

Babcock & Brown Wind Partners Trust

ARSN 116 244 118

Annual Financial Report

for the year ended 30 June 2007

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DIRECTORS' REPORT

CORPORATE STRUCTURE

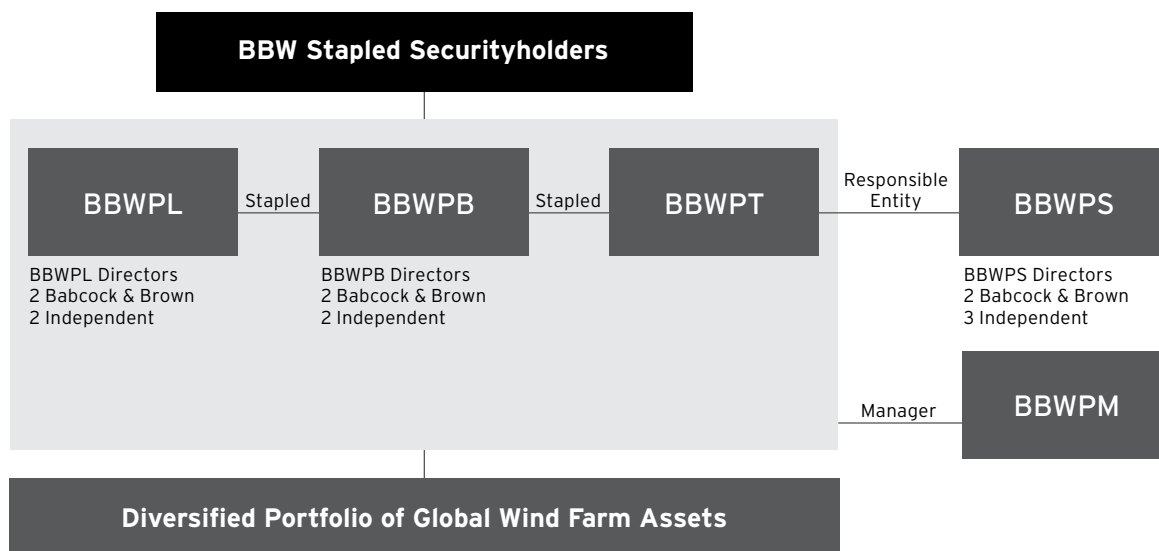
The Babcock & Brown Wind Partners Group ("BBW") consists of the following entities:

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

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

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

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



DIRECTORS' REPORT

REPORT OF THE DIRECTORS OF THE RESPONSIBLE ENTITY

In respect of the year ended 30 June 2007, the directors of BBWPS, the Responsible Entity of BBWPT, submit the following report on the financial results of BBWPT and its controlled entities.

DIRECTORS

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

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

DIRECTORS' REPORT

NILS ANDERSEN
Independent Director

Appointed on
9 September 2005

Nils Andersen worked at Vestas, the Danish wind turbine manufacturer, for over 20 years. Nils was managing director of Vestas-Australia throughout 2003 and 2004, and in this role Nils was also responsible for sales and marketing in the Pacific Region and South Africa.

Nils started his career with Vestas as the export manager, responsible for market development worldwide and with a special focus on Indian sub-continent and Asia-Pacific countries. He subsequently held a number of management positions in sales and market development reporting to the CEO and then the board. Nils also held a number of board positions within the Vestas group of companies, and his experience expands across the globe.

Nils has also held industry positions such as export trade and international development councils and between 1994 and 1998 he was the vice-president of the European Wind Industry Association. Prior to joining Vestas, Nils worked for FL Smidth (a leading manufacturer in cement plants based in Denmark) in Brazil, South Africa and Denmark.

Nils holds a Bachelor of Engineering degree and is a mechanical engineer by training. Nils is based in Denmark.

WARREN MURPHY
(Babcock & Brown executive)
Director

Appointed on 14 April 2005

Warren Murphy is a senior executive in Babcock & Brown's Infrastructure group. Warren has led the development of Babcock & Brown's energy sector capability in Australia and New Zealand, including the renewable energy business, and has specialised in the development of new projects in the infrastructure sector.

Recent transactions include the co-development of Redbank, Oakey, Braemar and Kwinana power stations, and the co-development of a number of renewable energy projects, including the Alinta and Lake Bonney wind farms in the initial portfolio of BBW. Prior to joining Babcock & Brown in 1997, Warren was a director of the project finance division of AIDC and before that worked at Westpac Banking Corporation.

Warren holds a Bachelor of Engineering (Hons) and a Bachelor of Commerce in Accounting and Economics. Warren is based in Sydney.

MICHAEL GARLAND
(Babcock & Brown executive)
Alternate Director for Peter Hofbauer and Warren Murphy

Appointed on 8 May 2007

Michael Garland manages the US Infrastructure team of Babcock & Brown.

Prior to joining Babcock & Brown in 1986, Michael was a director of the State of California Energy Assessments Office where he was responsible for the implementation of the State Government's environmental and energy policies. Michael also coordinated and oversaw certain design, construction, financing and operations relating to the California State energy facilities.

Michael is a graduate of the University of California at Berkeley. Michael is based in San Francisco.

