 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.

(iii) 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.

(iv) 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.

1. Summary of accounting policies (cont'd)

(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 purposes.

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) Institutional equity partnerships classified as liabilities

(i) Class A members

Initial contributions by Class A members' into US partnerships are recognised at cost using the effective interest method. Class A carrying amounts are adjusted when actual cash flow differs from estimated cash flow. The adjustment is calculated by computing the present value of the actual difference using the *original effective interest rate*. The adjustment is recognised through income or expense in profit or loss.

This difference represents the change in residual interest due to the Class A institutional investors.

(ii) Class B members

On consolidation of the US partnerships the Group's Class B membership interest and associated finance charge for the year is eliminated and any external Class B member balances remaining represents net assets of US partnerships attributable to minority interests. Refer 1(c) for further details of the Group's accounting policy for consolidation.

(ab) 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.

(ac) New accounting standards and UIG interpretations

Certain new accounting standards and UIG interpretations have been published that are not mandatory for 30 June 2008 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8

AASB 8 and AASB 2007-3 are effective for annual reporting periods commencing on or after 1 January 2009. AASB 8 will result in a significant change in the approach to segment reporting, as it requires adoption of a 'management approach' to reporting on financial performance. The information being reported will be based on what the key decision makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments. The Group has not yet decided when to adopt AASB 8. Application of AASB 8 may result in different segments, segment results and different types of information being reported in the segment note of the financial report. However, at this stage, it is not expected to affect any of the amounts recognised in the financial statements.

(ii) Revised AASB 123 Borrowing Costs and AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12]

The revised AASB 123 is applicable to annual reporting periods commencing on or after 1 January 2009. It has removed the option to expense all borrowing costs and – when adopted – will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. There will be no impact on the financial report of the Group, as the Group already capitalises borrowing costs relating to assets under construction.

(iii) Revised AASB 101 Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101

A revised AASB 101 was issued in September 2007 and is applicable for annual reporting periods beginning on or after 1 January 2009. It requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet (statement of financial position), this one being as at the beginning of the comparative period. The Group intends to apply the revised standard from 1 July 2009.

1. Summary of accounting policies (cont'd)

(ad) 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.

2. Profit from operations

	Consolidated		Parent Entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Revenue				
Revenue from the sale of energy and products	270,566	77,566	-	-
Revenue from lease of plant and equipment*	137,964	44,656	-	-
Compensation for revenues lost as a result of O&M providers not meeting contracted turbine availability targets	5,951	3,177	-	-
Revenue from the rendering of services	-	-	18,763	13,597
	414,481	125,399	18,763	13,597
Other income				
Interest income	16,128	10,398	8,141	3,531
Foreign exchange gains	10,173	2,826	14,837	4,669
Fair value gains on financial instruments	5,787	1,454	-	1,454
Income recognised from sale of equity interests in institutional partnerships	41,301	9,091	-	-
Other income	1,088	-	833	-
	74,477	23,769	23,811	9,654

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

Profit/ (loss) before income tax has been arrived at after charging the following expenses:				
Administration, consulting and legal fees	13,132	3,595	11,081	8,927
Wind farm operations and maintenance costs	82,825	30,501	-	-
	95,957	34,096	11,081	8,927
Depreciation of property, plant & equipment	125,386	40,993	-	-
Amortisation of intangible assets	9,300	5,016	1,367	1,638
	134,686	46,009	1,367	1,638
Finance costs:				
Interest expense	135,285	42,447	6,716	10,665
Fair value losses on financial instruments	2,984	2,219	2,417	-
Write-off of capitalised loans costs due to re-financing	-	15,965	-	5,090
Allocation of return from institutional equity partnerships (Class A)	39,522	5,725	-	-
Change in residual interest relating to institutional equity partnerships (Class A and Class B)	9,696	-	-	-
Other finance charges	9,394	8,213	404	3,900
	196,881	74,569	9,537	19,655
Management charges:				
Base fees	22,172	14,770	16,473	10,755
Incentive fee	-	-	-	-
Management expenses	7,040	6,323	7,040	6,323
	29,212	21,093	23,513	17,078

3. Trade and other receivables

	Consolidated		Parent Entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Current				
Trade and other receivables	104,727	21,085	-	-
Interest receivable	63	170	1,221	676
Amounts due from related parties	10,532	-	37,352	47,456
Goods & Services Tax and other tax receivables	78,891	22,739	-	946
	194,213	43,994	38,573	49,078
Non-current				
Other receivables	38,651	-	-	-
Amounts due from related parties	-	-	1,012,434	799,805
	38,651	-	1,012,434	799,805

(a) Impairment of trade receivables

There were no impaired trade receivables for the Group or the parent in 2008 or 2007.

(b) Past due but not impaired

As of 30 June 2008, trade receivables of \$2,337,294 (2007: \$nil) were past due but not impaired. Refer to Note 21 for more information. These relate to a number of independent customers for whom there is no recent history of default.

The other classes within trade and other receivables do not contain impaired assets and are not past due. Based on the credit history of these other classes, it is expected that these amounts will be received when due. The Group does not hold any collateral in relation to these receivables, other than \$40,000,000 (EUR 26,430,000) (2007: \$nil) for bank guarantees issued to the constructor of the Plambeck wind farms in Germany.

(c) Other receivables

These amounts generally arise from transactions outside the usual operating activities of the Group.

(d) Foreign exchange and interest rate risk

Information about the Group's and the parent entity exposure to foreign currency risk and interest rate risk in relation to trade and other receivables is provided in Note 21.

(e) Fair value and credit risk

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. Refer to Note 21 for more information on the risk management policy of the Group and the credit quality of the entity's trade receivables.

4. Prepayments

	Consolidated		Parent Entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Current				
Prepaid operations expenses	23,367	5,381	-	-
Other prepayments	6,425	1,626	1,458	1,040
	<u>29,792</u>	<u>7,007</u>	<u>1,458</u>	<u>1,040</u>
Non-current				
Prepaid operations expenses	10,754	14,109	-	-
Prepaid investment costs	4,404	9,119	4,404	9,119
	<u>15,158</u>	<u>23,228</u>	<u>4,404</u>	<u>9,119</u>

5. Other current assets

	Consolidated		Parent Entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Other	928	72	-	-
	<u>928</u>	<u>72</u>	<u>-</u>	<u>-</u>

6. Financial assets

Financial assets comprise institutional equity partnerships in the United States where the Group does not have the power to govern the financial and operating policies of the entity. During the current year management determined that the Group had obtained the power to govern the financial and operating policies of these partnerships and hence controls or jointly controls these partnerships. Revaluations of financial assets up until the date of control were determined using a discounted cash flow analysis.

