

BABCOCK & BROWN WIND PARTNERS

Babcock & Brown Wind Partners Limited · ABN 39 105 051 616
Babcock & Brown Wind Partners Trust · ARSN 116 244 118
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ASX Release

28 September 2007

BABCOCK & BROWN WIND PARTNERS 2007 ANNUAL REPORT

Babcock & Brown Wind Partners (ASX: BBW) advises that the BBW 2007 Annual Report is now available for public dissemination and has been despatched to Securityholders today. The BBW 2007 Annual Report is attached to this announcement and is available at (www.bbwindpartners.com).

ENDS

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About Babcock & Brown Wind Partners

Babcock & Brown Wind Partners (ASX: BBW) is a global wind energy business which owns and operates a portfolio of wind farms spanning five countries and three continents. BBW listed on the Australian Stock Exchange on 28 October 2005 and has a market capitalisation of approximately A\$1.4 billion.

BBW is a stapled entity comprising Babcock & Brown Wind Partners Limited (ABN 39 105 051 616), Babcock & Brown Wind Partners Trust (ARSN 116 244 118) and Babcock & Brown Wind Partners (Bermuda) Limited (ARBN 116 360 715).

BBW's portfolio comprises interests in 68 wind farms that have a total installed capacity of approximately 2,872MW and are diversified by wind resource, currency, equipment supplier, offtake arrangements and regulatory regime.

BBW is managed by Babcock & Brown Wind Partners Management Pty Limited, a wholly owned subsidiary of Babcock & Brown Limited (ASX: BNB), a global investment and advisory firm with longstanding capabilities in structured finance and the creation, syndication and management of asset and cash flow-based investments. Babcock & Brown has a long history of experience in the renewable energy field and extensive experience in the wind energy sector, having arranged financing for over 3000MW of wind energy projects and companies over nearly 20 years, with an estimated value over US\$3 billion. Babcock & Brown's roles have included acting as an adviser/arranger of limited recourse project financing, arranging equity placements, lease adviser, project developer, principal equity investor and fund manager for wind energy projects situated in Europe, North America and Australia. Babcock & Brown has

BABCOCK & BROWN
WIND PARTNERS

developed specialist local expertise and experience in the wind energy sector in each of these regions which it brings to its roles as manager and financial advisor for BBW.

BBW's investment strategy is to grow security holder wealth through efficient management of the initial portfolio and by selective acquisitions of additional wind energy generation assets.

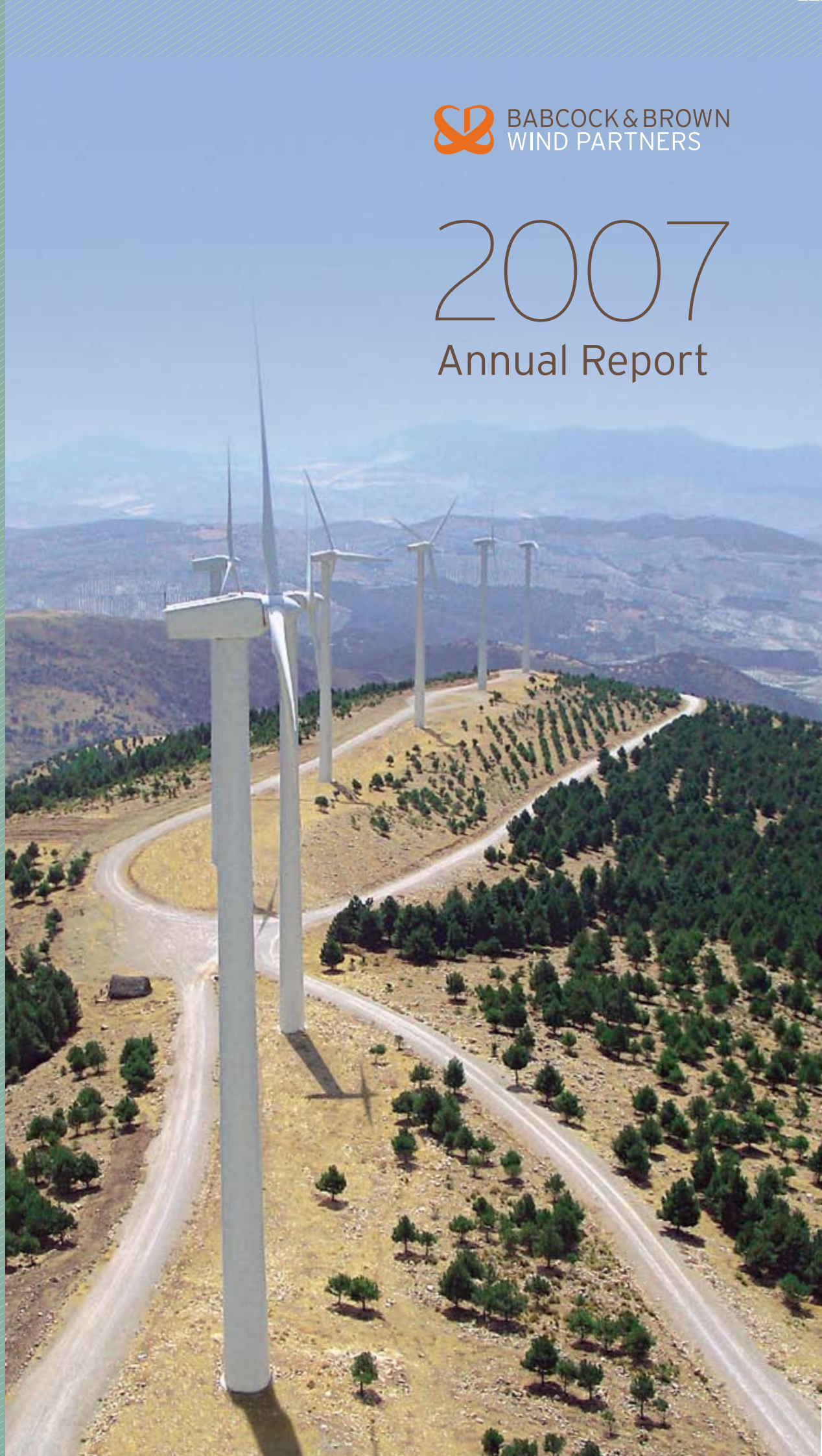
For further information please visit our website : www.bbwindpartners.com

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2007

Annual Report



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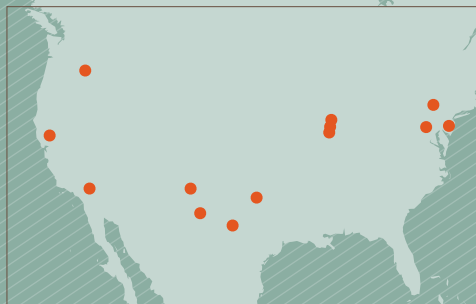
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BBW is among the world's top 5 wind farm owners and operators, with 1,487MW of installed capacity in its current portfolio, potentially increasing to 2,115MW post the acquisition of US07 and Enersis wind farms

Who we are



USA

	(MW)
Total Capacity FY06	227
New Installed Capacity FY07	471
Construction	70
Total Capacity	768

GERMANY

	(MW)
Total Capacity FY06	46
New Installed Capacity FY07	20
Construction	2
Total Capacity	68

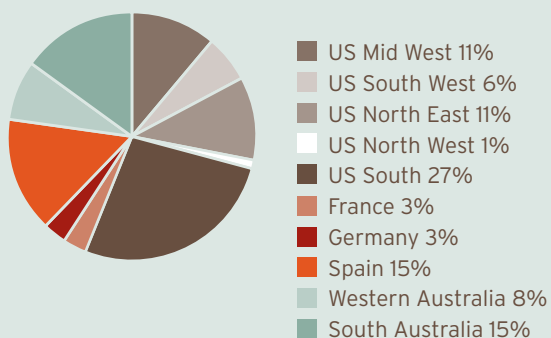
SPAIN

	(MW)
Total Capacity FY06	158
New Installed Capacity FY07	76
Post Balance Date	36
Total Capacity	270

FRANCE

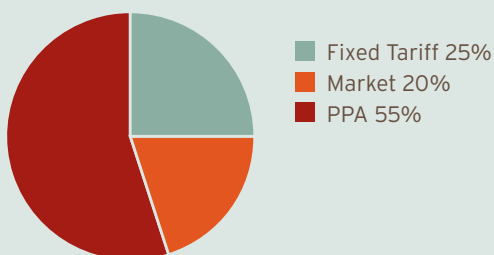
	(MW)
Total Capacity FY06	-
New Installed Capacity FY07	-
Construction	52
Total Capacity	52

WIND RESOURCE¹



1 Diversification by GWh p.a.

REVENUE ASSURANCE²



2 EBITDA split by tariff type as at FY07

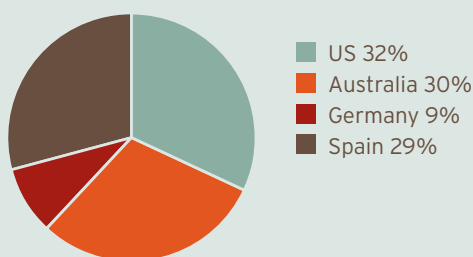
1,487MW, 35 wind farms...
 3 continents, 5 countries...
 BBW is a leading global wind
 farm owner and operator.

AUSTRALIA

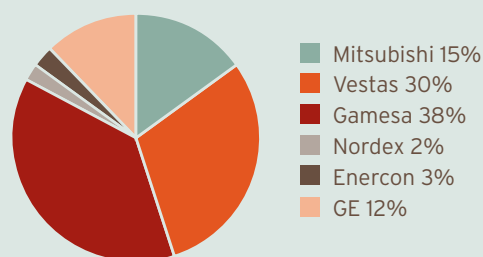
	(MW)
Total Capacity FY06	170
New Installed Capacity FY07	-
Construction	159
Total Capacity	329



CONTRIBUTION TO EBITDA³



EQUIPMENT AND SERVICES⁴



³ EBITDA including US distributions before corporate costs as at FY07

⁴ Diversification by GWh p.a.

2007 Highlights

JULY 2006

BBW acquires 50% Class B membership interest in Sweetwater 3 wind farm located in Texas, US. The wind farm has a total installed capacity of 135MW and an expected long-term mean energy production of 508.5 GWh p.a.

BBW also acquires a 100% Class B membership interest in Kumeyaay wind farm located in California, US. The wind farm has a total installed capacity of 50MW and an expected long-term mean energy production of 165.5 GWh p.a.

AUGUST 2006

Eurus Energy Amercia ("Eurus") acquires 25% Class B membership interest in the Crescent Ridge wind farm from BBW. Following the transaction BBW retains 75% of the Class B membership interests in the Crescent Ridge wind farm located in Illinois, US.

BBW achieves practical completion for the Alinta wind farm, located in Western Australia.

NOVEMBER 2006

BBW marks the official commencement of construction at the Lake Bonney Stage 2 wind farm in South Australia. The wind farm is expected to commence full operations by mid 2008. Once completed, it will have a total installed capacity of 159MW and an expected long-term mean energy production of 478 GWh p.a.

DECEMBER 2006

BBW acquires 100% economic interest in Fruges 2 wind farms located in France. The Fruges 2 wind farms are currently under construction and are expected to be fully operational in the first half of 2008. On completion the wind farms will have a total installed capacity of 30MW and an expected long-term mean energy production of 69.1 GWh p.a.