ANTONINO LO BIANCO
(Babcock & Brown executive)
Alternate Director for Warren Murphy and Peter Hofbauer

Appointed on 8 May 2007

Antonino Lo Bianco manages the European Infrastructure team of Babcock & Brown.

Prior to joining Babcock & Brown in 1993, Antonino worked with Nomura International plc as a member of its Italian Corporate Finance Group.

Antonino is a graduate in Business Administration from Bocconi University in Milan. Antonino is based in Milan.

DIRECTORS' REPORT

COMPANY SECRETARIES

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

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

FORMER PARTNERS OF THE AUDIT FIRM

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

PRINCIPAL ACTIVITIES

BBWPT holds interests in financial investments and non-controlling interests in wind energy generation assets.

REVIEW OF OPERATIONS

A review of the operations of BBW and the results of those operations for the year ended 30 June 2007 are included in the BBW 2007 Annual Report.

The profit attributable to unitholders of BBWPT for the year amounted to \$8,151,000 compared to a profit of \$4,114,000 for the prior year. The change in profit is predominantly due to interest income on loans receivable and equity accounted profits from an investment in an associate, offset by higher management fees. Further specific information relating to the operations of BBWPT for the year ended 30 June 2007 is included in the Financial Statements and accompanying Notes.

CHANGES IN STATE OF AFFAIRS

During the financial year there was no significant change in the state of affairs of BBWPT other than that referred to in the financial statements and accompanying Notes.

ALINTA SCHEME OF ARRANGEMENT

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

DIRECTORS' REPORT

FUTURE DEVELOPMENTS

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

ENVIRONMENTAL REGULATIONS

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

DISTRIBUTIONS

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

BBWPT also paid a final distribution of 6.25 cents per stapled security for the full year to 30 June 2007 on 14 September 2007.

INDEMNIFICATION OF OFFICERS

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

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

DIRECTORS' MEETINGS

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

Directors	Held	Attended
P Hofbauer	14	14
A Battle	14	14
D Clemson	14	12
N Andersen	14	12
W Murphy	14	14

COMMITTEE MEETINGS

The members of the BBWPS Audit, Risk & Compliance Committees are D Clemson (Chairman), A Battle and P Hofbauer. Below are the number of Audit, Risk & Compliance Committee meetings held during the year to 30 June 2007, as well as the number of meetings attended by each Committee member.

Directors	Held	Attended
D Clemson	4	3
A Battle	4	4
P Hofbauer	4	4

DIRECTORS' REPORT

DIRECTORS' SECURITY HOLDINGS

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

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

1 Alternate Directors

REMUNERATION REPORT

SPECIALISED FUNDS PLATFORM

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

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

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

The Babcock & Brown remuneration philosophy seeks to focus on:

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

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

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

REMUNERATION COMMITTEE

Role of the Babcock & Brown Remuneration Committee

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

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

DIRECTORS' REPORT

Membership of the B&B Remuneration Committee

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

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

BBWPS DIRECTORS

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

Name	Role
Peter Hofbauer ¹	Non-Executive Chairman
Anthony Battle	Lead Independent Non-Executive Director
Douglas Clemson	Independent Non-Executive Director
Nils Andersen	Independent Non-Executive Director
Warren Murphy ¹	Non-Executive Director

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

REMUNERATION POLICY AND STRUCTURE

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

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

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

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

Board / Committee	Role	Fee (p.a)
Board	Independent Director	\$37,500
	Lead Independent Director	\$3,333 ¹
Audit, Risk & Compliance Committee	Independent Chairman	\$4,000
	Independent Member	\$2,000

¹ The Lead Independent Director receives a total amount of \$10,000 for acting in this position for the BBWPS, BBWPL and BBWPB Boards.

DIRECTORS' REPORT

EXECUTIVES

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

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

REMUNERATION POLICY AND STRUCTURE

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

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

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

Remuneration Framework and Philosophy

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

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

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

Fixed Remuneration

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

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

DIRECTORS' REPORT

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

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

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

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

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

Long-Term Incentive Plan (LTIP)

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

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

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

Executive Employment Agreements

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

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

DIRECTORS' REPORT

BBW REMUNERATION OF DIRECTORS AND EXECUTIVES

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

	Year	Short-term employee benefits			Post-employment benefits	Long-term employee benefits	Total \$
		Salary \$	STIP relating to current period \$	Non-monetary benefits \$	Super-annuation \$	Share based payments ¹ \$	
Directors							
P Hofbauer²	2007	39,500	-	-	-	-	39,500
	2006	-	-	-	-	-	-
A Battle	2007	39,297	-	-	3,536	-	42,833
	2006	31,652	-	-	2,849	-	34,501
D Clemson	2007	38,074	-	-	3,426	-	41,500
	2006	30,667	-	-	2,760	-	33,427
N Andersen	2007	34,404	-	-	3,096	-	37,500
	2006	27,711	-	-	2,494	-	30,205
W Murphy²	2007	37,500	-	-	-	-	37,500
	2006	-	-	-	-	-	-
Total remuneration for Directors	2007	188,775	-	-	10,058	-	198,833
	2006	90,030	-	-	8,103	-	98,133
Executives³							
P O'Connell	2007	182,500	-	-	6,343	53,718	242,561
	2006	357,500	455,667	-	14,162	22,699	850,028
M George	2007	131,250	829,250	-	6,343	194,089	1,160,932
	2006	-	-	-	-	-	-
G Dutailis	2007	277,250	368,750	-	12,686	49,971	708,657
	2006	215,312	138,750	-	9,104	6,992	370,158
G Dover	2007	252,793	121,000	-	12,686	4,189	390,668
	2006	-	-	-	-	-	-
D Richardson	2007	121,934	106,960	-	12,686	2,234	243,814
	2006	45,657	8,800	-	3,642	-	58,099
Total remuneration for Executives	2007	965,727	1,425,960	-	50,744	304,201	2,746,632
	2006	618,469	603,217	-	26,908	29,691	1,278,285