6. Financial assets (cont.)

	Consolidated		Parent Entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Institutional equity partnerships				
Balance at 1 July	527,703	107,101	-	-
Additions	360,261	464,544		
Net revaluation	20,461	12,860		
Foreign exchange gain/(loss)	(28,517)	(56,802)		
Reclassification upon obtaining control/joint control*	(879,908)	-		
Balance at 30 June	-	527,703	-	-

* The transfer to cost of acquisition used to determine provisional goodwill was based on the fair values reported at 31 December 2007.

Refer to Note 11 for further information.

7. Derivative financial instruments - assets

	Consolidated		Parent Entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Current				
At fair value:				
Foreign currency forward contracts	6,650	3,464	6,650	3,464
Interest rate swaps	26,722	2,522	-	106
	33,372	5,986	6,650	3,570
Non-current				
At fair value:				
Foreign currency forward contracts	3,177	2,036	3,177	2,036
Interest rate swaps	88,891	31,947	-	2,610
	92,068	33,983	3,177	4,646

Refer Note 21 for further information.

8. Trade and other payables

	Consolidated		Parent Entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Current				
Trade payables	255,471	48,780	15,883	1,676
Amounts due to related parties	25,572	203,269	-	5,907
Interest payable	3,356	292	1,193	5,143
Goods and services tax payable	2,006	5,764	2,083	-
Other	9,987	2,200	471	-
	296,392	260,305	19,630	12,726
Non-current				
Loans from related parties	17,197	-	-	-
	17,197	-	-	-

(a) Risk exposure

Information about the Group's and the parent entity's exposure to foreign exchange risk is provided in Note 21.

9. Borrowings

	Consolidated		Parent Entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Current				
<u>Unsecured</u>				
At amortised cost:				
Loans from related parties	-	-	-	2,580
	-	-	-	2,580
<u>Secured</u>				
At amortised cost:				
Global Facility (i)	114,576	36,902	-	-
Portugal Enersis Facility	60,772	-	-	-
	175,348	36,902	-	-
Finance lease liabilities (ii)	2,573	2,339	-	-
Banking facilities	177,921	39,241	-	-
	177,921	39,241	-	2,580

9. Borrowings (cont.)

	Consolidated		Parent Entity	
Non-current				
<u>Unsecured</u>				
At amortised cost:				
Loans from related parties	-	-	1,177,253	955,534
	-	-	1,177,253	955,534
<u>Secured</u>				
At amortised cost:				
Global Facility (i)	2,173,472	1,252,233	-	-
Portugal Enersis Facility	1,150,808	-	-	-
Capitalised borrowing costs	(30,147)	-	-	-
	3,294,133	1,252,233	-	-
Finance lease liabilities (ii)	48,171	49,009	-	-
	3,342,304	1,301,242	1,177,253	955,534

(i) Debt facilities at 30 June 2008

The Group completed a refinancing and re-leveraging of its global wind farm portfolio in May 2007, aggregating project, asset and corporate level debt across various jurisdictions into a single facility.

This Group's loan commitment has a facility size of EUR 1,793,790,000

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), Dexia Credit Local, KfW IPEX Bank GmbH, The Governor and Company of the Bank of Ireland, and Cooperative Centrale Raiffeisen Boerenleenbank B.A.

BBW purchased a controlling stake in the Portuguese Enersis group of wind farms in December 2007. The Enersis wind farms have a EUR 739,246,000 debt facility. This debt facility is secured over the Portuguese Enersis wind farms and has no recourse over any other assets within the Group. The facility matures in 2025 and amortises evenly to its maturity.

9. Borrowings (cont.)

The facility is split into the following components:

Facility at 30 June 2008	Original Commitment	Undrawn Available balance
	€000	€000
BBW Group Facility	1,793,790	273,199
Portugal Enersis Facility	739,246	-
	<u>2,533,036</u>	<u>273,199</u>

(i) 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:

	Current Balance (Local curr '000)	Current Balance (AUD '000)
Australian Dollars	568,823	568,823
Euro	1,428,809	2,341,734
US Dollars	567,334	589,071
Capitalised Loan Costs		(30,147)
		<u>3,469,481</u>

The Group pays interest each six months based on Euribor (Euro drawings), BBSY (Australian Dollar) or LIBOR (other currencies), plus a margin. The current average margin the group pays on its borrowings is 87 basis points. 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 facilities are due each six months until the end of the term.

(ii) Finance lease liabilities

Refer Note 18.

10. Derivative financial instruments - liabilities

	Consolidated		Parent Entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Current				
At fair value:				
Foreign currency forward contracts	78	-	78	-
Interest rate swaps	8,996	264	-	-
	<u>9,074</u>	<u>264</u>	<u>78</u>	<u>-</u>
Non-current				
At fair value:				
Foreign currency forward contracts	75	-	75	-
Interest rate swaps	15,218	-	-	-
	<u>15,293</u>	<u>-</u>	<u>75</u>	<u>-</u>

Refer Note 21 for further information.

11. Institutional equity partnerships classified as liabilities

Nature of institutional equity partnerships

The Group's relationship with the managing members and non-managing members (Class A and Class B institutional investors respectively) is established through a limited liability company operating agreement that apportions the cash flows generated by the wind farms between the Class B institutional members (the Group's ownership of these varies from 50%-100%) and allocates the tax benefits, which include Production Tax Credits (PTC) and accelerated depreciation, largely to the Class A investors.

The Class A institutional investors purchase their partnership interests for an upfront cash payment. This payment is fixed so that the investors, as of the date that they purchase their interest, anticipate earning an agreed targeted internal rate of return by the end of the ten year period over which PTCs are generated. This anticipated return is computed based on the total anticipated benefit that the institutional investors will receive and includes the value of PTCs, allocated taxable income or loss and cash distributions received.

Under these structures, all operating cash flow is allocated to the Class B institutional members until the earlier of a fixed date, or when the Class B investors recover the amount of invested capital. This "reallocation" is expected to occur between five to ten years from the initial closing date. Thereafter, all operating cash flow is allocated to the Class A institutional investors until they receive the targeted internal rate of return (the "Reallocation Date").