BBW completes acquisition of 59.3% Class B membership interests in Bear Creek and Jersey Atlantic wind farms, located in the US states of Pennsylvania and New Jersey respectively. The two wind farms have a combined total installed capacity of 32MW and an expected long-term mean energy production of 92.7 GWh p.a.

JANUARY 2007

BBW acquires the Kaarst wind farm located in Germany. The wind farm has a total installed capacity of 10MW and an expected long-term mean energy production of 19.3 GWh p.a, with a further 2MW under construction. The Kaarst wind farm is the first wind farm acquired under the terms of the Plambeck Framework Agreement.

BBW signs conditional US Portfolio Purchase Agreement to acquire a portfolio of six US wind farms ("US06 Portfolio").

FEBRUARY 2007

BBW receives Securityholder approval for the acquisition of Class B membership interests in the US06 Portfolio for US\$387m. The US06 Portfolio has a total installed capacity of 410MW and an expected long-term mean energy production of 1168.5 GWh p.a.

MARCH 2007

BBW acquires the initial three wind farms of the US06 Portfolio including Buena Vista, Aragonne Mesa and Mendota wind farms. The three wind farms have a total installed capacity of 180MW and an expected long-term mean energy production of 489 GWh p.a.

BBW forms part of the Babcock & Brown and Singapore Power International Pte Ltd Consortium bidding for the whole of the issued share capital of Alinta Limited. BBW agrees to acquire Alinta's interest in the Wattle Point Wind Farm by issuing 130.1 million stapled securities and paying \$9.5m in cash on the implementation of the Alinta Scheme.

APRIL 2007

Miles George appointed as the permanent Chief Executive Officer.

BBW instructs Alinta to sell Wattle Point wind farm in exchange for net proceeds of \$201.5m to be received on implementation of the Alinta Scheme. These proceeds will be applied towards alternative accretive acquisitions.

BBW successfully completes capital raising of \$156.8m from the placement of 87.1 million stapled securities at \$1.80. The placement proceeds will assist in funding three attractive investment opportunities totalling approximately 700MW.

MAY 2007

BBW completes €1.03bn refinancing of its global wind farm portfolio.

BBW acquires the Monte Seixo and Serra do Cando wind farms located in Spain. The two farms have a total installed capacity of 64.2MW and an expected long-term mean energy production of 186 GWh p.a.

JUNE 2007

BBW acquires a further two wind farms in the US06 Portfolio including Allegheny Ridge 1 and GSG wind farms located in the US. The acquisition adds a further 160MW of total installed capacity and an expected long-term mean energy production of 468.7 GWh to the portfolio.

BBW acquires a 70% economic interest in the Conjuro wind farm in Spain. The farm has a total installed capacity of 17MW and an expected long-term mean energy production of 31.4 GWh p.a. The remaining 30% interest was acquired in August 2007.

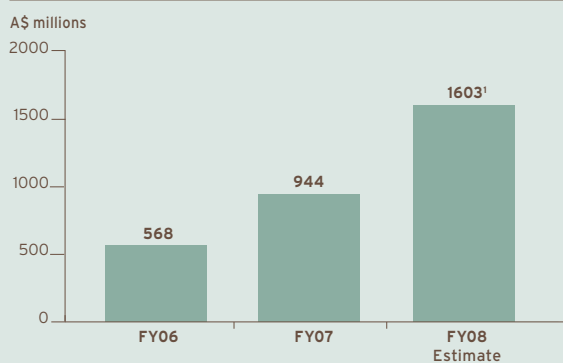
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Financial Highlights

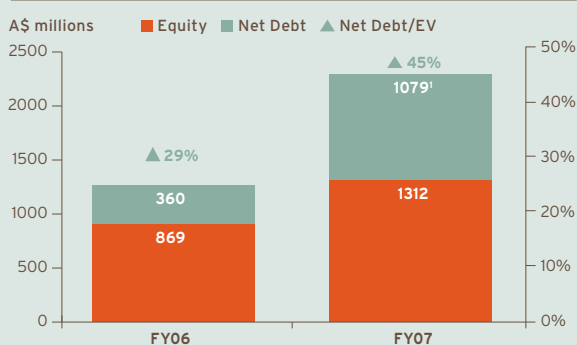
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ACQUISITIONS AND INVESTMENTS



¹ Includes Enersis (50%); US07; US06 Phase 3; Committed construction expenditure

ENTERPRISE VALUE AND GEARING¹



¹ Includes \$182m relating to the 29 June 2007 purchase of Allegheny Ridge Phase 1 and GSG (paid on 2 July 2007)

BBW's strategy of acquiring wind farms and building a portfolio diversified by wind resource, currency, equipment supplier, offtake arrangements and regulatory regime has been rewarded with strong cash flow generation.

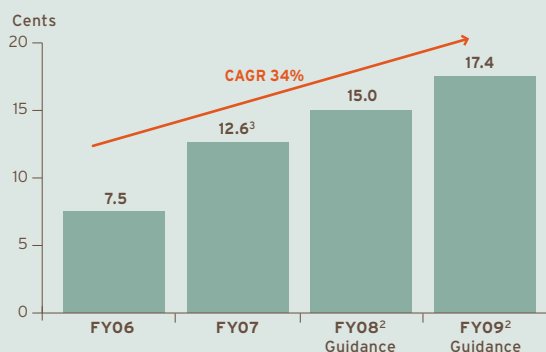
FY07 HIGHLIGHTS

- Distributions increased by 22.5% to 12.5 cents per security and were 100% tax deferred.
- Net operating cash flows increased by 133% to \$79.8m and were underpinned by acquisition growth, long-term contracts and legislated tariff regimes.
- BBW invested a total of \$944m on accretive acquisitions and construction projects during the year.
- BBW's gearing as demonstrated by net debt to enterprise value ratio of 45% remains conservative.

FY08 AND FY09 GUIDANCE

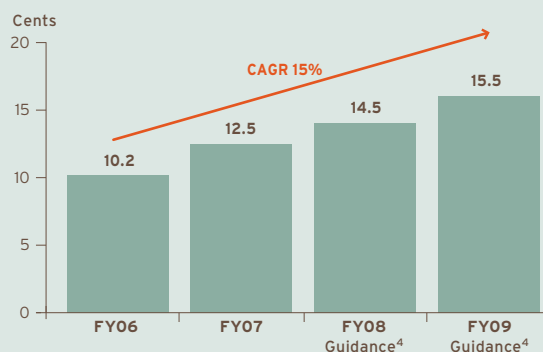
- The Directors have increased the FY08 distribution guidance to 14.5 cents per security, an increase of 16% on FY07; and have provided FY09 distribution guidance of 15.5 cents per security.
- Assuming continued accretive acquisitions, the Directors have set an additional medium-term distribution growth target of at least 5%.
- Acquisitions of Enersis (50%) and the US07 Portfolio are expected to increase BBW's net operating cash flows to 15.0 cents per security in FY08 and 17.4 cents per security in FY09.

NET OPERATING CASH FLOW PER SECURITY¹



- 1 Net Operating Cash Flow after notional debt repayment
 2 Assumes total securities of 818.9m in FY08 and 833.7m in FY09

DISTRIBUTIONS PER SECURITY



- 3 FY07 weighted number of securities 501.5m excludes securities attributable to construction (92.7m)
 4 Subject to P50 Performance and no performance fee

Chairman's Letter

Dear Securityholders,

BBW's proven strategy of acquiring assets and building a geographically diverse portfolio has resulted in strong cash flow generation and rewarded Securityholders with solid distribution growth.

On behalf of your Boards I am pleased to report on another successful year for BBW. In 2007 net operating cash flows increased by 133% to \$79.8m¹. Distributions increased by 22.5% to 12.5 cents per security and were paid entirely from net operating cash flows.

The 2007 financial performance is a reflection of the growth initiatives and acquisition activity undertaken since our IPO less than two years ago. In aggregate, \$944m was invested towards acquisitions and construction projects, including the acquisition of the US06 Portfolio, the acquisition of a further three wind farms in Spain and the Kaarst wind farm in Germany. BBW also invested in a number of construction projects across Australia, France and Germany.

Notwithstanding a busy acquisition program, BBW's balance sheet remains conservatively geared as demonstrated by a gearing ratio of 45% at financial year end.

BBW raised \$156.8m of new equity funding in FY07 in support of the identified acquisition opportunities and also completed a €1.03bn global refinance of its portfolio. This refinancing was the first global wind farm portfolio financing providing an efficient and flexible facility, ensuring BBW's ongoing participation in a high growth industry. Pleasingly, the refinancing was awarded "Renewable Energy Project Financing of the Year" by Environmental Finance.

WIND ENERGY GROWTH & DRIVERS

BBW continues to benefit from the growth in the global wind energy industry. Long-term fundamentals for wind energy investment remain strong with the industry growing at nearly 30% per year for the last 10 years.

In 2006 global installed capacity increased by 26% to almost 75GW and is anticipated to more than double by 2010 to reach 149GW². Accordingly, international wind markets are expected to grow by an average of 19% per year up until 2010.

In economic terms, wind energy now represents a mainstream source of energy supply of significant scale, with the total value of new generating equipment installed in 2006 reaching €18bn or US\$23bn².

The drivers of this growth include legislated renewables incentives reflecting deepening concerns about global warming, the need to ensure security of energy supply, increasing demand for electricity, and continuing reductions in wind energy generation costs.

With double digit industry growth rates set to continue, your Boards will remain focussed on managing and operating what is now a global diversified portfolio of assets, and where beneficial to Securityholders, investing selectively in new assets in the sector.

FUTURE GROWTH OPPORTUNITIES

BBW's participation as a member of the Babcock & Brown (B&B) and Singapore Power International consortium to acquire Alinta Limited has provided BBW with enhanced capacity to pursue a range of identified accretive acquisition opportunities in FY08. On 31 August 2007, BBW received net proceeds of \$201.5m in consideration for the issue of 130.1m new BBW securities to Alinta shareholders.

The proceeds are to be applied towards the acquisition of 50% of a company that holds the Enersis operating wind farm assets in Portugal totalling 257MW³, and 100% of Babcock & Brown's interests in the US07 Portfolio Class B interests totalling 371MW⁴. The proposed acquisitions have been approved by the BBW Independent Directors and an Independent Expert's Report has been prepared, which confirms the proposed acquisitions as fair and reasonable to Securityholders.

These acquisitions are forecast to be immediately accretive to net operating cash flows and distributions per security. If approved by Securityholders, the proposed acquisitions are expected to increase BBW's net operating cash flows by \$57.4m to \$177.4m in FY08 and by \$72.1m to \$213.1m in FY09. BBW's balance sheet will remain conservatively geared on completion of the identified acquisitions.

Potential growth opportunities are available via B&B's large development pipeline, the current framework agreements with Gamesa in Spain and with Plambeck in Germany, and via third party negotiated acquisitions and tenders.

DISTRIBUTION GUIDANCE

In recognition of the strong cash flows associated with these acquisitions, the Boards have increased BBW's FY08 distribution guidance to 14.5 cents per security, an increase of 16% on FY07, and provided FY09 distribution guidance of 15.5 cents per security. The Boards have reconfirmed the medium-term distribution growth target of 3.5% pa from the current portfolio and set an additional medium-term growth target of at least 5% pa assuming continued accretive acquisitions, of a similar level of accretion as achieved by BBW to date.