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

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

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

DIRECTORS' REPORT

BBW Remuneration Components as a Proportion of Total BBW Remuneration

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

	Performance-based remuneration			Total (%)
	Fixed remuneration (%)	Cash STIP (%)	Share based payments ¹ (%)	
Directors				
P Hofbauer	100	-	-	100
A Battle	100	-	-	100
D Clemson	100	-	-	100
N Andersen	100	-	-	100
W Murphy	100	-	-	100
Executives²				
M George	12	71	17	100
G Dutailis	41	52	7	100
G Dover	68	31	1	100
D Richardson	55	44	1	100

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

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

BBW SECURITY OPTIONS

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

DIRECTORS' REPORT

LINK BETWEEN REMUNERATION POLICY AND BBW'S PERFORMANCE

Due to BBW having stapled securities, the following information relates to the performance of the BBW Group and not the performance of BBWPT. Since listing on the Australian Securities Exchange (ASX) on 28 October 2005, BBW has achieved a total securityholder return of 51.7% to 30 June 2007, and has performed in line with the Standard & Poors ASX 200 accumulation index (which has also increased by 51.7%) over the same period.

TOTAL SECURITY HOLDER RETURN (TSR)



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

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

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

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

DIRECTORS' REPORT

PROCEEDINGS ON BEHALF OF BBWPT

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

NON-AUDIT SERVICES

No non-audit services, were provided by the auditor during the year.

AUDITOR'S INDEPENDENCE DECLARATION

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

ROUNDING

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

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

On behalf of the Directors of BBWPS:

A handwritten signature in black ink, appearing to read 'P. Hofbauer', written in a cursive style.

PETER HOFBAUER
Chairman

Sydney, 17 September 2007

AUDITOR'S INDEPENDENCE DECLARATION



PricewaterhouseCoopers
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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of Babcock & Brown Wind Partners Trust for the year ended 30 June 2007, I declare that to the best of my knowledge and belief, there have been:

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

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

A handwritten signature in black ink, appearing to read 'AW', with a stylized flourish extending to the right.

ANDREW WILSON
Partner
PricewaterhouseCoopers
Sydney, 17 September 2007

INDEPENDENT AUDITOR'S REPORT



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**INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF
BABCOCK & BROWN WIND PARTNERS TRUST
REPORT ON THE FINANCIAL REPORT AND THE AASB 124 REMUNERATION DISCLOSURES
CONTAINED IN THE DIRECTORS' REPORT**

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

We have also audited the remuneration disclosures contained in the director's report. As permitted by the Corporations Regulations 2001, the registered scheme has disclosed information about the remuneration of directors and executives ("remuneration disclosures"), required by Accounting Standard AASB 124 Related Party Disclosures, under the heading "remuneration report" in pages 6 to 11 of the directors' report and not in the financial report.

Directors' responsibility for the Financial Report and the AASB 124 Remunerations Disclosures contained in the Directors' Report

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

The directors of Babcock & Brown Wind Partners Services Limited are also responsible for the remuneration disclosures contained in the directors' report.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report and the remuneration disclosures contained in the directors' report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report and the remuneration disclosures contained in the directors' report whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report and the remuneration

INDEPENDENT AUDIT REPORT



disclosures contained in the directors' report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report and the remuneration disclosures contained in the directors' report.

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

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

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

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

Matters relating to the electronic presentation of the audited financial report

This audit report relates to the financial report and remuneration disclosures of Babcock & Brown Wind Partners Trust (the registered scheme) for the financial year ended 30 June 2007 included on the Babcock & Brown Wind Partners Trust web site. The directors of Babcock & Brown Wind Partners Services Limited are responsible for the integrity of the Babcock & Brown Wind Partners Trust web site. We have not been engaged to report on the integrity of this web site. The audit report refers only to the financial report and remuneration disclosures identified below. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report or remuneration report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report and remuneration report to confirm the information included in the audited financial report and remuneration report presented on this web site.

Independence

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

Auditor's opinion on the Financial Report

In our opinion:

- (a) the financial report of Babcock & Brown Wind Partners Trust is in accordance with the Corporation Act 2001, including:
 - (i) giving a true and fair view of the registered scheme's and consolidated entity's financial position as at 30 June 2007 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- (b) the consolidated financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1(a).

Auditor's opinion on the AASB 124 Remuneration Disclosures Contained in the Directors' Report

In our opinion, the remuneration disclosures that are contained in the directors' report in pages 6 to 11 comply with Accounting Standard AASB 124.