Prior to the Reallocation Date, a significant part of the tax income and benefits generated by the partnerships are allocated to the institutional investor, with any remaining benefits allocated to managing members.

After the Reallocation Date, the Class A institutional investor retains a small minority interest for the duration of its membership in the structure. The Group also has an option to purchase the Class A institutional investor's residual interests at fair market value on the Reallocation Date.

Recognition under AASB 132: *Financial Instrument Presentation* and economic substance

Institutional equity partnerships classified as liabilities comprise third party equity investors in United States wind farms comprising Class A institutional investors and Class B institutional members.

Investments in these partnership structures are classified as liabilities as the partnerships have limited lives and the allocation of income earned is governed by contractual agreements over the life of the investment. Whilst classified as liabilities it is important to note:

- That the Group has no contractual obligation to repay these amounts and therefore they have "equity risk" characteristics.
- Institutional balances outstanding (Class A and Class B minority interests) do not impact the Group's lending covenants or interest cover ratios.
- There is no exit mechanism for institutional investors consequently there is no re-financing risk.

11. Institutional equity partnerships classified as liabilities (cont.)

Date of control

As of 1 January 2008, the Group has determined that it has the ability to control or, with other Class B Members ("Other Class B Members"), jointly control the wind farm entities. For these situations, the Group has consolidated or proportionately consolidated from 1 January 2008 onwards.

For certain jointly controlled wind farms where control has been determined at an earlier date the Group has corrected the prior year comparatives and proportionately consolidated from the deemed acquisition date. The Group believes that this correction reflects the results of these investments in a manner which is consistent with the majority of the Group's consolidated investments in institutional partnerships and provides more meaningful information. Refer 1(a) for more details.

	Class A members		Class B members		Total	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
At 1 July	132,235	146,373	-	-	132,235	146,373
Proceeds from sale of partnership interests	916,844	-	76,710	-	993,554	-
Distributions	-	-	(9,753)	-	(9,753)	-
Value of benefits provided	(119,406)	(26,618)	-	-	(119,406)	(26,618)
Allocation of return on outstanding balance	36,853	10,579	-	-	36,853	10,579
Movement in residual interest	4,763	1,901	6,017	-	10,780	1,901
At 30 June	971,289	132,235	72,974	-	1,044,263	132,235
Non-current deferred revenue					261,285	66,217
					1,305,548	198,452

12. Capitalised borrowing costs

	Consolidated		Parent Entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Borrowing costs capitalised during the financial year	22,844	10,500	-	-
Weighted average capitalisation rate on funds borrowed generally	7.12%	6.30%	-	-

13. Contributed equity

	Consolidated		Parent Entity	
	No'000	\$'000	No'000	\$'000
Fully paid stapled securities/shares				
Balance as at 1 July 2006	575,302	706,134	575,302	4,454
Capital distribution	-	(65,596)	-	-
Distribution reinvestment plan (i)	10,044	15,082	10,044	-
Lake Bonney Stage 2 (ii)	625	1,112	625	-
Institutional placement (iii)	87,100	156,780	87,100	16
Transaction costs arising on security/share issue	-	(3,187)	-	-
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		-
		<u>810,325</u>		<u>4,470</u>
Balance as at 1 July 2007	673,071	810,325	673,071	4,470
Capital distribution	-	(103,552)	-	-
Distribution reinvestment plan (i)	20,042	29,062	20,042	3
Alinta scheme of arrangement (iv)	130,148	211,057	130,148	21
Security purchase plan (v)	26,935	46,281	26,935	5
Institutional placement (iii)	4,350	7,830	4,350	1
Capital Wind Farm acquisition (vi)	14,055	24,480	14,055	2
Transaction costs arising on security/share issue	-	(11,073)	-	(1)
Balance as at 30 June 2008	868,601	1,014,410	868,601	4,501
Attributable to:				
Equity holders of the parent		4,501		4,501
Equity holders of the other stapled securities (minority interests)		1,009,909		-
		<u>1,014,410</u>		<u>4,501</u>

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.

13. Contributed equity (cont'd)

(i) Distribution reinvestment plan

The Group has established a distribution reinvestment plan under which holders of stapled securities may elect to have all or part of their distribution entitlements satisfied by the issue of new stapled securities rather than by being paid in cash. To date, securities have been issued under the plan at a 2.5% discount to the weighted average price of BBW securities on the ASX over the 10 trading days ending on the trading day which is 3 trading days before the date the stapled securities are due to be allotted.

On 14 September 2007, BBW issued 6,267,665 stapled securities at a price of \$1.6151 per security in relation to the payment of the final distribution for the year ended 30 June 2007.

On 18 March 2008, BBW issued 13,774,279 stapled securities at a price of \$1.3748 per security in relation to the payment of the interim distribution for the year ended 30 June 2008.

(ii) Lake Bonney stage 2

Under an arrangement to provide certain management services to the Lake Bonney stage 2 wind farm, 625,287 fully paid stapled securities were issued to NPP Projects II LLC on 10 April 2007 at a price of \$1.778 per stapled security.

(iii) Institutional placement

On 4 May 2007, BBW issued 87,100,000 stapled securities pursuant to an institutional placement. Each stapled security was priced at \$1.80 and total proceeds amounted to \$156,780,000 before costs of \$3,187,000.

In addition to the institutional placement, Babcock & Brown Limited (B&B) agreed that it would subscribe for 4.35m stapled securities at the same price as the institutional placement conditional upon the approval of BBW securityholders at the Annual General Meeting held on 9 November 2007.

Securityholders approved the issue and on 14 November 2007 BBW issued 4,350,000 stapled securities to B&B at a price of \$1.80 per stapled security.

(iv) Alinta scheme of arrangement

On 30 March 2007, BBW announced that it was a member of the consortium bidding for the whole of the issued capital of Alinta Limited via a scheme of arrangement.

On 31 August 2007, under the scheme of arrangement, BBW issued 128,754,789 stapled securities at a price of \$1.6214 and paid \$9.5 million in cash to Alinta shareholders in exchange for \$211 million.

On 4 September 2007 a further 1,392,852 stapled securities were issued at a price of \$1.65 per security to fund BBW's share of payments to option holders in Alinta Limited as foreshadowed in the Scheme Booklet.

(v) Security purchase plan

On 18 September 2007, BBW announced a Security Purchase Plan enabling existing securityholders to acquire up to \$5,000 in value of additional BBW securities at a discount to the market price. Pursuant to this plan, BBW issued 26,935,224 stapled securities on 24 October 2007 at a price of \$1.7188 per security.