STRATEGIC ALIGNMENT

B&B has a long-term commitment to the ongoing success of BBW. B&B's long-term appointment as manager and its significant securityholding in BBW is indicative of this support. Subject to Securityholder

¹ This excludes \$8.0m positive impact on closing out interest rate swaps in association with the global refinance undertaken during FY07. Includes \$1.8m gain on forward exchange contracts.

² Source: 2006 Global Wind Energy Council

³ Represents BBW's proportional interest if the acquisition proceeds.

⁴ Babcock & Brown has the right to a majority (and not 100%) of the Class B interests in the wind farms in the US07 Portfolio.

approval at the AGM, B&B will increase its holding further in accordance with its participation in BBW's institutional placement undertaken in April this year.

The strategic alignment with B&B remains an important driver of BBW's growth strategy. Potential new investment opportunities available from B&B's development pipeline exceed 3,000MW of installed capacity and underpin the Boards' confidence that BBW can continue to source attractive additions to the portfolio in the medium term.

High growth rates within the wind energy sector have created a temporary strain on the supply chain, in particular the supply of turbines. As a long-standing participant in the wind energy sector with 20 years experience B&B has excellent procurement relationships with global wind suppliers and its sources of turbines are assured via appropriate levels of forward orders. Accordingly, BBW's exposure to supply chain issues is significantly mitigated through its strategic alignment with B&B.

MANAGEMENT RESOURCES

The BBW Boards approved the appointment of Miles George as the permanent Chief Executive Officer on 18 April 2007. Miles had been acting in this role since 1 January 2007. He has proven credentials in the renewable energy sector having been involved in the development and financing of wind energy projects in Australia and overseas since 2000. Miles jointly led the IPO of BBW in October 2005 and has advised BBW on many of its acquisitions since that time.

BBW's management resources were further expanded during the year with the appointment of experienced local country managers and team members to manage the increasing scale and diversity of our portfolio.

GOVERNANCE ACTIVITIES

Your Boards acknowledge the importance of appropriate corporate governance practices and implemented a number of additional governance-related practices during FY07.

A Nomination and Remuneration committee was established to focus on nomination, remuneration and succession matters for BBW. As BBW develops its existing wind energy business and continues to seek further investment opportunities, the Nomination & Remuneration Committee will review the composition of the BBW Boards to ensure they remain appropriate and consult the manager on key performance indicators and compensation of key management personnel.

In addition, a tender process was completed to identify an appropriate independent firm to provide internal audit services for BBW.

OUTLOOK

It is the Boards' objective to build Securityholders' wealth through the ongoing management and operation of BBW's global wind energy business, and where appropriate to undertake accretive acquisitions to expand and further diversify BBW's portfolio.

In particular, BBW remains committed to a strategy of building strong cash flows from wind farm investments. Distributions are paid out of net operating cash flow and do not include proceeds from regearing, refinancing or restructuring initiatives. The success in building the current portfolio has been achieved through the application of disciplined investment and acquisition criteria. BBW's existing portfolio of wind farms is characterised by predictable cash flows, locations with favourable wind resource, long-term investment horizons with business expansion opportunities such as re-powering and no development risk. Future investments will also be made in accordance with these criteria.

BBW's manager has established an impressive and dedicated management team located around the world. The dedicated management team has made a material contribution towards building BBW into a global business with significant scale, diversity and continuing strong opportunities for growth. On behalf of the Boards I thank management for their outstanding contribution and achievements throughout the year.

I am pleased to welcome new Securityholders of BBW following the completion of the Alinta Scheme of Arrangement. I would also like to thank all Securityholders for their continued support, and reinforce BBW's commitment to generating value for all Securityholders.

The Directors and I look forward to welcoming you at our AGM.

Yours sincerely,



PETER HOFBAUER
Chairman



CEO's Report

I am pleased to report that BBW continued to grow and further diversify its global portfolio of wind farms during the year, establishing its position as a leading global wind energy business by year end.

BBW's 2007 acquisition schedule delivered significant scale and diversification benefits, with the number of wind farms increasing from 16 at the end of FY06, to 34 at the end of FY07. As at August 2007 BBW's portfolio consists of interests in 35 wind farms, spanning three continents, five countries and nine separate wind regions - with a total installed capacity of 1,487MW.

Continued growth of the business delivered tangible benefits for Securityholders, with net operating cash flows increasing by 133% and distributions increasing by 22.5% to 12.5 cents per security. This performance reflected the increased size of the US wind farm portfolio, as well as full year contributions from a number of wind farms that were acquired in FY06.

Significant further diversification of the portfolio was achieved with the addition of three new wind regions. Increased diversification acts to reduce the impact on the overall portfolio performance of natural wind variability in individual wind farms and in individual wind regions. By the end of FY07 BBW's exposure to variations in individual wind farm performances has been significantly mitigated and its exposure to variability in individual wind regions also reduced.

During FY07 BBW completed the €1.03bn global refinance of its portfolio in May, as well as successfully raising \$156.8m of equity funding via an institutional placement in April. BBW's participation in the B&B and Singapore Power International Pte Ltd consortium bidding for Alinta Limited provided access to further equity funding of \$201.5m which is intended to be applied to further accretive acquisitions as highlighted by the Chairman. These proposed acquisitions underpin BBW's forecast net operating cash flow and distribution growth profile for FY08 and FY09.

The economic rationale for wind energy investment continues to strengthen, as demonstrated by continued

regulatory support for renewable energy and the desire to cut greenhouse gas emissions in response to climate change. At the Spring European Council meeting held in March 2007, EU Heads of State adopted a binding 20% target for the use of renewable energy sources in overall EU energy consumption by 2020. The US is also declaring a new direction with respect to its renewable energy policy and a federal target of 15% renewable energy by 2020 is currently under consideration.

ACQUISITION AND INVESTMENT ACHIEVEMENTS

BBW invested a total of \$944m on acquisitions and construction projects during FY07 in accordance with its stated growth and diversification strategy.

A highlight of the year was the acquisition of the US06 portfolio which comprised six wind farms with a total installed capacity of 410MW, adding significantly to the scale of BBW's portfolio whilst delivering an immediate increase in net operating cash flows. To date, five of the six wind farms in the US06 Portfolio have been acquired with the remaining wind farm, Allegheny Ridge 2, due for completion and acquisition later in 2008.

BBW also acquired equity interests in wind farms forming part of the US05 Portfolio earlier in the year. The Sweetwater 3 and Kumeyaay wind farms were acquired in July 2006 and the Bear Creek and Jersey Atlantic wind farms were acquired in December 2006. In aggregate, BBW applied \$478m towards acquisitions in the US during FY07.

BBW also made three acquisitions in Spain during FY07. The Monte Seixo and Serra do Cando wind farms were acquired in May from independent vendors for \$180m. The two wind farms have a total installed capacity of 64.2MW. BBW also acquired a 70% economic interest in the Conjuro wind farm in Spain - its first under the Spanish Framework Agreement. BBW has since acquired the remaining 30% minority interest in Conjuro in August, as well as acquiring a 97% equity interest in the Valdeconejos wind farm under that framework agreement.

JULY 2006

Sweetwater 3 (50%) 135MW
Kumeyaay 50MW

DECEMBER 2006

Fruges 2 30MW
Jersey Atlantic (59%) 7.5MW
Bear Creek (59%) 24MW

FEBRUARY 2007

Securityholder approval
US06 portfolio 410MW

NOVEMBER 2006

Officially marked
commencement of
construction at Lake Bonney 2

JANUARY 2007

Kaarst 10MW

In Germany the Kaarst wind farm was acquired under the terms of the Plambeck Framework Agreement for \$30m in January. This is BBW's first acquisition under that agreement which provides a potential pipeline of up to 300MW of operational wind projects (including Kaarst).

Growth in BBW's portfolio is also being achieved through the construction of several wind farm projects. During FY07 BBW invested \$246m in construction projects of which \$184m related to the construction of the second stage of the Lake Bonney wind farm in South Australia. On completion this stage will have a totalled installed capacity of 159MW and an expected net energy output of more than 478 GWh per annum. The two stages of the Lake Bonney wind farm combined represent the largest wind farm in Australia.

BBW deployed a further \$46m on construction projects in Europe including the Fruges 1 & 2 wind farms in France, and the Eifel wind farm in Germany. The Fruges 1 & 2 wind farms signal BBW's entry into the French wind market, which we expect to be an attractive source of future growth. Fruges 1 is expected to be fully operational in the second half of 2007 and Fruges 2 in the first half of 2008.

OPERATIONAL PERFORMANCE

The FY07 operational performance reflects the impact of natural inter-annual wind variability in several regions, and particularly Spain, and a smaller component of shortfall to wind farm availability forecasts.

BBW's US portfolio performed at approximately 90% of forecast energy production based on the long-term mean wind speeds compared with 99% in FY06. The underperformance in the US resulted from a combination of low average wind speeds and some availability ramp up issues at new wind farms.

Below forecast availability was partly offset by warranty payments relating to turbine availability, with several claims yet to be finalised. On an availability adjusted basis, this compensation adds a further 2% to generation performance. US non-turbine availability issues largely relate to cable failures at the Sweetwater wind farm that were isolated to this site and are being progressively

and systematically repaired. We remain confident that these will be rectified over the next 18 months.

Our Spanish wind farms had a poor wind year with 82% of P50 generation contributing to more than 50% of BBW's overall portfolio underperformance. Overall, five of the six Spanish wind farms had average wind speeds significantly below the long-term mean. During FY07 we conducted an external review of the wind and energy assessments for two Spanish wind farms in the portfolio, namely, Sierra del Trigo and La Muela. This review indicated that minimal reassessment of the P50 was required on a portfolio basis, notwithstanding the poor wind performance in FY07. Only one Spanish wind farm, Serra da Loba, experienced low availability which was offset by compensation under the turbine warranty agreement.

The Australian portfolio achieved 94% of P50 generation due to natural inter-annual variability. Availability has been good at both of the Australian wind farms.

The operational performance for BBW's portfolio of four wind farms in Germany improved significantly in FY07 from 73% to 92% of P50. Availability has been in line with our forecasts, reflecting the good performance of the German based turbine manufacturers which provide operations and maintenance services.

We remain confident that our asset management initiatives can improve the availability performance of our wind farms over the next one - two years. BBW's focus has been on directing a shift in performance assessment to wind availability from the traditional time-based availability used by the turbine supply sector. We are focussed on managing response times, scheduling servicing activities during low wind periods and ensuring that sufficient technical expertise is available from the service providers on a timely basis.

A key tool in the availability management process is the supervisory control and data acquisition (SCADA) system. We are making good progress in the continued integration of the various acquired SCADA technologies across BBW's global portfolio to enhance our ability to manage the wind farms for maximum performance.