A stylized signature of the PricewaterhouseCoopers firm, written in a cursive script.

PricewaterhouseCoopers

A stylized signature of AJ Wilson, written in a cursive script.

AJ WILSON
Partner

Sydney, 17 September 2007

Liability limited by a scheme approved under Professional Standards Legislation

DIRECTORS' DECLARATION

In the opinion of the Directors of Babcock & Brown Wind Partners Services Limited ("BBWPS"), the consolidated financial statements for Babcock & Brown Wind Partners Trust ("BBWPT" or the "Trust") (as defined in Note 1) as set out on pages 18 to 41:

- comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- give a true and fair view of the consolidated financial position of BBWPT as at 30 June 2007 and of its performance, as represented by the results of its operations and cash flows, for the year ended on that date.

In the Directors' opinion:

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

The Directors have been given the declarations required by section 295A of the Corporations Act 2001.

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

On behalf of the Directors:



PETER HOFBAUER
Director

Sydney, 17 September 2007

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

	Note	Consolidated		Parent	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Interest income	2	9,161	4,168	9,161	4,168
Share of net profit of associates	7	3,418	1,691	-	-
Operating expenses	2	(1,673)	(474)	(1,668)	(474)
Management charges	2	(1,661)	(730)	(1,661)	(730)
Profit/(loss) from operating activities		9,245	4,655	5,832	2,964
Finance costs - net profit attributable to the minority interest	7	(1,094)	(541)	-	-
Net profit/(loss) attributable to the unit holders		8,151	4,114	5,832	2,964
Basic and diluted earnings per unit (cents)	11	1.4	1.1	1.0	0.8

The above income statement should be read in conjunction with the accompanying Notes to the Financial Statements.

BALANCE SHEET

AS AT 30 JUNE 2007

	Note	Consolidated		Parent	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Current assets					
Cash and cash equivalents	16	337	919	337	919
Trade and other receivables	5	5,039	3,988	5,039	3,988
Total current assets		5,376	4,907	5,376	4,907
Non-current assets					
Receivables	5	784,337	675,943	783,121	674,727
Investment in associate	7	54,816	51,398	-	-
Interests in controlled entities	6	-	-	21,639	21,639
Total non-current assets		839,153	727,341	804,760	696,366
Total assets		844,529	732,248	810,136	701,273
Current liabilities					
Trade and other payables	8	1,020	478	1,015	478
Total current liabilities		1,020	478	1,015	478
Non-current liabilities					
Payables	8	494	494	-	-
Share of net assets attributable to minority interests		30,425	28,623	-	-
Total non-current liabilities		30,919	29,117	-	-
Total liabilities		31,939	29,595	1,015	478
Net assets		812,590	702,653	809,121	700,795
Equity					
Contributed equity	9	800,325	697,831	800,325	697,831
Retained profits	10	12,265	4,114	8,796	2,964
Reserves	10	-	708	-	-
Total equity and net assets attributable to the unit holders		812,590	702,653	809,121	700,795

The above Balance Sheet should be read in conjunction with the accompanying Notes to the Financial Statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2007

	Note	Consolidated		Parent	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Total equity at the beginning of the year		702,653	163,140	700,795	163,140
Adjustment to equity on adoption of AASB 132 and AASB 139, net of tax:					
-Transfer of net assets attributable to security holders from equity to liability		-	(163,140)	-	(163,140)
Restated total equity at the beginning of the financial year		702,653	-	700,795	-
Share of movement in associate's hedge reserve		(708)	708	-	-
Net income recognised directly in equity		(708)	708	-	-
Net profit/ (loss) for the year		8,151	4,114	5,832	2,964
Total recognised income and expense		7,443	4,822	5,832	2,964
Transactions with equity holders in their capacity as equity holders:					
Transfer of net assets attributable to security holders from liability to equity	9	-	161,512	-	161,512
Contributions of equity, net of costs	9	166,989	481,303	166,989	481,303
Securities issued as consideration for purchase of interest in subsidiaries	9	-	67,320	-	67,320
Securities issued as consideration for management fees	9	-	12,898	-	12,898
Securities issued as consideration in relation to services	9	1,101	-	1,101	-
Distributions paid, net of distribution reinvestment plan	9	(65,596)	(25,202)	(65,596)	(25,202)
Total equity at the end of the year		812,590	702,653	809,121	700,795

The above Statement of Changes in Equity should be read in conjunction with the accompanying Notes to the Financial Statements.