(vi) Capital wind farm

On 20 December 2007, BBW issued 7,294,836 stapled securities at a price of \$1.7766 per security as part consideration for the acquisition of the Capital wind farm. Pursuant to the Sale and Purchase Agreement a further 6,760,167 stapled securities were issued on 3 January 2008 at a price of \$1.7041 per security.

14. Earnings per security/ share

	Consolidated	
	2008 Cents per security	2007 Cents per security
Basic and diluted earnings per stapled security/ parent entity share:		
Parent entity share	2.9	1.4
Stapled security	3.0	2.4

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

	2008 \$'000	2007 \$'000
Earnings attributable to the parent entity share holders	23,757	8,610
Earnings attributable to the stapled security holders	24,456	14,364

	2008 No.'000	2007 No.'000
Weighted average number of securities/ shares for the purposes of basic and diluted earnings per security/ share	818,301	594,227

15. Distributions paid

	2008		2007	
	Cents per security	Total \$'000	Cents per security	Total \$'000
<u>Recognised amounts</u>				
Ordinary securities				
Final distribution in respect of 2007 year of 6.25 cents per stapled security (2007: 5.1 cents) paid in September 2007 (2007: September 2006), 100% tax deferred (2007: 100% tax deferred)	6.25	42,067	5.10	29,340
Interim distribution in respect of 2008 year of 7.25 cents (2007: 6.25 cents) per stapled security paid in March 2008 (2007: March 2007), 100% tax deferred (2007: 100% tax deferred)	7.25	61,485	6.25	36,256
		<u>103,552</u>		<u>65,596</u>
Distributions paid in cash or satisfied by the issue of new stapled securities under the Distribution Reinvestment Plan during the year ended 30 June 2008 and the year ended 30 June 2007 were as follows:				
Paid in cash		74,490		50,513
Satisfied by the issue of stapled securities		29,062		15,083
		<u>103,552</u>		<u>65,596</u>

On 28 August 2008, the Directors of BBW declared a final distribution in respect of the year ended 30 June 2008 of 7.25 cents per stapled security (2007: 6.25 cents), 100% tax deferred. The amount that will be paid on 18 September 2008 (2007: 14 September 2007) will be \$62,974,000 (2007: \$42,067,000). As the distribution was declared subsequent to 30 June 2008 no provision has been included as at 30 June 2008.

No franking credits have been generated by the parent entity.

16. Commitments for expenditure

	Consolidated		Parent Entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
(a) Capital expenditure commitments				
Not longer than 1 year	509,186	158,421	-	-
Longer than 1 year and not longer than 5 years	8,400	1,900	-	-
	<u>517,586</u>	<u>160,321</u>	<u>-</u>	<u>-</u>

(b) Lease commitments

Finance lease liabilities and non-cancellable operating lease commitments are disclosed in Note 18 to the financial statements.

	Consolidated		Parent Entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
(c) Other expenditure commitments				
<u>Other</u>				
Not longer than 1 year	3,816	3,666	-	-
Longer than 1 year and not longer than 5 years	15,290	15,078	-	-
Longer than 5 years	51,311	52,695	-	-
	<u>70,417</u>	<u>71,439</u>	<u>-</u>	<u>-</u>

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

17. Contingent liabilities and contingent assets

Contingent liabilities	Consolidated		Parent Entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Letters of credit	45,140	9,663	-	-
Guarantees	84,505	89,753	-	78,587
	<u>129,645</u>	<u>99,416</u>	<u>-</u>	<u>78,857</u>

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.

Framework agreements

The Group has entered into framework agreements which provide it with access to a potential portfolio of wind farms of up to approximately 600MW of installed capacity in Spain and Germany in the period through to the end of 2009.

Wind farms supplied under these framework agreements must satisfy certain contractual conditions before the Group is obliged to acquire under the terms of the agreement. A number of the potential projects are still in the development phase and consequently these conditions precedent may take longer than expected or in fact may never become satisfied. The Group was not obliged to purchase any wind farms under these framework agreements during the period from 30 June 2008 through to the date of this report.

17. Contingent liabilities and contingent assets (cont.)

Gamesa Framework Agreement

BBWPL has entered into a Framework Agreement with Babcock & Brown (UK) Holdings Limited under which BBWPL has secured rights and assumed obligations corresponding to rights and obligations under an agreement between Babcock & Brown (UK) Holdings Limited and Gamesa Energia S.A. ("Gamesa") to acquire wind farms in Spain and Germany with a total installed capacity of up to approximately 350MW in 2008 and 2009 subject to certain conditions being satisfied. Gamesa is a Spanish listed company with a global network of offices that is one of the world's largest manufacturers and suppliers of technologically advanced products and services in the renewable energy sector.

Plambeck Framework Agreement

BBWPL has entered into a Framework Agreement with Plambeck Neue Energien AG ("Plambeck") to acquire a portfolio of wind farms comprising potentially up to approximately 250MW in FY08 and FY09.

18. 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	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Commitments in relation to finance leases are payable as follows:				
No later than 1 year	5,549	5,079	-	-
Later than 1 year and not later than 5 years	22,198	20,314	-	-
Later than five years	32,028	46,789	-	-
Minimum lease payments*	59,775	72,182	-	-
Less future finance charges	(9,031)	(20,834)	-	-
Present value of minimum lease payments	50,744	51,348	-	-
Included in the financial statements as:				
Current borrowings (Note 9)	2,573	2,339	-	-
Non-current borrowings (Note 9)	48,171	49,009	-	-
	50,744	51,348	-	-

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

Operating leases

	Consolidated		Parent Entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
	Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:			
Not longer than 1 year	9,024	3,829	-	-
Longer than 1 year and not longer than 5 years	40,038	15,682	-	-
Longer than 5 years	260,028	76,981	-	-
	309,090	96,492	-	-