APRIL 2007

Miles George appointed CEO
Capital Raising \$156.8m

JUNE 2007

Allegheny Ridge 180MW
GSG 80MW
Conjuro (70%) 17MW

MARCH 2007

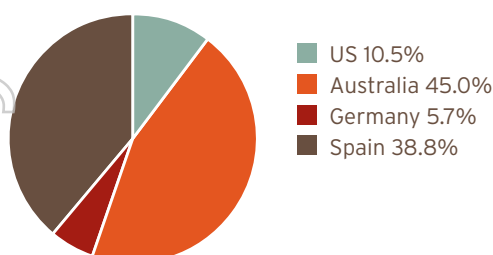
Aragonne Mesa 90MW
Buena Vista 38MW
Mendota 51.7MW

MAY 2007

€1.03bn global refinancing
Monte Seixo 35MW
Serra do Cando 29.2MW

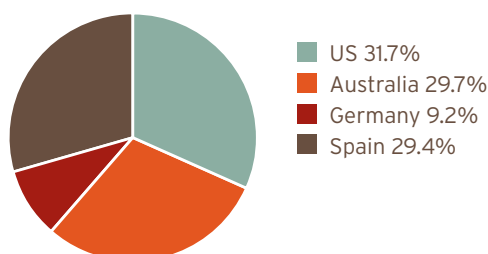
CEO's Report

FY06 CONTRIBUTION TO EBITDA¹



¹ EBITDA including US distributions before corporate costs

FY07 CONTRIBUTION TO EBITDA¹



¹ EBITDA including US distributions before corporate costs

2007 FINANCIAL RESULT

Securityholders benefited from BBW's continuing growth and portfolio diversification. Total revenue increased by 42% to \$103.7m. Increased revenues reflected the first full year contribution of the Olivo wind farms in Spain which comprise of six wind farms, three of which were acquired in FY06. A full year contribution from the Alinta wind farm which achieved practical completion in August 2006, and a part year contribution from the Kaarst wind farm also contributed to higher revenue and cash flow.

The US wind farms were also a significant contributor to the FY07 result. US cash distributions contributed \$39.4m in FY07 compared to \$7.0m in FY06.

Strong increases in revenue and a greater contribution from the US portfolio translated to a strong uplift in total net operating cash flows of 133% to \$79.8m. The increase in net operating cash flow also resulted in an uplift in distributions of 22.5% to 12.5 cents per security.

BBW's intention is to fully cover distributions from net operating cash flow after taking into account principal debt repayments, the distribution reinvestment plan (DRP), future funding requirements and future investment opportunities. I am pleased to report that net operating cash flow of \$79.8m, offset by a notional repayment of debt of \$16.4m, fully covered the full year distribution payment (net of distribution reinvestment) of \$59.7m for FY07.

This was a pleasing performance, especially considering that in FY07 our portfolio performance was affected by a low wind year in Spain - a region where we had an approximate 30% portfolio exposure at the beginning of the year.

Significant further diversification of the portfolio by the end of FY07, combined with a total of 21 wind farms being fully operational for the entire period, resulted in a more diversified spread of earnings as illustrated by the charts on this page.

BALANCE SHEET AND RISK MANAGEMENT

In April 2007, BBW successfully raised \$156.8m from the issuance of 87.1m securities via an institutional placement. The capital raised is being used to assist with the funding of the proposed Enersis (50%) and US07 acquisitions as mentioned by the Chairman.

In May 2007, BBW completed a €1.03bn refinancing of its global wind farm portfolio in preparation for the continued growth of the business. This involved aggregating project, asset and corporate level debt across various jurisdictions into a single corporate multi-currency facility.

Key outcomes of the portfolio refinancing include a greater degree of capital efficiency and flexibility associated with a corporate facility as well as reduced borrowing costs under a multi-currency structure with common global terms. The facility also provides a framework for establishing additional facilities as acquisitions are completed subject to lenders' approvals at the time of each new investment.

In August 2007 BBW completed the refinancing syndication process which was oversubscribed and priced on competitive terms. The mandated lead arrangers, Banco Espirito Santo de Investimento, Bank of Scotland, Dexia Crédit Local and Millennium investment banking were joined by 11 international institutions in the final banking syndicate. The completion of this transaction, in what can only be described as a challenging capital market environment, clearly demonstrates the credit strength and diversification benefits of BBW's portfolio.

BBW's gearing remains conservative. Gearing as represented by net debt to Enterprise value was 45% as at 30 June 2007 and will remain at a prudent level after the proposed Enersis (50%) and US07 acquisitions to be completed later this calendar year, subject to Securityholder approval.

BBW continues to uphold prudent financial risk management policies. Current policy provides for BBW to enter into fixed rate hedging for not less than 75% of its long-term borrowings. At the end of FY07, the average interest swap duration was 9.7 years.

BBW manages its foreign exchange exposures on the basis that the AUD is its base currency and to the extent possible will match its non-AUD assets and investments with borrowings in the same currency as a "natural hedge". BBW also has a stated policy of hedging returns on equity investments made in foreign currencies out to three years on a rolling basis.

In FY07, prior to any hedging initiatives undertaken by BBW, currency movements reduced revenues by \$4.9m. This reduction was almost completely offset by the established natural hedges and the implementation of BBW's foreign exchange hedging strategies.

OUTLOOK

BBW's disciplined approach to acquisitions has enabled it to achieve global scale and substantial portfolio diversification in a relatively short time frame. BBW has access to a high quality acquisition pipeline which is expected to continue to deliver opportunities to grow and further diversify the portfolio on an accretive basis. BBW is well positioned to further build its position as a leading global wind energy business in the rapidly growing renewable energy sector.

Immediate prospects for growth in distributions are strong with the Board having provided guidance for FY08 and FY09 of 14.5 and 15.5 cents per security respectively, continuing the strong growth profile which has characterised BBW's performance since IPO.

Overall, BBW is well positioned for further growth in FY08 and FY09 through the proposed acquisitions of the Enersis (50%) & US07 wind farm portfolios. If approved, the completion of the proposed acquisitions and the construction of Lake Bonney Stage 2 in mid 2008, together with other construction projects, will add approximately 911MW of operating assets to the portfolio in the medium term.

I look forward to meeting with Securityholders at the AGM and reporting to you again throughout 2008.



MILES GEORGE
Chief Executive Officer



Market Overview

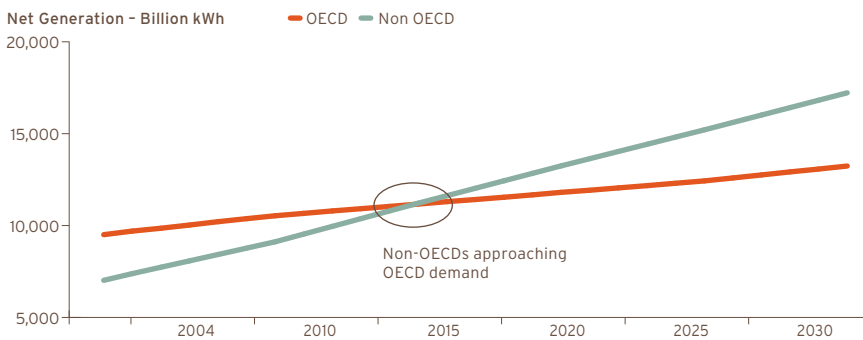
ENERGY INDUSTRY ADAPTS TO NEW CHALLENGES

In the next 25 years the world will build more electricity generation infrastructure than exists today, and renewable energy must play an increasingly important role.

World electricity demand is expected to more than double by the year 2030, with electricity generation expected to account for over half of the increase in global primary energy consumption. How the energy landscape evolves over that period will increasingly be shaped by three key drivers:

- **Environmental protection.** An emerging global consensus on the urgent need to take action to reduce greenhouse gas emissions, of which energy generation is the leading contributor.
- **Energy independence.** Growing concerns about long-term fossil fuel supply security, with the bulk of remaining reserves residing in some of the most geopolitically risky regions of the world.
- **Growing energy demand.** Rapid growth in demand among non-OECD countries, which will put new pressures on energy resources and spark renewed climate change concerns.

ENERGY CONSUMPTION GROWTH STRONG THROUGH TO 2030



Source: EIA, 2006 International Energy Outlook.

Steady OECD growth, coupled with explosive industrial growth in non-OECD countries will fuel continued energy demand.

Climate change has emerged as a central issue shaping energy policy globally. Europe has led the way with the EU's application of Kyoto Protocol controls, but increasing evidence of the link between global warming and fossil fuel-based electricity generation is forcing the energy industry to address emissions control globally.

The Intergovernmental Panel on Climate Change (IPCC) reports that greenhouse gas (GHG) emissions have increased 70% since 1970 with fossil fuel combustion accounting for over 60%. Unchecked, the continued growth of GHG emissions will significantly impact global warming, leading to widespread environmental and economic damage.

Governments are stepping up efforts to reduce emissions. Europe has led the way with the EU's enforcement of Kyoto Protocol standards by implementing a cap-and-trade emissions trading scheme (ETS). As the EU-ETS enters its second phase in parallel with the Kyoto Protocol's beginning, the European Union will increasingly tighten emissions credit allocation to spur more significant GHG reductions. In Europe, 2008 future carbon prices traded around €20 / tonne as of late 2007. While the United States, the single largest contributor of carbon emissions, is not a Kyoto signatory, some form of federal carbon policy is expected to emerge by the end of this decade.

Supporting renewable energy is a key strategy for combating carbon emissions. The EU is leading the way with its policy, having established a broad target to source 20% of electricity from renewable sources by 2020.

While a federal renewable portfolio standard (RPS) remains to be adopted in the US, a growing number of US states have implemented their own renewable energy targets. China has also accelerated its renewable targets to offset substantial new build of conventional coal generation. Meanwhile, Australia is beginning to recognise the threat of climate change by setting a 2012 deadline for an emissions trading scheme.

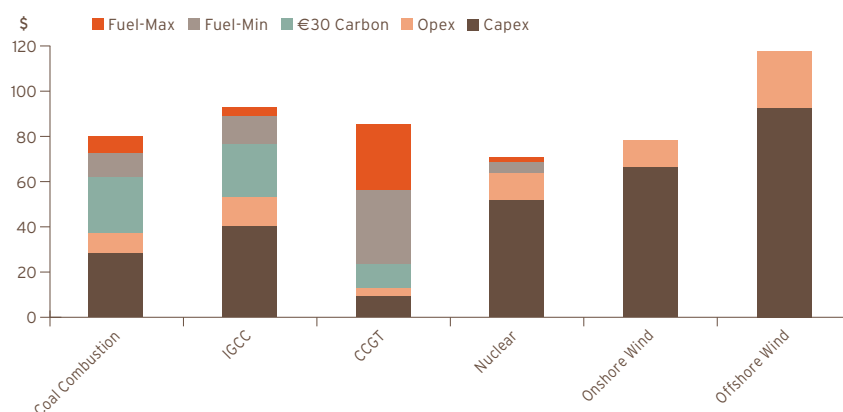
Scaling the world's electricity generation supply to meet a doubling of electricity demand presents a daunting challenge to a world already struggling to meet current demand levels.

THREE PRIMARY CARBON POLICY MECHANISMS HAVE EMERGED GLOBALLY

	Description and Implications	Regional Implementation
Carbon Tax	- Levy which can be imposed either on direct CO2 emission/fossil fuel consumption - Possible tax could reduce future generation cost uncertainty	Existing - Norway (offshore), Denmark Pending - US - Switzerland
Cap and Trade	- Emissions caps established at varying levels, compliance via direct emissions reduction, credit purchasing or implementation of offset projects - Flexibility, profit opportunities favored by the private sector. Grandfathering with over-allocation may result in windfall profits. Alternatively, an allocation methodology will create a more direct incentive for IGCC to compete in replacing existing coal plant	Existing - Kyoto Signatories - European Union - Japan (Domestic) Pending - National US - British Columbia and Western US states - Northeastern US states (RGGI) - Australia, New Zealand, Canada
Emission Restrictions	- Sets CO2 limits for the operation or construction of new power plants. May applied by technology or carbon/kWh - While potentially the most direct driver for IGCC+CCS, until technology is proven, could also dissuade early carbon capture investments lacking guaranteed CO2 off-take	Existing - US States of California and Washington - Ontario shutting down coal plants Pending - Under consideration by the EU post 2020

In its efforts to keep pace with booming electricity demand, the energy industry faces key questions in planning new capacity. How to meet a doubling of baseload electricity demand at a time when supply constraints have already driven up fuel costs significantly? How to address the impact of a doubling of CO2 output and its impact on global climate change when the environmental impact is already being felt? Carbon capture imperatives, energy security, and declining growth of fossil fuel reserves will continue to drive a significant upward trend in energy and electricity prices. On a levelised cost basis, factoring in a carbon cost of €30/tonne and fuel price volatility, the cost of electricity generation from traditional fuel sources is expected to rise to a band between \$60-80/MWh.