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

	Note	Consolidated		Parent	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Cash flows from operating activities					
Profit/(loss) for the year		8,151	4,114	5,832	2,964
Share of associates' profit (less dividends)		(2,324)	(1,150)	-	-
Foreign exchange (gain)/ loss		917	-	917	-
Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses:					
(Increase)/decrease in assets:					
Current receivables		(1,051)	(3,813)	(1,051)	(3,813)
Increase/(decrease) in liabilities:					
Current payables		414	478	409	478
Net cash provided by/(used in) operating activities		6,107	(546)	6,107	(546)
Cash flows from investing activities					
Payment for investments in associates and controlled entities	16	-	(749)	-	(749)
Net cash used in investing activities		-	(749)	-	(749)
Cash flows from financing activities					
Proceeds from issues of units, net of costs		152,184	481,303	152,184	481,303
Repayment of borrowings		299,413	50,215	299,413	50,215
Distributions paid to security holders		(50,513)	(26,830)	(50,513)	(26,830)
Loans advanced to related parties		(407,773)	(502,577)	(407,773)	(502,577)
Net cash provided by financing activities		(6,689)	2,111	(6,689)	2,111
Net increase in cash and cash equivalents		(582)	816	(582)	816
Cash and cash equivalents at the beginning of the financial year		919	103	919	103
Cash and cash equivalents at the end of the financial year	16	337	919	337	919

The above Cash Flow Statement should be read in conjunction with the accompanying Notes to the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

Note Contents

- 1 Summary of accounting policies
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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

1. SUMMARY OF ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated. The financial report includes separate financial statements for the Babcock & Brown Wind Partners Trust as an individual entity and the consolidated entity consisting of the Babcock & Brown Wind Partners Trust and its subsidiaries.

(A) BASIS OF PREPARATION

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

Compliance with IFRS

Accounting Standards include AIFRS. Compliance with AIFRS ensures that the consolidated financial statements and notes of BBWPT comply with International Financial Reporting Standards ("IFRS").

Change in accounting policies

Early adoption of standards

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

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

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

Historical cost convention

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

(B) PRINCIPLES OF CONSOLIDATION

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of BBWPT as at 30 June 2007 and the results of all subsidiaries for the year then ended. BBWPT 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.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

1. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

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 BBWPT.

(ii) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for in the parent entity financial statements using the cost method and in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost.

Refer to Note 7 for a further explanation of equity accounting of associates.

(C) TRUST FORMATION

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

(D) TRADE AND OTHER PAYABLES

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

(E) GOODS AND SERVICES TAX

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

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

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

(F) 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.

(G) INCOME TAX

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

(H) 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:

- Interest income is recognised using the effective interest method.
- Dividend income is recognised when the right to receive payment is established.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

1. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

(I) CASH AND CASH EQUIVALENTS

For cash flow statement presentation purposes, cash and cash equivalents comprise cash on hand and in banks, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

(J) 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.

(K) CONTRIBUTED EQUITY

Units are classified as equity. Incremental costs directly attributable to the issue of new units or options are shown in equity as a deduction, net of tax, from the proceeds.

If the entity reacquires its own equity instruments, for example, as the result of a buy-back, those instruments are deducted from equity and the associated units 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.

(L) EARNINGS PER UNIT

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

Diluted earnings per unit adjusts the figures used in the determination of basic earnings per unit 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 units assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(M) FAIR VALUE ESTIMATION

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

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

(N) ROUNDING OF AMOUNTS

The consolidated entity 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.

(O) NEW ACCOUNTING STANDARDS AND UIG INTERPRETATIONS

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

1. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

(P) CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments 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 Trust 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:

Estimated useful economic life of property, plant and equipment

The Trust's associate 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

2. PROFIT FROM OPERATIONS

	Consolidated		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Interest income	9,161	4,168	9,161	4,168
	9,161	4,168	9,161	4,168

Profit/(loss) before income tax has been arrived at after charging the following expenses:

Operating expenses:

Administration, consulting and legal fees	1,673	474	1,668	474
	1,673	474	1,668	474

Management charges:

Base fees*	1,661	730	1,661	730
	1,661	730	1,661	730

* Refer to Note 9 and Note 14 for further details.

3. REMUNERATION OF AUDITORS

	Consolidated		Parent	
	2007 \$	2006 \$	2007 \$	2006 \$

Assurance services

PricewaterhouseCoopers

Audit services

Audit and review of the financial report	25,543	23,221	16,500	15,000
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4. KEY MANAGEMENT PERSONNEL REMUNERATION

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

Details of key management personnel

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

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

Key management personnel remuneration

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

4. KEY MANAGEMENT PERSONNEL REMUNERATION (CONTINUED)

Options held over BBW securities

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

Bonus deferral rights held over BBW securities

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

Security holdings in BBW

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

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

1 P O'Connell resigned as Chief Executive Officer of BBW effective 31 December 2006.

2 M George was appointed as Chief Executive Officer of BBW effective 1 January 2007.

3 G Dover commenced as Chief Financial Officer of BBW on 21 August 2006.

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

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

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

1 M George was not a KMP of BBW during FY06.

2 G Dover was not employed at Babcock & Brown during FY06.

No BBW securities were granted as remuneration to the KMPs during the 2006 financial year and no BBW securities were acquired upon the exercise of options during the financial year.

Loans to key management personnel and their personally related entities from BBW

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

5. TRADE AND OTHER RECEIVABLES

	Consolidated		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Current				
Interest receivable	4,847	3,813	4,847	3,813
GST and other tax receivables	192	175	192	175
	5,039	3,988	5,039	3,988
Non-current				
Loans to related parties	783,121	674,727	783,121	674,727
Loans to associates	1,216	1,216	-	-
	784,337	675,943	783,121	674,727

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

6. CHANGES IN THE COMPOSITION OF THE CONSOLIDATED ENTITY

There was no change in composition of the consolidated entity during the year ended 30 June 2007. The following change in composition of the consolidated entity occurred in the year ended 30 June 2006:

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

¹ Please see Note 9 for an explanation as to the method by which the cost of acquisition was satisfied.