19. Subsidiaries

Name of entity	Country of incorporation	Ownership interest	
		2008 %	2007 %
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%	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%	100%
* B&B Walkaway Pty Limited	Australia	100%	100%
B&B Walkaway Trust	Australia	100%	100%
B&B Wind Park Jersey LLC	USA	100%	100%
* B&B Wind Pty Limited	Australia	100%	100%
* BBWP CWF Pty Limited	Australia	100%	-
* BBWP Europe Pty Limited	Australia	100%	100%
* BBWP Europe 2 Pty Limited	Australia	100%	100%
* BBWP Europe 3 Pty Limited	Australia	100%	100%
* BBWP Europe 4 Pty Limited	Australia	100%	100%
* BBWP Europe 5 Pty Limited	Australia	100%	-
BBWP Europe Holdings Malta I Limited	Malta	100%	100%
BBWP Europe Holdings Malta II Limited	Malta	100%	100%
BBWP Europe Holdings Lux SARL	Luxembourg	100%	100%
BBWP Europe Holdings 2 SARL	Luxembourg	100%	-
BBWP Europe KG Holdings II Lux SARL	Luxembourg	100%	100%
BBWP Spain Holdings Lux SARL	Luxembourg	100%	100%
* BBWP Finance (Aust) Pty Limited	Australia	100%	100%
* BBWP Finance (Germany) Pty Limited	Australia	100%	100%
BBWP Finance Lux SARL	Luxembourg	100%	100%
* BBWP Germany Holdings Pty Limited	Australia	100%	100%
* BBWP Germany Holdings 2 Pty Limited	Australia	100%	-
* BBWP Germany Holdings 3 Pty Limited	Australia	100%	-
BBWP Gesa Holding GmbH & Co KG	Germany	100%	-
BBWP Holdings (Bermuda) Limited	Bermuda	100%	-
* BBWP Investments Pty Limited	Australia	100%	-
* BBWP US Partnership	USA	100%	100%
BBWP US Corporation	USA	100%	100%
* BBWP (US) Pty Limited	Australia	100%	100%
* BBWP (US) 2 Pty Limited	Australia	100%	100%
Babcock & Brown Riva Holdings SARL	Luxembourg	50%	-
* Babcock & Brown Renewable Power Investments Trust	Australia	100%	-
* Babcock & Brown Renewable Power Investments Pty Limited	Australia	100%	-
Babcock & Brown Wind Partners France SAS	France	100%	100%
Babcock & Brown Wind Partners US LLC	USA	100%	100%

19. Subsidiaries (cont.)

Babcock & Brown Wind Partners (Spain) S.L.	Spain	100%	100%
Babcock & Brown Wind Portfolio I LLC	USA	100%	100%
Babcock & Brown Wind Portfolio Holdings I LLC	USA	100% ¹	-
Caprock Wind LLC	USA	100% ¹	-
CCWE Holdings LLC	USA	67% ¹	-
Crescent Ridge Holdings LLC	USA	75% ¹	-
Coswig GmbH	Germany	100%	-
* CS CWF Trust	Australia	100%	-
* CS Walkaway Pty Limited	Australia	100%	100%
CS Walkaway Trust	Australia	100%	100%
Eschweiler GmbH	Germany	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% ²	100%
Global Wind Partners UK 4 Ltd	UK	100% ³	100%
* GWP Europe Pty Limited	Australia	100%	100%
* GWP Europe 2 Pty Limited	Australia	100%	100%
* GWP Walkaway Pty Limited	Australia	100%	100%
Kumeyaay Holdings LLC	USA	100% ¹	-
* 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%
Pebble Consultoria e Investimento Sociedade Unipessoal Lda	Portugal	50%	-
Windpark Kaarst			
Renewable Power Ventures Investment Trust	Australia	100%	100%
Renewable Power Ventures Pty Limited	Australia	100%	-
Sistemas Energeticos El Carrascal S.A.	Spain	100%	-
Sistemas Energeticos El Chaparral S.A.	Spain	100%	-
Sistemas Energeticos El Cerradilla S.A.	Spain	100%	-
Sistemas Energeticos Lamata S.A.	Spain	100%	-
Sistemas Energeticos Montes de Conjuero S.A.U.	Spain	100%	70%
Sistemas Energeticos Abadia 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%	100%
Societe d'Exploitation du Parc Eolien Les Trentes SARL	France	100%	100%
Societe d'Exploitation du Parc Eolien Sole de Bellevue SARL	France	100%	100%
Sonnenberg GmbH & Co KG	Germany	100%	-
Walkaway Wind Power Pty Limited	Australia	100%	100%
Windpark Eifel GmbH & Co KG	Germany	100%	100%
Windpark Hiddestorf GmbH & Co KG	Germany	100%	-
* Windpark Kaarst GmbH & Co KG	Germany	100%	100%
Windpark Niederrhein GmbH & Co KG	Germany	99%	99%

* Denotes a member of the BBWPL tax consolidated group.

¹ Class B Member interest

² Dissolved 15 January 2008

³ Dissolved 5 February 2008

20. Subsequent events

On 21 August 2008, the Group agreed to sell its portfolio of operating Spanish wind energy assets with an installed capacity of 420.7MW to Formento de Construcciones y Contratas, S.A. The sale is subject to local authority consents, which are expected to take approximately three months, with financial close occurring thereafter.

21. Financial risk management

(a) Market risks

(i) Interest rate risks

The Group's income and operating cash flows are exposed to interest rate risk as it borrows funds at floating interest rates. The risk is managed by fixing a portion of the floating rate borrowings, by use of interest rate swap contracts. During 2008 and 2007, the Group's borrowings at variable rates were denominated in Australian Dollars, US Dollars and Euros.

A high percentage of the face value of debt in each of the relevant currencies is hedged using interest rate swaps. The table below shows a breakdown of the Group's interest rate debt and swap positions.

In undertaking this strategy the Group is willing to forgo a percentage of the potential economic benefit that would arise in a falling interest rate environment, to protect itself from downside risks of increasing interest rates and secure a greater level of predictability for cash flows.

The Group is exposed to a variety of financial risks: market risk (including currency risk, interest rate risk and electricity price risk), credit risk and liquidity risk.

The principal financial instruments that give rise to this risk comprise cash, receivables, derivative interest rate swaps, derivative forward foreign exchange deals, payables and interest bearing debt.

Risk management is carried out by a central treasury department (Group Treasury) under policies approved by the Board of Directors. Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

The Group's treasury policy provides a framework for managing the financial risks of the Group. The key philosophy of the Group Treasury policy is risk mitigation. The Group Treasury policy specifically does not authorise any form of speculation.

The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as foreign exchange contracts and interest rate swaps to hedge certain risk exposures. In line with the Group Treasury policy derivatives are exclusively used for hedging purposes, not as trading or other speculative instruments.

The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, and aging analysis for credit risk.

There have been no changes to the type or class of financial risks the Group is exposed to since the prior year.