POWER COSTS FROM VARIOUS CENTRALISED RENEWABLE POWER SOURCES, 2007



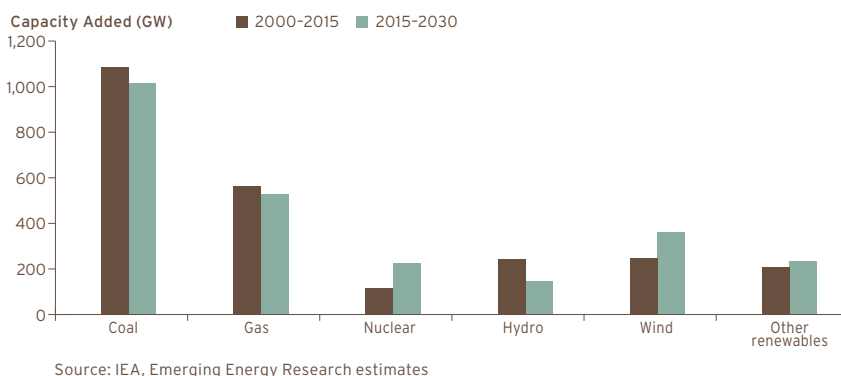
Based on reported US, European project costs 2006-2007.
Source: Emerging Energy Research

Market Overview

All traditional electricity generation technologies face major challenges for increased deployment. Carbon mediation policies are already having a significant impact on new coal generation build with many European countries and a growing number of US states prohibiting new coal plants. The costs of new generation from nuclear power plants remains uncertain after a history of cost overruns, escalating uranium prices, and the added costs of increased security measures. Natural gas-fired electricity generation has been the technology of choice for more than a decade, but global supply constraints have caused spikes in gas prices to levels that have significantly increased the cost of new gas-fired energy generation.

The impact of carbon policy ultimately is expected to shift significantly more investment into renewable electricity generation sources. In EER's low-carbon scenario, non-hydro renewable energy generation, led by wind energy, is expected to account for more than 20% of new generation capacity between 2000 and 2030.

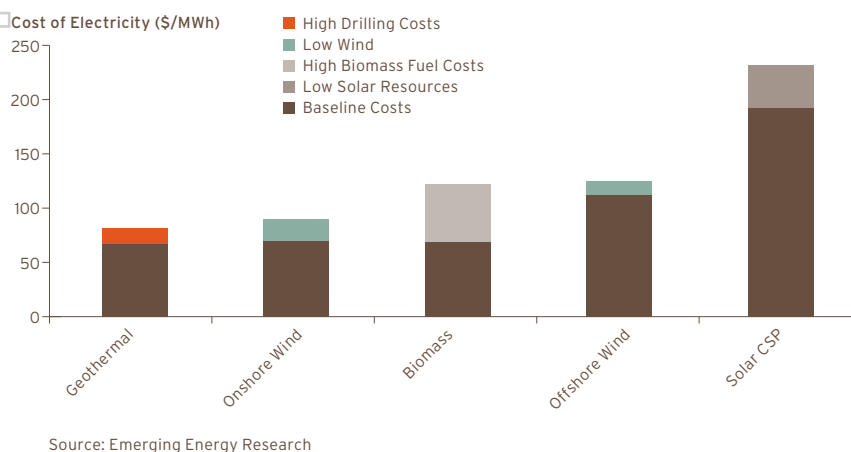
GLOBAL POWER GENERATION ADDITIONS, 2000-2030 EER Low-Carbon Scenario



Wind energy continues to position itself as the most competitive, scalable renewable technology on a cost of energy basis.

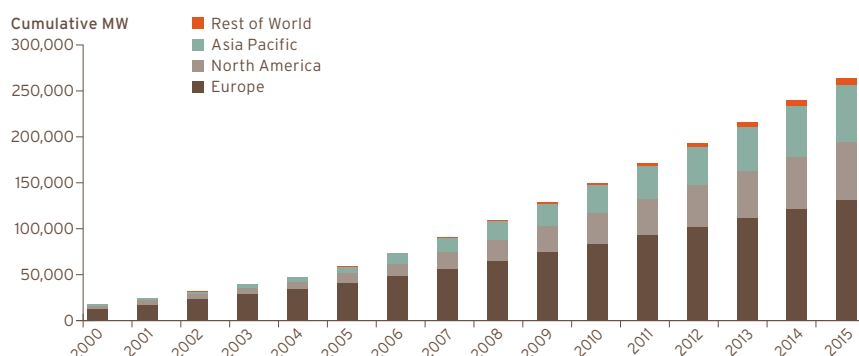
Of all renewable energy technologies, wind energy is emerging as one of the most cost competitive generation alternatives. Wind's scalability and declining costs over the past decade have improved its positioning versus conventional generation technologies as well. Not surprisingly, wind power investment has been growing steadily.

COST OF ELECTRICITY FROM RENEWABLE ENERGY SOURCES (EXCLUSIVE OF SUBSIDIES)



Total installed wind energy capacity is set to double from just under 90 GW in 2007, to over 180 GW by 2012 based on strong, geographically diverse growth driven by Europe, US, China and India. Increasingly steady policy support is driving major utilities and independent power producers (IPPs), such as Babcock & Brown Wind Partners, to build wind portfolios, and the wind industry has a major opportunity to scale up while other technologies face longer ramp-up time and regulatory hurdles. Europe is expected to continue leading the global wind energy market with nearly 40% of annual installations; however, booming growth in the USA and China are creating a more balanced industry build-up.

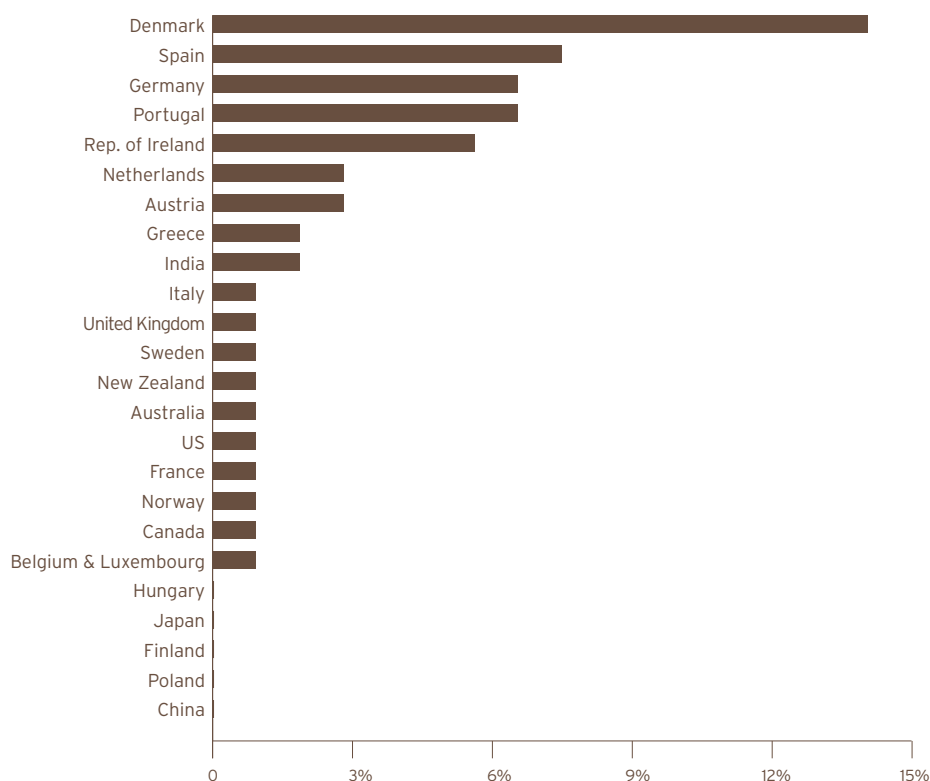
TOTAL WIND POWER GENERATION CAPACITY, 2000-2015



Source: IEA, Emerging Energy Research estimates

In terms of real impact on the energy mix, wind energy's penetration has varied widely by country - with proactive policies in Denmark, Spain and Germany yielding the highest contributions from wind. Nonetheless, wind is gaining traction globally as it hovers around 1.2% of total global electricity production.

GLOBAL WIND ENERGY PENETRATION AS % OF ELECTRICITY, KEY COUNTRIES 2006



Source: Emerging Energy Research

Australia

Australia is a growth market for wind energy, boasting some of the world's best available wind resources. Australia's total wind generation capacity was 817MW at the end of 2006, an increase of 15% from 708MW at the end of 2005.

The Australian wind energy market is still in its infancy relative to the European and US markets; and, subject to support shown for renewable energy generation, represents a significant opportunity for BBW.

The regulatory environment has been a key driver for growth and development of the wind energy industry with the introduction of the Australian Federal Government's Mandatory Renewable Energy Target ("MRET") in 2001. MRET successfully encouraged the development of the Australian wind energy industry allowing BBW to develop three wind farms under this scheme. MRET is now fully subscribed and has not been extended by the Federal Government.

Emissions trading is emerging as the Federal Government's key policy response to encourage the reduction of greenhouse gas emissions. The "Report of the Task Group on Emissions Trading" was finalised in May 2007 and is intended to assist the development of policy on the role of emissions trading. Whilst the development of an emissions trading scheme will be positive for the wind energy industry in the longer-term, the slow ramp-up nature of the proposed scheme will mean that other market mechanisms such as State-Based renewable targets will be important in underpinning its immediate growth.

Accordingly, proposals to introduce State-based renewable energy target schemes to promote the use of renewables again provided a stable regulatory framework for further expansion of Australia's wind energy industry. New South Wales announced a target of 10% of consumption from renewable energy sources by 2010 and 15% by 2020. The proposed scheme will operate until 2030. Currently, 6.1% of NSW electricity is sourced from renewable energy. Victoria has also legislated a 10% renewable energy target by 2016, up from the current level of around 4%, effectively requiring 3,274 GWh of new renewable energy.

In May 2007 Western Australia announced that it will establish a renewable energy target of 15% by 2020, and 20% by 2025. This is part of a broad range of initiatives being adopted in the State to reduce greenhouse gas emissions by 60% of 2000 levels by 2050. As part of the strategy, the WA government sector has also committed to purchasing 20% of its electricity from renewable energy sources by 2010.

South Australia is home to almost half of Australia's wind energy capacity and is considering draft legislation that includes a target of 20% renewable energy by 2014, though the mechanism is undecided. South Australia already generates 11% of electricity from wind power.

Currently, BBW's Australian portfolio consists of the Alinta wind farm in Western Australia and Lake Bonney Stages 1 and 2 in South Australia. The combined total capacity of the Australian portfolio is 328.6MW, including Lake Bonney Stage 2 which is currently under construction. The estimated long term mean energy production from these assets is 1,057.8 GWh per annum.