Together these entities control approximately 68% of the voting rights of Renewable Power Ventures Investment Trust ("RPVIT"). RPVIT has significant influence over the financial and operating decisions of Walkaway Wind Power Pty Limited ("WWP") and equity accounts WWP. BBWPT consolidates RPVIT and records a minority interest relating to the portion of RPVIT it does not control. BBWPL owns the remaining interest in RPVIT.

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

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

The assets and liabilities that were acquired are as follows:

	Carrying value \$'000	Fair value \$'000
Investment in Walkaway Wind Power	8,505	49,000
Loans receivable	2,234	1,216
Loans payable	(10,734)	(495)
Net assets	5	49,721
Minority interests ¹		(28,082)
Net identifiable assets acquired		21,639

¹ The minority interest represents BBWPL's interest in RPVIT. Due to the finite life clause contained within the RPVIT trust deed, units in RPVIT have been treated as debt for accounting purposes.

The acquired entities contributed a share of net profit from associates, net of minority interests, of \$1,150,000 to BBWPT for the period from 14 September 2005 to 30 June 2006. Consolidated revenue and net profit would have been no different had this acquisition taken place at 1 July 2005.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

7. INVESTMENT IN ASSOCIATE

	2007 \$'000	2006 \$'000	
Investment in associate	54,816	51,398	
Name of entity	Principal activity	Country of incorporation	Ownership interest
Walkaway Wind Power Pty Limited	Wind farm	Australia	17%* 17%*
	2007 \$'000	2006 \$'000	
Summarised financial information of associate¹			
Current assets	13,204	19,196	
Non-current assets	63,719	57,698	
	76,923	76,894	
Current liabilities	6,541	6,317	
Non-current liabilities	56,073	58,552	
	62,614	64,869	
Net assets	14,309	12,025	
Revenue	11,701	7,209	
Net profit	2,322	1,150	
Share of associate's profit¹:			
Share of profit/(loss) before income tax	4,953	2,416	
Income tax expense	(1,535)	(725)	
Share of associate's profit/(loss)	3,418	1,691	
Less: minority interest	(1,094)	(541)	
	2,324	1,150	

¹ The ownership interest of 17% is based on voting rights. The voting rights are not consistent with the economic returns which vary over the life of the investment. As at the balance sheet date, BBWPT's share of the economic returns from WWP was estimated at 32%.

Dividends received from associates

During the year, the Trust received no dividends (2006: nil) from its associate.

Contingent liabilities and capital commitments

The Trust's share of the contingent liabilities of the associate was \$2,584,000 (2006: \$2,584,000). This represented a letter of credit. There were no capital commitments or other expenditure commitments of associates.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

8. TRADE AND OTHER PAYABLES

	Consolidated		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Current				
Trade payables	127	-	127	-
Accrued liabilities	18	20	18	20
Amounts due to related parties	875	458	870	458
	1,020	478	1,015	478
Non-current				
Loans from related parties	494	494	-	-
	494	494		

9. CONTRIBUTED EQUITY

	2007		2006	
	No. \$'000	\$'000	No. \$'000	\$'000
Fully paid units				
Balance at beginning of financial year	575,302	697,831	162,756	163,140
Transfer of net assets attributable to security holders from equity to liability (i)	-	-	-	(163,140)
Transfer of net assets attributable to security holders from liability to equity (i)	-	-	-	161,512
Lake Bonney 2 (ii)	625	1,101	14,286	19,800
Alinta Wind Farm (iii)	-	-	34,286	47,520
Incentive fee (iv)	-	-	7,037	12,898
Capital raisings, net of issue costs (v)	87,100	152,057	356,937	481,303
Capital distributions	-	(65,596)	-	(25,202)
Distribution reinvestment plan	10,044	14,932	-	-
Balance at end of financial year	673,071	800,325	575,302	697,831

Units entitle the holder to participate in distributions from BBWPT. The holder is entitled to participate in the proceeds on winding up of the Trust in proportion to the number of and amounts paid on the units held.

(i) Change in Constitution

Upon the implementation of AIFRS, unit holder interests were initially accounted for as debt. Following a change in the BBWPT constitution on 12 September 2005, unit holder interests were reclassified as equity. Under the election granted under AASB 132 and AASB 139, these interests were also accounted for as equity in the comparative period.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

9. CONTRIBUTED EQUITY (CONTINUED)

(ii) Lake Bonney Stage 2

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

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

The consideration payable to the LB2 Vendors under the LB2 Agreement was \$20,000,000 and was satisfied through the issue of shares and units by BBWPL and BBWPS, respectively ("LB2 Consideration Securities"). The combined fair value of each share and unit that comprised the LB2 Consideration Securities was \$1.40, which was based on the offer price of stapled securities at the subsequent initial public offering in October 2005. Correspondingly, BBWPL issued 14,286,000 shares and BBWPS issued 14,286,000 units.