21. Financial risk management (cont'd)

Interest rate swap contracts – designated as cash flow hedges

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. 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:

Outstanding pay fixed Interest rate swaps	Average contracted fixed interest rate		Notional principal amount		Fair value	
	2008	2007	2008	2007	2008	2007
	%	%	\$'000	\$'000	\$'000	\$'000
Fixed swap - Australia Dollar	6.70	6.54	557,531	424,575	24,757	9,372
Fixed swap - Euro	4.32	4.14	2,046,392	447,038	90,748	16,050
Fixed swap - US Dollar	5.28	5.26	456,858	347,222	(24,105)	8,783
			3,060,781	1,218,835	91,400	34,205

Floating rate debt as at Balance date.

The table below details the total amount of floating rate debt the Group holds as at 30 June 2008.

The floating rate debt is denominated in AUD, USD and EUR.

The debt is re-priced every 6 months.

AUD debt is priced using the 6 month BBSW rate plus the defined facility margin.

EUR debt is priced using the 6 month Euribor rate plus the defined facility margin.

USD debt is priced using the 6 month Libor rate plus the defined facility margin.

The average 6 month floating rate detailed in the table below is not inclusive of the facility margin.

The current average facility margin is 87 points.

The percentage of the total debt hedged is the portion of the total debt that is hedged at a fixed rate.

The fixed rates are shown in the above interest rate swap table.

Outstanding floating rate debt	Floating Debt		Debt principal amount		% of Debt Hedged	
	2008	2007	2008	2007	2008	2007
	%	%	\$'000	\$'000	\$'000	\$'000
AUD debt	8.01	7.03	568,823	497,997	98%	85%
EUR debt	5.12	4.92	2,341,734	562,503	87%	80%
USD debt	3.13	5.21	589,071	255,376	78%	136%
			3,499,628	1,315,876	88%	93%

21. Financial risk management (cont'd)

The table below shows the maturity profile of the interest rate swaps as of 30 June 2008 and 30 June 2007.

2008	Fair value	Undiscounted fair value	Up to 12 months	1 to 5 years	Over 5 years
	AUD\$'000	AUD\$'000	AUD\$'000	AUD\$'000	AUD\$'000
AUD swaps	24,757	31,036	7,458	18,281	5,297
EUR swaps	90,748	131,366	20,506	45,444	65,416
USD swaps	(24,105)	(29,386)	(9,414)	(16,116)	(3,856)
	91,400	133,016			

2007	Fair value	Undiscounted fair value	Up to 12 months	1 to 5 years	Over 5 years
	AUD\$'000	AUD\$'000	AUD\$'000	AUD\$'000	AUD\$'000
AUD swaps	9,372	12,112	696	6,887	4,529
EUR swaps	16,050	22,623	1,038	7,390	14,195
USD swaps	8,783	13,397	186	2,118	11,093
	34,205	48,132			

The gain or loss from remeasuring the hedging instruments at fair value is deferred in equity in the hedging reserve, to the extent that the hedge is effective, and reclassified into profit and loss when the hedged interest expense is recognised. The ineffective portion is recognised in the income statement immediately. In the year ended 30 June 2008, a net figure of AUD 2,802,647 was transferred to profit (2007:AUD 23,131,352) and included in finance cost.

Sensitivity

The sensitivity to interest rate movement of net profit before tax and equity have been determined based on the exposure to interest rates at the reporting date. A sensitivity of 100 basis points has been selected across the 3 currencies to which the Group is exposed to floating rate debt, AUD, EUR and USD. The 100 basis points sensitivity is deemed to be flat across the yield curve and is a reasonable estimate of movement based on current long term and short term interest rates.

21. Financial risk management (cont'd)

Consolidated			AUD	AUD	EUR	EUR	USD	USD
2008			+100 bps	-100 bps	+100 bps	-100 bps	+100	-100 bps
AUD \$'000								
Impact on income statement								
Cash	AUD	42,293	423	(423)	-	-	-	-
	EUR	119,917	-	-	1,199	(1,199)	-	-
	USD	46,295	-	-	-	-	463	(463)
		208,505						
Borrowings	AUD	568,823	(113)	113	-	-	-	-
	EUR	2,341,734	-	-	(2,953)	2,953	-	-
	USD	589,071	-	-	-	-	(1,302)	1,302
		3,499,628						
Derivatives - interest rate swaps	AUD	557,531	4,745	(4,745)	-	-	-	-
	EUR	2,046,392	-	-	7,486	(7,486)	-	-
	USD	456,858	-	-	-	-	-	-
Total income statement		3,060,781	5,055	(5,055)	5,732	(5,732)	(839)	839
Impact on hedge reserve								
Derivatives - interest rate swaps	AUD	557,531	33,382	(33,382)	-	-	-	-
	EUR	2,046,392	-	-	135,825	(135,825)	-	-
	USD	456,858	-	-	-	-	34,323	(34,323)
2007			AUD	AUD	EUR	EUR	USD	USD
AUD \$'000			+100 bps	-100 bps	+100 bps	-100 bps	+100	-100 bps
Impact on income statement								
Cash	AUD	182,348	1,823	(1,823)	-	-	-	-
	EUR	23,559	-	-	236	(236)	-	-
	USD	237,062	-	-	-	-	2,371	(2,371)
		442,969						
Financial assets	USD	581,033	-	-	-	-	(44,841)	44,841
		581,033						
Borrowings	AUD	497,997	(534)	534	-	-	-	-
	EUR	562,503	-	-	(1,361)	1,361	-	-
	USD	255,376	-	-	-	-	(965)	965
		1,315,876						
Derivatives - interest rate swaps	AUD	444,575	5,316	(5,316)	-	-	-	-
	EUR	426,358	-	-	-	-	-	-
	USD	158,917	-	-	-	-	8,116	(8,116)
Total income statement		1,029,850	6,605	(6,605)	(1,125)	1,125	(35,333)	35,333
Impact on hedge reserve								
Derivatives - interest rate swaps	AUD	444,575	22,994	(22,994)	-	-	-	-
	EUR	426,358	-	-	33,798	(33,798)	-	-
	USD	158,917	-	-	-	-	18,424	(18,424)

21. Financial risk management (cont'd)

The impact on net profit is largely due to the Group's exposure to interest rates on its non-hedged variable rate borrowings. The impact on equity is due to the effective portion of the change in fair value of derivatives that are designated as cash flow hedges.