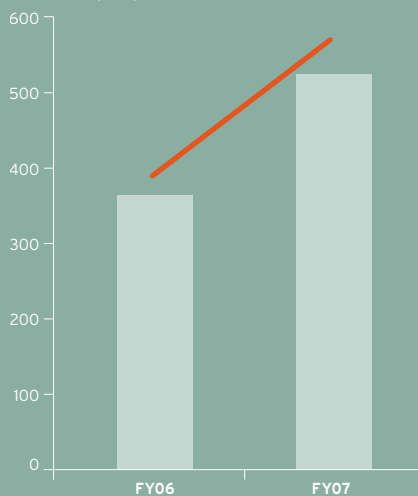
During FY07 the Australian portfolio energy production was slightly lower than forecast at 540.7 GWh. Wind speeds in the region were 7-10% below the long-term average.

The outlook for the Australian portfolio is very positive. In June 2006 BBW commenced construction of Lake Bonney Stage 2 wind farm, adjacent to the Lake Bonney Stage 1 site located near Mount Gambier, South Australia. It is expected that at the time of commissioning Lake Bonney 2 will be the largest operational wind farm in Australia with an installed capacity of 159MW. The combined total capacity of Lake Bonney Stage 1 & 2 will be 239MW. Construction is progressing well and is on budget. The first 25 turbines have been commissioned and the project is on schedule for completion by mid 2008.



AUSTRALIAN PRODUCTION

Production (GWh) ■ Actual ■ P50



GWh	FY06	FY07
Actual production	364.1	540.7
P50	393.5	576.6
Actual to P50	93%	94%

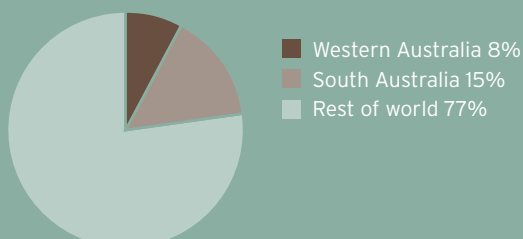
EBITDA increased by 23.3% to \$37.0m during FY07, contributing 29.7% of EBITDA to the overall portfolio. The Australian wind farms performed at 94% of P50 generation.

Key Financials	FY06	FY07
Revenue ¹	\$35.9m	\$44.9m
EBITDA	\$30.0m	\$37.0m
Contribution to EBITDA ²	45.0%	29.7%
EBITDA Margin	83.6%	82.4%

¹ FY06 Includes pre-commissioning and revenue compensation

² EBITDA including US Distributions before corporate costs

WIND RESOURCE DIVERSIFICATION (by GWh p.a.)



France

The French wind energy market has developed more slowly than its European counterparts, but is now expected to experience rapid growth throughout 2007 and beyond. 810MW of new capacity was installed in 2006, which was a 107% increase on the previous year, placing France into the top 10 markets in 2006 by annual MW installed. Total installed capacity in France at the end of 2006 was 1,567MW.

France is one of the eight countries in Europe (along with Germany, Spain, United Kingdom, Ireland, Portugal, Italy and Greece) where specific legislation has established stable support mechanisms for wind energy, providing sufficiently attractive and stable revenue streams to satisfy the yield and return requirements of BBW. Under the Ministerial Order of July 2006, Electricite de France is obliged to buy electricity from privately owned and operated renewable energy sources in accordance with Power Purchase Agreements ("PPAs"). The PPA term is 15 years starting from the date of commissioning. The base tariff for the first ten years is fixed and for the following five years is adjusted by a formula on the basis of the average energy generated during years one to ten. French Law also guarantees access to the public transmission and distribution grid.

The French government's commitment to the EU Renewables Directive is an important driver in industry development. At least 10,000MW of wind power capacity will need to be installed in France by 2010 in order for it to meet national targets, which were doubled during the year.

BBW currently has two wind farms under construction in France, located at adjacent sites. The Fruges 1 & 2 wind farms are located in a productive wind region in the north of the country close to the English Channel, and represent BBW's first French investments. The Fruges 1 & 2 wind farms will have a combined total installed capacity of 52MW and estimated long-term mean net energy production of 118.8 GWh p.a. once completed. Construction of Fruges 1 & 2 is progressing well, with the first three turbines out of eleven expected to be operational at the end of September 2007. Fruges 2 is expected to be operational in the first half of 2008.



For personal use only



Germany

The German wind market is the world's largest wind energy market, with almost 18,600 wind turbines and a cumulative installed capacity of 20,622MW. Germany accounted for 27.8% of global cumulative installed capacity at the end of 2006.

The German market continues to experience strong growth, supported by the country's stable regulatory environment aimed at achieving its long-term renewable energy goals. 2,233MW were installed during 2006, up from 1,808MW in 2005. This corresponds to a 23.5 % increase compared to the previous year.

Wind energy contributes 5.7% to total net energy consumption or in absolute terms 30.6 billion KWh.

In 2004, the Renewable Energy Sources Act (EEG) was passed. Under the EEG, electricity produced from renewable energy sources is given priority connection to the grid and wind farms are paid a fixed tariff for electricity produced for a period of 20 years. The EEG is renewed every three years and the recently proposed changes seek to increase support in pursuit of an increased target for renewable energy of 27% in 2020, up from 20%.

The German market is a mature market and has dominated the global wind energy market for over a decade. Naturally, it is expected that growth rates will ease over the next few years as the number of viable onshore sites contract. It is likely that re-powering and

off-shore projects will dominate the German market over the medium term. To further aid this growth the German government introduced a new law in 2006 which encouraged a number of off-shore wind farms to share a single grid connection to the mainland, ultimately reducing costs.

BBW's portfolio in Germany consists of four wind farms, Wachtendonk, Bocholt-Liedern and Kaarst in the Northrhine-Westphalia region and Eifel wind farm in the Rhineland-Palatinate region. The total installed capacity is 65.8MW with an additional 2MW in Kaarst, currently under construction.

The growth outlook for BBW's German portfolio remains strong. BBW has the opportunity to acquire up to a further 288MW of wind farms in FY08 and FY09 under a Framework Agreement signed in 2006 with Plambeck Neue Energien AG. Under the agreement, Plambeck is responsible for the development phase of the individual wind farms. Further information in relation to the Plambeck Framework Agreement can be found on page 117 of this annual report.

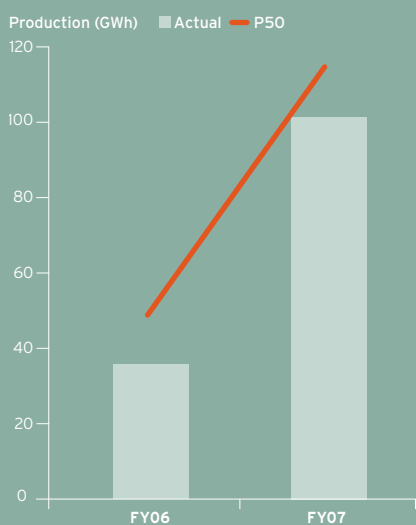
The operational performance of BBW's German wind farms improved significantly from 73% to 92% of P50. Production in Germany was lower than P50 at 101.4 GWh p.a. as wind speeds were below the long-term mean.



● BBW Wind Farms

Statistics supplied by
Global Wind Energy Council

GERMAN PRODUCTION



GWh	FY06	FY07
Actual production	35.8	101.4
P50	48.8	109.9
Actual to P50	73%	92%

EBITDA increased by 200% to \$11.4m during FY07, contributing 9.2% of EBITDA to the overall portfolio.

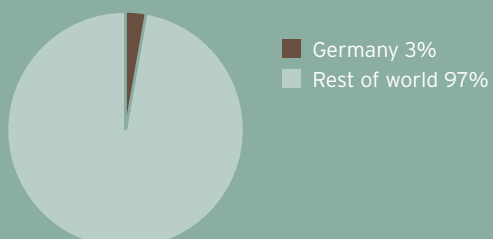
German wind farms performed at 92% of P50 generation.

Key Financials	FY06	FY07
Revenue ¹	\$4.7m	\$14.2m
EBITDA	\$3.8m	\$11.4m
Contribution to EBITDA ²	5.7%	9.2%
EBITDA Margin	80.9%	80.3%

¹ Includes pre-commissioning and revenue compensation

² EBITDA including US Distributions before corporate costs

WIND RESOURCE DIVERSIFICATION (by GWh p.a.)



Spain

The Spanish market is the second largest wind energy market in the world with a total installed capacity of 11,615MW, representing 15.6% of cumulative global capacity. In 2006 an additional 1,587MW was installed, representing an increase of 16%. Spain has aggressive targets for wind energy and has set a target of 20,155MW by 2010.

Wind energy is the leading renewable power source in the Spanish power generation portfolio. Almost 9% of Spain's electricity demand is supplied by wind energy. During 2006 wind turbines generated 22,199 GWh, which represents an increase of 6.5% on the energy requirements of the previous year.

The Spanish market is supported by a longstanding favourable regulatory environment and pricing regime, as well as strong and increasing overall demand for energy.

In May 2007 the Spanish Government passed a new Royal Decree 661/2007 which established a revised tariff scheme for renewable energy and cogeneration projects, following a scheduled review of the regulations enacted in March 2004. The revised legislation maintained support of wind energy and the two key remuneration options of either a fixed tariff or a market option tariff.

The fixed tariff option is 73.2€/MWh (2007 base price indexed), reducing to 61.2€/MWh (2007 base price indexed) after 20 years of operation. The market tariff option is the sum of the market pool price, and a market option premium (plus reactive energy remuneration, less any imbalance charges).

The market option premium is 29.3€/MWh (2007 base price indexed). The market tariff option is also subject to a cap and floor mechanism ranging between 71.3 and 84.9€/MWh (2007 base price indexed).

All of BBW's Spanish wind farms are operational and except for Serra do Cando, BBW has elected to receive the market tariff option for all its wind farms.

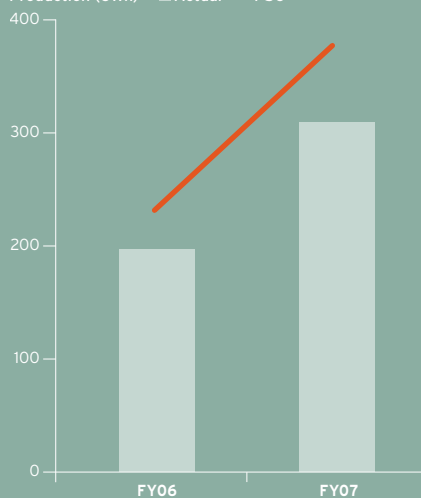
BBW's Spanish portfolio has grown considerably in 2007. In May 2007, BBW acquired Monte Seixo and Serra do Cando wind farms, with the two farms having a total installed capacity of 64.2MW and an estimated average long-term energy production of 186 GWh p.a. In June 2007 BBW also acquired 70% of the Conjuro wind farm and in July 2007 a 97% economic interest in Valdeconejos wind farm was acquired. These acquisitions increased the total installed capacity of the Spanish portfolio to 270.6MW. The Conjuro and Valdeconejos wind farms represent the first wind farms to be acquired under the Spanish Framework Agreement. Up to 400MW of additional operating wind farms can be acquired under the Spanish Framework Agreement. Further information in relation to the Spanish Framework Agreement can be found on page 117 of this annual report.

During FY07, overall energy production in Spain was lower than P50 at 309.5 GWh p.a. Wind speeds were significantly below the long-term mean with four out of five wind farms that made a full year contribution underperforming.