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

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

(iii) Alinta Wind Farm

In September 2005, BBWPL and BBWPS entered into a Sale and Purchase Agreement to purchase the remaining 25% of Walkaway Wind Power Pty Limited ("Walkaway Acquisition Agreement") that was not previously owned by BBWP. The consideration payable under the Walkaway Acquisition Agreement was \$48,000,000, which was satisfied through the issue of shares and units by BBWPL and BBWPS, respectively ("Walkaway Purchase Price Securities"). In addition to the issue of shares and units, ancillary costs of \$1,442,000 were incurred.

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

Of the total purchase consideration, BBWPT's portion amounted to \$33,012,000 and represents an approximate interest of 17% in Walkaway Wind Power Pty Limited. This investment is equity accounted and has been revalued upwards by \$33,999,000 being the excess of consideration over net liabilities acquired.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

9. CONTRIBUTED EQUITY (CONTINUED)

(iv) Incentive Fee

The Management Agreement entered into between BBWPL and Babcock & Brown Infrastructure Management Pty Limited includes provisions for an incentive fee (see Note 15). BBWPL settled the incentive fee, in part, through the issue of stapled securities. The issuance of stapled securities by BBWPL requires the issue of units by BBWPT and hence a loan of \$12,898,000 from BBWPT to BBWPL. No incentive fee was payable in the year ended 30 June 2007.

(v) Capital raisings

During the year ended 30 June 2007, BBW issued 87,100,000 units pursuant to a private placement. Total proceeds, net of costs, amounted to \$152,057,000.

During the year ended 30 June 2006, BBWPT issued 282,837,000 units pursuant to its initial public offering. Total proceeds, net of costs, amounted to \$365,902,000.

In June 2006, BBW issued 74,100,000 units pursuant to a private placement. Total proceeds, net of costs, amounted to \$115,401,000.

10. RETAINED EARNINGS AND RESERVES

	Consolidated		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Balance at beginning of financial year	4,114	-	2,964	-
Net profit/ (loss) attributable to unit holders	8,151	4,114	5,832	2,964
Balance at end of financial year	12,265	4,114	8,796	2,964

Reserves of \$708,000 at 30 June 2006 represented BBWPT's share of WWP's hedging reserve. The associate's hedging reserve records gains or losses on a financial instrument that are recognised directly in equity. Amounts are recognised in profit and loss when the associated hedged transaction affects profit and loss. During the year ended 30 June 2007, the associate terminated all financial instruments as a result of BBW group's global refinance. Consequently, BBWPT's associate does not have a hedging reserve at 30 June 2007.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

11. EARNINGS/(LOSS) PER UNIT

	Consolidated		Parent	
	2007 Cents per unit	2006 Cents per unit	2007 Cents per unit	2006 Cents per unit
Basic and diluted earnings per unit (cents)	1.4	1.1	1.0	0.8
Earnings used in calculation of basic and diluted earnings per unit to unit holders (\$'000)	8,151	4,114	5,832	2,964
Weighted average number of units on issue used in calculation of earnings per unit ('000)	594,227	386,137	594,227	386,137

12. DISTRIBUTIONS AND FINANCE COSTS PAID

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

¹ Upon implementation of AIFRS and prior to a change in BBWPT's constitution, securityholder interests were initially accounted for as debt. BBWPT paid a distribution of \$1,628,000 in August 2005, which has been recognised as a reduction in this debt as a finance cost.

On 23 August 2007, the board of directors of BBW declared a final distribution in respect of the year ended 30 June 2007 of 6.25 cents per stapled security (2006: 5.1 cents), 100% tax deferred. The final distribution amount paid on 14 September 2007 (2006: 29 September 2006) was \$42,067,000 (2006: \$22,820,000). As the distribution was declared subsequent to 30 June 2007 no provision has been included as at 30 June 2007.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

13. SEGMENT INFORMATION

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

14. RELATED PARTY DISCLOSURES

(A) EQUITY INTERESTS IN RELATED PARTIES

Equity interests in subsidiaries

Details of the percentage ownership held in subsidiaries are disclosed in Note 15.

Equity interest in associate

Details of interest in associate are disclosed in Note 7.

(B) KEY MANAGEMENT PERSONNEL DISCLOSURES

Details of key management personnel remuneration are disclosed in Note 4.

(C) OTHER RELATED PARTY TRANSACTIONS

Transactions involving other related parties

Receivables from related parties are disclosed in Note 5. Payables to related parties are disclosed in Note 8. Transactions were made on normal commercial terms and conditions and under normal market rates.

Custodian, Responsible Entity and Manager fees and costs

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

Under BBWPT's constitution BBWPS is entitled to a management fee of 2% per annum of the value of the gross assets of BBW. BBWPS has exercised its right under the constitution to waive the fee referred to above such that it is paid remuneration of \$500,000 per annum. BBWPT incurred an amount of \$533,000 (2006: \$347,000) in the year ended 30 June 2007 as the entitlement relates to only a part of the year. Prior to BBWPS becoming responsible entity of BBWPT, a trustee fee was payable. This amounted to \$326,000 during the year ended 30 June 2006.