Parent Entity 2008 AUD \$'000			AUD	AUD	EUR	EUR	USD	USD
			+100 bps	-100 bps	+100 bps	-100 bps	+100 bps	-100 bps
Impact on income statement								
Cash	AUD	16,087	161	(161)				
	EUR	15,324			153	(153)		
	USD	15,883					159	(159)
2007								
Parent Entity 2007 AUD \$'000			AUD	AUD	EUR	EUR	USD	USD
			+100 bps	-100 bps	+100 bps	-100 bps	+100 bps	-100 bps
Impact on income statement								
Cash	AUD	23,265	233	(233)	-	-	-	-
	Derivatives - interest rate swaps	USD 2,716	-	-	-	-	8,116	(8,116)

(ii) Foreign currency risks

The Group has wind farm operations in Australia, USA and Europe.

The Group generates AUD, USD & EUR revenue from these operations. The Group and the parent entity are exposed to a decline in value of EUR and USD versus the AUD, decreasing the value of AUD equivalent revenue from its' European and US wind farm operations.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency and net investments in foreign operations. The risk is measured using sensitivity analysis and cash flow forecasting.

The Group strives to naturally hedge in all possible situations so the majority of the Groups' expenses are denominated in the same currency as the associated revenues. For example under the Group's debt facility the matching principle is used so debt is drawn down in the currency of the underlying operation. This leaves only the net income of the operation that is exposed to currency fluctuations.

Consistent with Group's Treasury guidelines based on capital preservation, the Group utilises forward foreign exchange contracts to hedge the returns of net investment from its European and US operations.

21. Financial risk management (cont'd)

Forward foreign exchange contracts

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

Outstanding contracts	Average exchange rate		Foreign currency		Contract value		Fair value	
	2008	2007	2008	2007	2008	2007	2008	2007
			FC'000	FC'000	\$'000	\$'000	\$'000	\$'000
Sell EUR buy AUD	0.5765	0.5787	105,600	15,700	183,172	27,130	3,093	1,711
Sell USD buy AUD	0.8377	0.7737	80,750	38,475	96,396	49,726	6,580	3,789
					279,568	76,856	9,673	5,500

As at the reporting date the aggregate amount of unrealised gains under forward foreign exchange contracts relating to anticipated future transactions is \$9,673,590 (2007: \$5,500,000). All amounts relating to the forward foreign exchange contracts were recognised in the income statement.

The cash flows are expected to occur at various dates between one month and 3 years. At balance date, the details of outstanding contracts are:

Buy AUD	Sold Euro		Average exchange rate	
	2008	2007	2008	2007
0-1 year	89,677	17,685	0.5843	0.5822
1-2 years	61,804	9,445	0.5695	0.5721
2-3 years	31,691		0.5680	
	183,172	27,130		

Buy AUD	Sold USD		Average exchange rate	
	2008	2007	2008	2007
0-1 year	43,870	29,406	0.8263	0.7796
1-2 years	36,455	15,377	0.8366	0.7674
2-3 years	16,071	4,943	0.8711	0.7585
	96,396	49,726		

21. Financial risk management (cont'd)

The Group's balance sheet exposure to foreign currency risk at the reporting date was as follows.

Consolidated AUD \$'000	2008		2007	
	EUR	USD	EUR	USD
Cash	61,346	15,915	92,134	8,519
Trade receivable	3,729	-	434	4,749
Prepaid Investment	1,391	306	-	-
Net investment in foreign operations	668,967	255,473	175,084	441,528
Trade payables	(4,834)	(8)	(35)	(35)
Bank loans	(265,412)	(60,504)	(123,670)	(68,587)
Forward exchange contracts – sell foreign currency (cash flow hedges)	(173,072)	(83,844)	(24,850)	(32,684)
Total Exposure AUD \$'000	292,115	127,338	119,097	353,220

The parent entity's exposure to foreign currency risk at the reporting date was as follows:

Parent Entity AUD \$'000	2008		2007	
	EUR	USD	EUR	USD
Cash	15,324	15,883	7,740	8,519
Trade receivable	2,407	-	1	2,717
Prepaid Investment	592	(13)	-	-
Net investment in foreign operations	378,656	(82,969)	54,066	78,567
Trade payables	(3,279)	(8)	(1)	-
Bank loans	-	-	-	-
Forward exchange contracts – sell foreign currency (cash flow hedges)	(173,072)	(83,844)	(24,850)	(32,684)
Total Exposure AUD \$'000	220,628	(150,951)	36,956	57,119

Sensitivity

The following table details the Groups' sensitivity to a 10% change in the AUD against the USD and the EUR, with all other variables held constant, as at the reporting date, for its unhedged foreign exchange exposure.

A sensitivity of 10% has been selected as this is considered reasonable given the current level of exchange rates and the volatility observed on an historic basis and market expectations for future movement.

Consolidated AUD \$'000	AUD/EUR	AUD/EUR	AUD/USD	AUD/USD
	+ 10%	- 10%	+ 10%	- 10%
2008				
Income statement	20,378	(20,378)	4,429	(4,429)
FCTR (Foreign currency translation reserve)	(49,589)	49,589	(17,163)	17,163
2007				
Income statement	3,113	(3,113)	5,535	(5,535)
FCTR (Foreign currency translation reserve)	(15,023)	15,023	(40,784)	40,784

21. Financial risk management (cont'd)

Parent Entity AUD \$'000	AUD/EUR	AUD/EUR	AUD/USD	AUD/USD
	+ 10%	- 10%	+ 10%	- 10%
2008				
Income statement	(1,504)	1,504	(1,586)	1,586
FCTR (Foreign currency translation reserve)	(20,558)	20,558	16,681	(16,681)
2007				
Income statement	(773)	773	(1,123)	1,123
FCTR (Foreign currency translation reserve)	(2,921)	2,921	(4,588)	4,588

(iii) Electricity price risks

The Group has wind farm operations in Australia, USA and Europe, and sells electricity to utility companies in each of the regions it operates.

The financial risk to the Group is that a decrease in the electricity price reduces revenue earned.

To mitigate the financial risks of electricity prices falling, the Group has entered into producer pricing agreements and fixed tariff agreements to fix the sale price of the electricity it produces. As of 30 June 2008 the Group is exposed to market electricity prices for 247MW of its Spain wind production, 159MW of Australian Lake Bonney 2 wind production, and 173MW of US wind production.

In undertaking this strategy of fixing a percentage of its wind electricity sales, the Group is willing to forgo a percentage of the potential economic benefit that would arise in an increasing electricity price environment, to protect itself from downside risks of decreasing electricity prices and secure a greater level of predictability of cash flows.