SPANISH PRODUCTION

Production (GWh) ■ Actual — P50



GWh	FY06	FY07
Actual production	196.9	309.5
P50	232.5	378.5
Actual to P50	85%	82%

EBITDA increased by 41.3% to \$36.6m during FY07, contributing 29.4% of EBITDA to the overall portfolio.

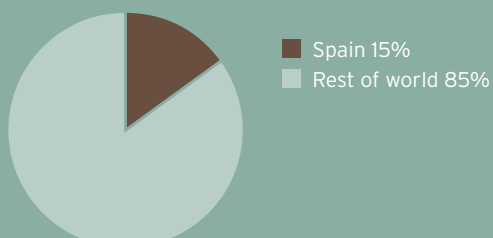
Spanish wind farms performed at 82% of P50 generation.

Key Financials	FY06	FY07
Revenue ¹	\$32.4m	\$44.6m
EBITDA	\$25.9m	\$36.6m
Contribution to EBITDA ²	38.8%	29.4%
EBITDA Margin	79.9%	82.1%

¹ Includes pre-commissioning and revenue compensation

² EBITDA including US Distributions before corporate costs

WIND RESOURCE DIVERSIFICATION (by GWh p.a.)



United States

The US market continues to experience rapid growth. In 2006 the US was the world's leading market in terms of new capacity installed for the second year running. An additional 2,454MW of new capacity was installed in 2006, an increase of 27% from 2005. The US accounts for 15.6% of the global wind energy market with a total installed capacity of 11,603MW. It is the third largest wind energy generating market in the world.

The sustained growth of the US market has been driven by the extension of the Production Tax Credit ("PTC") system to 2008, which is the primary US Federal government incentive for renewable energy development. The PTC is unique to the US and offers tax credits to wind farm owners for the first 10 years of an asset's operation.

In addition to the Federal PTC incentive, as at August 2007, 24 states and one district had adopted renewable energy usage targets, through legislated "Renewable Portfolio Standard" ("RPS") targets.

The outlook for the US remains very positive. Total capacity is expected to continue to grow strongly and the outlook for the regulatory environment is favourable. Congress is currently considering a range of renewable friendly-energy policies, including a national renewable portfolio standard and a cap on carbon emissions. It is estimated by the Global Wind Energy Council that US wind farms will produce 31 billion kWh in 2007. This represents approximately 0.7% of the country's total electricity generation, enough to power 2.9 million average American households.

The US is a significant market for BBW, with the US having the largest representation by country in the BBW portfolio. The portfolio consists of 15 individual wind farms across five wind regions, with a total

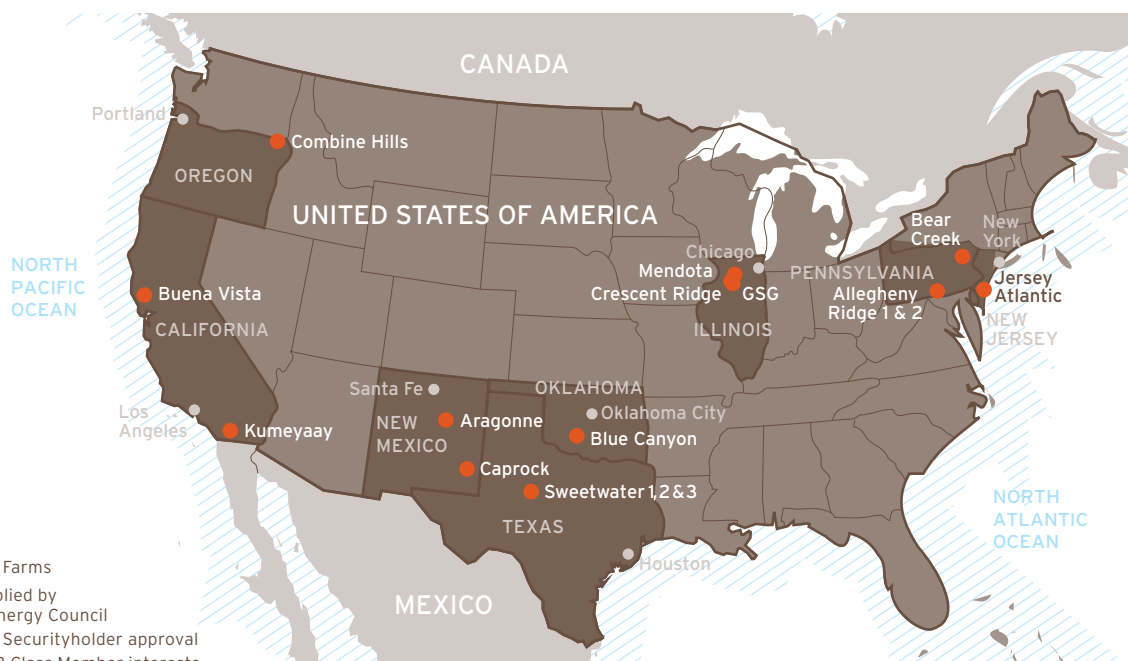
installed capacity of 698MW. The US portfolio grew significantly in FY07 as BBW acquired nine wind farms across a number of regions.

Within the US05 portfolio, BBW purchased Class B membership interests in Sweetwater 3 and Kumeyaay in July 2006. This was followed by the purchase of Class B membership interests in Bear Creek and Jersey Atlantic wind farms in December 2006.

The US06 portfolio acquisition was a highlight of 2007. This portfolio acquisition represented the first large scale portfolio transaction for BBW. The portfolio consists of six large wind farms across multiple wind regions in the US with a total installed capacity of 410MW and estimated long-term mean energy production of 1,168.5 GWh per annum. To date, five of the six wind farms have been acquired under the agreement. BBW purchased the Class B membership interests in Mendota, Buena Vista and Aragonne Mesa wind farms in March 2007 and purchased Class B membership interests in GSG and Allegheny Ridge 1 wind farms in June 2007. Allegheny Ridge 2 wind farm, the remaining asset within the US06 portfolio, is expected to be acquired in 2008.

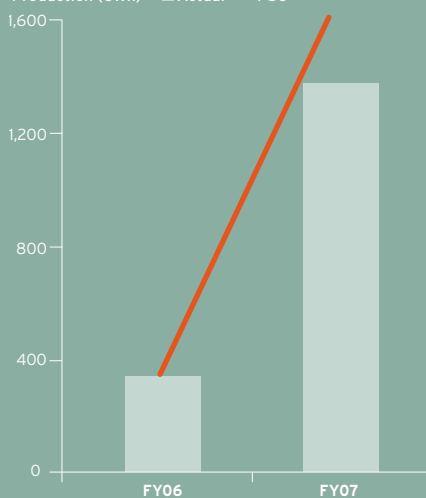
During FY07 the portfolio performance was slightly lower than expected due to low wind and below forecast availability on several wind farms. Wind speeds were below the long-term mean at a majority of wind farms. Wind farm availability was affected by low availability at Sweetwater, Kumeyaay, Bear Creek and Mendota, however, those effects were partly offset by warranty payments.

BBW's US portfolio is poised for significant growth in the second half of 2007 and 2008 with the proposed¹ acquisition of the US07 portfolio which, if completed will add an additional 490 turbines and 371MW² of installed capacity.



US PRODUCTION

Production (GWh) ■ Actual — P50



GWh	FY06	FY07
Actual production	335.8	1375.2
P50	340.5	1530.7
Actual to P50	99%	90%

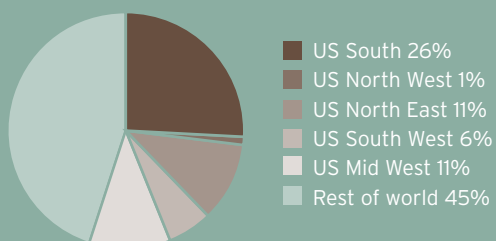
US distributions were significantly higher, contributing \$39.4m in FY07 compared to \$7.0m in FY06.

US wind farms performed at 90% of P50 generation.

Key financials	FY06	FY07
Distribution	\$7.0m	\$39.4m
Contribution to EBITDA ¹	10.5%	31.7%

¹ EBITDA including US Distributions before corporate costs

WIND RESOURCE DIVERSIFICATION (by GWh p.a.)



Portfolio Summary

Wind Farm	Country/Region	BBWP's Equity Interest (%)¹	Commercial Operation Date (Acquisition Date)	Installed Capacity (MW)	
				Total	Ownership¹
AUSTRALIA					
Alinta Wind Farm	Western Australia	100%	Jan 2006 (Aug 2004)	89.1	89.1
Lake Bonney 1	South Australia	100%	Mar 2005 (Jun 2003)	80.5	80.5
Lake Bonney 2	South Australia	100%	Expected mid 2008 (Sep 2005)	159.0	159.0
Sub Total - Australia				328.6	328.6
SPAIN					
Sierra del Trigo	Andalucia	100%	Jan 2002 (Dec 2004)	15.2	15.2
La Muela Norte	Aragon	100%	Aug 2003 (Dec 2004)	29.8	29.8
El Redondal	Castille & Leon	100%	Jan 2005 (Oct 2005)	30.6	30.6
Serra da Loba	Galicia	100%	Oct 2005 (Mar 2006)	36.0	36.0
La Plata	Castille La Mancha	100%	Jun 2005 (Jun 2005)	21.3	21.3
El Sardon	Andalucia	100%	Mar 2006 (May 2006)	25.5	25.5
Monte Seixo	Galicia	100%	Oct 1999 (May 2007)	35.0	35.0
Serra do Cando	Galicia	100%	Oct 1999 (May 2007)	29.2	29.2
Conjuro	Andalucia	70%	Nov 2006 (Jun 2007)	17.0	11.9
Sub Total - Spain				239.5	234.4
GERMANY					
Wachtendonk	Northrhine-Westphalia	99%	Dec 2005 (Mar 2005)	12.0	11.9
Bocholt Liedern	Northrhine-Westphalia	99%	Oct 2005 (Mar 2005)	7.5	7.4
Eifel - Stages I & II	Rhineland-Palatinate	100%	Jun 2005 & Feb 2006 (Feb 2006)	27.0	27.0
Eifel - Stage III	Rhineland-Palatinate	100%	Dec 2006 (Feb 2006)	8.0	8.0
Eifel - Stage IV	Rhineland-Palatinate	100%	Mar 2007 (Feb 2006)	1.5	1.5
Kaarst - Stage I	Northrhine-Westphalia	100%	Dec 2006 (Jan 2007)	10.0	10.0
Kaarst - Stage II	Northrhine-Westphalia	100%	Expected end 2007 (Jan 2007)	2.0	2.0
Sub Total - Germany				68.0	67.8
FRANCE					
Fruges 1	Pas de Calais	100%	Expected 2nd half 2007 (Mar 2006)	22.0	22.0
Fruges 2	Pas de Calais	100%	Expected 1st half 2008 (Dec 2006)	30.0	30.0
Sub Total - France				52.0	52.0

1 Percentages for US wind farms constitute percentage ownership of Class B Member Units of project entity (note BBW owns 100% of B Class Member Units of a 95% interest in Aragonne). Ownership is shown on the basis of active ownership as represented by the percentage of B Class member interest.

2 "PPA": Power Purchase Agreement

3 "Proposed Acquisitions" are subject to Securityholder approval as related party transactions.