Under the management agreement between Babcock & Brown Infrastructure Management Pty Limited ("BBIM" or the "Manager"), which is a subsidiary of Babcock & Brown Limited, and BBWPS (as responsible entity of BBWPT), a base fee of 0.2% per annum of the net investment value of BBW at the end of each quarter is payable. During the year ended 30 June 2007, BBWPT incurred base fees of \$1,661,000 (2006: \$730,000).

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

14. RELATED PARTY DISCLOSURES (CONTINUED)

Transactions with associate

Ownership interests in, and distributions received from, associate are set out in Note 7.

Related party transactions associated with the IPO (in the year ended 30 June 2006)

BBW entered into an IPO Financial Advisory Agreement with BBA. Under this Agreement, BBW paid BBA an IPO advisory fee of \$9,580,000, of which BBWPT's share was \$9,382,000.

Additionally, as part of the IPO Financial Advisory Agreement, BBWPT paid BBA financial advisory fees amounting to \$749,000 in relation to the acquisition detailed in Note 6.

BBW entered into a Foundation Offer Underwriting Agreement with BBAH in relation to 132,837,384 stapled securities. Under the Agreement BBW paid 2.5% of the issue price of these securities, \$4,649,000, of which BBWPT's share was \$4,557,000.

With regards to transactions associated with Lake Bonney Stage 2, refer to Note 9.

Other related party transactions following the IPO

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

During the year ended 30 June 2007, BBWPT charged interest of \$8,432,000 (2006: \$3,813,000) on certain loans receivable from BBWPL. The interest rate ranged between 5.25% and 5.75% (2006: 5.25%).

Related party balances

At the year end BBWPT owed the following amounts to various subsidiaries of Babcock & Brown and Babcock & Brown Wind Partners Limited:

Babcock & Brown Wind Partners Management Pty Limited	\$692,000
CS Walkaway Pty Limited	\$178,000
NPP Projects V LLC	\$158,000
B&B Walkaway Pty Limited	\$158,000
Babcock & Brown Wind Partners Services Limited	\$143,000
Babcock & Brown Asset Holdings Pty Limited	\$28,000
Babcock & Brown Wind Partners Limited	\$5,000

At the year end BBWPT was owed the following amounts by Babcock & Brown Wind Partners Limited and its various subsidiaries:

Babcock & Brown Wind Partners Limited	\$752,133,000
Babcock & Brown Wind Partners (Bermuda) Limited	\$979,000
Walkaway Wind Power Pty Limited	\$1,216,000
BBWP (US) 2 Pty Limited	\$30,010,000

(D) PARENT ENTITIES

The parent entity in the consolidated entity is BBWPT.

The ultimate Australian parent entity is BBWPT.

The ultimate parent entity is BBWPT.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

15. SUBSIDIARIES

Name of entity	Country of incorporation	Ownership interest	
		2007 %	2006 %
Parent entity			
Babcock & Brown Wind Partners Trust	Australia		
Subsidiaries of BBWPT			
B&B Walkaway Trust	Australia	100%	100%
CS Walkaway Trust	Australia	100%	100%
Renewable Power Ventures Investment Trust	Australia	68%	68%

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

16. NOTES TO THE CASH FLOW STATEMENT

	Consolidated		Parent	
	2007	2006	2007	2006
(A) RECONCILIATION OF CASH AND CASH EQUIVALENTS				
For the purposes of the cash flow statement, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:				
Cash and cash equivalents	337	919	337	919
	337	919	337	919

(B) BUSINESSES ACQUIRED

During the financial year, two businesses were acquired. Details of the acquisition are as follows (note 6):

Consideration

Cash and cash equivalents	-	749	-	-
Stapled securities	-	20,890	-	-
	-	21,639	-	-

Fair value of net assets acquired

Non-current assets:

Investment in Walkaway Wind Power	-	49,000	-	-
Loans receivable	-	1,215	-	-

Non-current liabilities:

Loans payable	-	(494)	-	-
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Net assets	-	49,721	-	-
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Minority interests ¹	-	(28,082)	-	-
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Net identifiable assets acquired	-	21,639	-	-
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Goodwill on acquisition	-	-	-	-
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Net cash outflow on acquisition

Cash and cash equivalents consideration	-	749	-	-
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Less cash and cash equivalent balances acquired	-	-	-	-
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¹ The minority interest represents BBWPL's interest in RPVIT. Due to the finite life clause contained within the RPVIT trust deed, units in RPVIT have been treated as debt for accounting purposes.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

17. FINANCIAL INSTRUMENTS

(A) FINANCIAL RISK MANAGEMENT OBJECTIVES

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

(B) SIGNIFICANT ACCOUNTING POLICIES

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

(C) CASH FLOW AND INTEREST RATE RISK

BBWPT receives interest on certain loans made to BBWPL, as noted in Note 14 and is not exposed to cash flow and interest rate risk in relation to liabilities outstanding.

(D) CREDIT RISK MANAGEMENT

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Trust.

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

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

(E) FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.
- the fair value of derivative instruments, included in hedging assets and liabilities, are calculated using quoted prices. Where such prices are not available use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments.

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

(F) LIQUIDITY RISK MANAGEMENT

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

18. SUBSEQUENT EVENTS

ALINTA SCHEME OF ARRANGEMENT

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