Sensitivity

The following table details the Groups' sensitivity to a 10% change in the electricity price, with all other variables held constant as at the reporting date, for its unhedged exposure to the electricity market.

A sensitivity of 10% has been selected as this is considered, reasonable given the current level of electricity prices and the volatility observed on an historic basis and market expectations for future movement.

Consolidated AUD \$'000	Electricity Price	Electricity Price
	+ 10%	- 10%
2008		
Income statement	8,043	(8,043)
2007		
Income statement	1,919	(1,919)

Changes in electricity prices would have no effect on net profit of the parent entity.

21. Financial risk management (cont'd)

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks, as well as credit exposures to customer. The Group exposure is continuously monitored and the aggregate value of transactions are spread amongst creditworthy counterparties.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. BBW as a wind generator sells electricity to large utility companies that operate in the regions it has wind farms. The utility companies are situated in Australia, France, Germany, Portugal, Spain, and in many different states of USA. No one utility company represents a significant portion of the total accounts receivable balance. BBW does not assess the credit rating of the utility companies it sells electricity too, due to the limited risk each utility company poses to the overall accounts receivable balance.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with credit-ratings assigned by international credit-rating agencies as above investment grade.

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

Consolidated	Within credit terms \$'000	Past due but not impaired \$'000	Impaired \$'000	Description
2008				
Bank deposits	208,505			Banks are investment grade or above
Derivative - Interest rate swap	91,400			Banks are investment grade or above
Derivative – Forward FX	9,674			Banks are investment grade or above
Trade receivables	68,077	2,337		Spread geographically with large utility companies
Government grant receivable	34,313			Due from Portugal Govt.
Amounts due from related parties	10,532			Due from B&B
GST, VAT and other tax receivables	78,891			National and regional governments
2007				
Bank deposits	442,969			Banks are investment grade or above
Derivative – Interest rate swap	34,469			Banks are investment grade or above
Derivative – Forward FX	76,857			Banks are investment grade or above
Trade receivables	20,045			Spread geographically with large utility companies
Interest receivable	170			Banks are investment grade or above
GST, VAT and other tax receivables	22,739			National and regional governments
Other receivables	1,040			

21. Financial risk management (cont'd)

Parent Entity	Within credit terms \$'000	Past due but not impaired \$'000	Impaired \$'000	Description
2008				
Bank deposits	47,294			Banks are investment grade or above
Derivative – Forward FX	9,674			Banks are investment grade or above
Interest receivable	1,221			Due from members of the consolidated group
Amounts due from related parties	37,351			Due from members of the consolidated group
2007				
Bank deposits	23,265			Banks are investment grade or above
Derivative financial instruments – forward foreign exchange contracts	76,857			Banks are investment grade or above
Interest receivable	676			Due from members of the consolidated group
Amounts due from related parties	47,456			Due from members of the consolidated group
GST, VAT and other tax receivables	946			National and regional governments
	49,078			

(c) Liquidity risks

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.

The tables below sets out the Group's and parent entity's financial liabilities at balance date and places them into relevant maturity groupings based on the remaining period at balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flow. For interest rate swaps, the cash flows have been estimated using forward interest rates applicable at the reporting date.

21. Financial risk management (cont'd)

**Consolidated
2008**

	Up to 12 months \$'000	1 to 5 years \$'000	Over 5 years \$'000	Total contractual cash flows \$'000
Gross loan commitments	169,332	925,891	2,404,405	3,499,628
Gross finance lease	5,550	22,197	32,028	59,775
Interest rate swap payable	9,541	16,790	7,606	33,937
Interest rate swap (receivable)	(27,963)	(63,821)	(74,027)	(172,992)
Forward foreign exchange payable	123,519	133,396	-	243,760
Forward foreign exchange (receivable)	(133,547)	(146,021)	-	(279,568)
Current Payables	265,649	-	-	265,649

2007

	Up to 12 months \$'000	1 to 5 years \$'000	Over 5 years \$'000	Total contractual cash flows \$'000
Gross loan commitments	36,903	338,609	940,363	1,315,876
Gross finance lease	5,079	20,314	46,789	72,182
Interest rate swap payable	275	-	-	266
Interest rate swap receivable	(2,196)	(16,394)	(29,816)	(48,406)
Forward foreign exchange payable	43,285	26,857	-	70,141
Forward foreign exchange receivable	(47,091)	(29,766)	-	(76,857)
Current Payables	257,049	-	-	257,049

**Parent Entity
2008**

	Up to 12 months \$'000	1 to 5 years \$'000	Over 5 years \$'000	Total contractual cash flows \$'000
Forward foreign exchange payable	123,519	133,396	-	243,760
Forward foreign exchange (receivable)	(133,547)	(146,021)	-	(279,568)
Intercompany loans payable	1,178,446	-	-	1,178,446
Intercompany loans (receivable)	(1,035,849)	-	-	(1,035,849)
Current Payables	17,547	-	-	17,547

2007

	Up to 12 months \$'000	1 to 5 years \$'000	Over 5 years \$'000	Total contractual cash flows \$'000
Forward foreign exchange payable	43,285	26,857	-	70,141
Forward foreign exchange (receivable)	(47,091)	(29,766)	-	(76,857)
Intercompany loans payable	963,257	-	-	963,257
Intercompany loans (receivable)	(816,925)	-	-	(816,925)
Current Payables	12,726	-	-	12,726

21. Financial risk management (cont'd)

Capital Risk Management

The Group's and the parent entity's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for securityholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to securityholders, return capital to securityholders, issue new securities or sell assets to reduce debt.

The capital structure of the Group consists of total corporate facilities as listed in note 9, and equity, comprising issued capital, reserves and retained earnings.

The board of directors review the capital structure, and as part of this review, consider the cost of capital and the risks and rewards associated with each class of capital.

The Group has to maintain certain ratios in regard to compliance with its banking facility.

These two ratio's are set out below:

Leverage Ratio – Debt / EBITDA

Cash Flow Cover Ratio – EBITDA / Scheduled Interest and principal repayments.

During the year the ratios have been fully complied with.

Fair value estimation

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

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 reporting date. The quoted market price used for financial assets held by the Group is the current bid price.

Derivative contracts classified as held for trading are fair valued by comparing the contracted rate to the current market rate for a contract with the same remaining period to maturity.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives and investments in unlisted subsidiaries) 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 reporting 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.