Type	Turbines		Long Term Mean Energy Production (GWH P.A.)		Energy Sale ²
	No.	Rating (MW)	Total	Ownership ¹	
NEG Micon NM82	54	1.65	366.5	366.5	PPA
Vestas V66	46	1.75	213.4	213.4	PPA
Vestas V90	53	3	477.9	477.9	PPA & Market
	153		1057.8	1057.8	
Gamesa G47	23	0.66	32.3	32.3	Market Option
Gamesa G58	35	0.85	70.6	70.6	Market Option
Gamesa G58/G52	36	0.85	66.5	66.5	Market Option
Gamesa G83	18	2	99.9	99.9	Market Option
Gamesa G58	25	0.85	45.6	45.6	Market Option
Gamesa G58	30	0.85	47.9	47.9	Market Option
Gamesa G47	53	0.66	104.1	104.1	Fixed Tariff
Gamesa G47/G52	44	0.66/0.85	81.9	81.9	Market Option
Gamesa G58	20	0.85	31.4	22.0	Market Option
	284		580.2	570.8	
Nordex S77	8	1.5	23.7	23.5	Fixed Tariff
Nordex S70	5	1.5	13.3	13.2	Fixed Tariff
Nordex S70/S77	18	1.5	53.0	53.0	Fixed Tariff
Enercon E70/E4	4	2	17.0	17.0	Fixed Tariff
Nordex S77	1	1.5	3.6	3.6	Fixed Tariff
Vestas V80	5	2	19.3	19.3	Fixed Tariff
Vestas V80	1	2	3.6	3.6	Fixed Tariff
	42		133.6	133.2	
Enercon E70/E4	11	2	49.7	49.7	Fixed Tarrif
Enercon E70/E4	15	2	69.1	69.1	Fixed Tarrif
	26		118.8	118.8	

Portfolio Summary

Wind Farm	Country/Region	BBWP's Equity Interest (%) ¹	Commercial Operation Date (Acquisition Date)	Installed Capacity (MW)	
				Total	Ownership ¹
UNITED STATES					
Sweetwater 1	South - Texas	50%	Dec 2003 (Dec 2005 & Jun 2006)	37.5	18.8
Sweetwater 2	South - Texas	50%	Feb 2005 (Dec 2005 & Jun 2006)	91.5	45.8
Caprock	South - New Mexico	80%	Dec 2004 & Apr 2005 (Dec 2005 & Jun 2006)	80.0	64.0
Blue Canyon	South - Oklahoma	50%	Dec 2003 (Dec 2005 & Jun 2006)	74.3	37.1
Combine Hills	North West - Oregon	50%	Dec 2003 (Dec 2005 & Jun 2006)	41.0	20.5
Sweetwater 3	South - Texas	50%	Dec 2005 (Jul 2006)	135.0	67.5
Kumeyaay	South West - California	100%	Dec 2005 (Jul 2006)	50.0	50.0
Jersey Atlantic	North East - New Jersey	59%	Mar 2006 (Dec 2006)	7.5	4.4
Bear Creek	North East - Pennsylvania	59%	Mar 2006 (Dec 2006)	24.0	14.2
Crescent Ridge	Mid West - Illinois	75%	Nov 2005 (Jun 2006)	54.5	40.8
Aragonne Mesa	South - New Mexico	100%	Dec 2006 (Mar 2007)	90.0	85.5
Beuna Vista	South West - California	100%	Dec 2006 (Mar 2007)	38.0	38.0
Mendota	Mid West - Illinois	100%	Nov 2003 (Mar 2007)	51.7	51.7
Allegheny Ridge 1	North East - Pennsylvania	100%	Jun 2007 (Jun 2007)	80.0	80.0
GSG	Mid West - Illinois	100%	Jun 2007 (Jun 2007)	80.0	80.0
Sub Total - United States				934.9	698.3
Sub Total At 30 June 2007				1623.0	1381.1
Acquired Post Balance Date					
Valdeconejos	Aragon	97%	Nov 2006 (Aug 2007)	32.3	31.2
Conjuro (remaining 30%)	Andalucia	30%	Nov 2006 (Jun 2007)		5.1
Sub Total - Acquired Post Balance Date				32.3	36.3
Sub Total - Operational				1442.3	1204.4
Sub Total - Under Construction				213.0	213.0
Sub Total				1655.3	1417.4
US06 (Remaining to be acquired)					
Allegheny Ridge 2	North East - Pennsylvania	100%	Expected early 2008 (Expected 2008)	70.0	70.0
Sub Total - To be Acquired				70.0	70.0
Total				1725.3	1487.4
Proposed Acquisitions ³					
Enersis	Portugal	50%		524.8	257.3
US07	USA	50% Minimum		621.8	370.6
Sub Total				1146.6	627.9
Total - With Proposed Acquisitions				2871.9	2115.3

1 Percentages for US wind farms constitute percentage ownership of Class B Member Units of project entity (BBW owns 100% of B Class Member Units of a 95% interest in Aragonne). Ownership is shown on the basis of active ownership as represented by the percentage of B Class member interest.

2 "PPA": Power Purchase Agreement

3 "Proposed Acquisitions" are subject to Securityholder approval as related party transactions.

Type	Turbines		Long Term Mean Energy Production (GWH P.A.)		Energy Sale ²
	No.	Rating	Total	Ownership ¹	
GE 1.5 S	25	1.5	141.7	70.9	PPA
GE 1.5 SLE	61	1.5	361.8	180.9	PPA
MHI MWT 1,000A	80	1	316.6	253.3	PPA
NEG Micon NM72	45	1.65	264.1	132.1	PPA
MHI MWT 1,000A	41	1	119.6	59.8	PPA
GE 1.5 SLE	90	1.5	508.5	254.3	PPA
Gamesa G87	25	2	164.6	164.6	PPA
GE 1.5 SLE	5	1.5	19.3	11.4	PPA & Market
Gamesa G87	12	2	73.4	43.5	PPA
Vestas V82	33	1.65	171.9	128.9	Market
MHI MWT 1,000A	90	1	269.2	255.8	PPA
MHI MWT 1,000A	38	1	108.3	108.3	PPA
Gamesa G52	63	0.82	111.0	111.0	Market
Gamesa G87	40	2	238.2	238.2	PPA
Gamesa G87	40	2	230.5	230.5	Market
	688		3098.7	2243.4	
	1193		4989.1	4124.0	
Gamesa G58	38	0.85	83.7	80.8	Market Option
Gamesa G58		0.85		9.4	Market Option
	38		83.7	90.2	
	1151		4472.4	3613.9	
	80		600.3	600.3	
	1231		5072.8	4214.2	
Gamesa G87	35	2	208.6	208.6	PPA
	35		208.6	208.6	
	1266		5281.4	4422.8	
Various	267		1295.1	635.4	Fixed Tariff
Various	490		2070.8	1228.6	PPA & Market
	757		3365.9	1864.0	
	2023		8647.3	6286.9	

BBW Boards

PETER HOFBAUER
(Babcock & Brown Executive)
Chairman Of BBWPL, BBWPB and BBWPS

Appointed to BBWPL on 11 June 2003
Appointed to BBWPB on 14 September 2005
Appointed to BBWPS on 14 April 2005

Peter Hofbauer is the Global Head of Babcock & Brown's Infrastructure business unit and co-ordinates the group's infrastructure activities worldwide.

Prior to joining Babcock & Brown in 1989, Peter worked with Price Waterhouse and Partnership Pacific Limited/Westpac Bank. He is also a director of the ASX listed Babcock & Brown Infrastructure and Babcock & Brown Power.

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.

ANTHONY BATTLE
Lead Independent Director of BBWPL,
BBWPB and BBWPS

Appointed to BBWPL on 9 September 2005
Appointed to BBWPB on 14 September 2005
Appointed to BBWPS on 9 September 2005

Anthony (Tony) Battle has held various senior management positions in the finance industry for over 30 years, and at various stages has been involved in the evaluation and funding of major structured and corporate financings across a number of industry sectors. During his career, Tony has been a member of the boards of directors, executive management committees and credit committees.

Tony's most recent role was in a senior position in the Corporate & Institutional division with Calyon Australia (following the merging of the international business operations of Credit Agricole Indosuez and Credit Lyonnais) and prior to that with Credit Lyonnais, Commonwealth Bank and Partnership Pacific.

Tony holds a Bachelor of Commerce degree. Tony is a Fellow of the Australian Institute of Company Directors and an Associate of Chartered Secretaries Australia. Tony is based in Melbourne.



From left: Peter Hofbauer, Warren Murphy, Tony Battle, Nils Andersen, Douglas Clemson

DOUGLAS CLEMSON**Independent Director of BBWPL, BBWPB and BBWPS**

Appointed to BBWPL on 9 September 2005
 Appointed to BBWPB on 14 September 2005
 Appointed to BBWPS on 9 September 2005

Doug Clemson is the former Finance Director of Asea Brown Boveri (ABB) where, from 1988 until his retirement in 1999, he was responsible for the corporate and project finance needs of the ABB group in Australia and New Zealand. He was instrumental in the establishment of the activities of ABB Financial Services and its participation in the co-development, construction and funding of a number of important power generation, transportation and infrastructure projects in this region.

Prior to joining ABB, Doug held senior line management and finance executive positions with manufacturing groups, ACI and Smiths Industries. He is the recent chairman of Redbank Power and his previous directorships include General and Cologne Reinsurance, Electric Power Transmission Group, ABB Australia, ABB New Zealand, and Smiths Industries. Prior to joining the BBW Boards he was an independent director of Babcock & Brown Infrastructure Limited (formerly Prime Infrastructure).

Doug is a qualified accountant and a Fellow of the Institute of Chartered Accountants in Australia and the Australian Institute of Company Directors. Doug is based in Sydney.

NILS ANDERSEN**Independent Director of BBWPS**

Appointed to BBWPS on 9 September 2005

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

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

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

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

WARREN MURPHY**(Babcock & Brown Executive)****Director of BBWPL, BBWPB and BBWPS**

Appointed to BBWPL on 24 November 2003
 Appointed to BBWPB on 14 September 2005
 Appointed to BBWPS on 14 April 2005

Warren Murphy is Co-Head Australian Infrastructure and Head of Australian Energy in the Infrastructure & Project Finance group at Babcock & Brown, based in the Sydney office. Warren has led the development of Babcock & Brown's energy sector capability in Australia and New Zealand. He is a director of the ASX listed Babcock & Brown Power and Sydney Gas.

Warren has led the development of Redbank, Oakey, NewGen Kwinana, Braemar and Uranquinty power stations, and the co-development of a number of renewable energy projects, including the Alinta and Lake Bonney wind farms. Warren joined Babcock & Brown in 1997. Prior to joining Babcock & Brown, 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.

MICHAEL GARLAND**(Babcock & Brown Executive)****Alternate Director for Peter Hofbauer and Warren Murphy on BBWPL, BBWPB and BBWPS Boards**

Appointed to BBWPL, BBWPB and BBWPS on 8 May 2007

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

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

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

ANTONINO LO BIANCO**(Babcock & Brown Executive)****Alternate Director for Warren Murphy and Peter Hofbauer on BBWPL, BBWPB and BBWPS Boards**

Appointed to BBWPL, BBWPB and BBWPS on 8 May 2007

Antonino Lo Bianco manages the European Infrastructure & Project Finance 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.

BBW Management Team

MILES GEORGE **Chief Executive Officer**

Miles joined the Infrastructure Group of Babcock & Brown in 1997. He has been involved in the development and financing of wind energy projects since 2000, including a key role in the development of the Lake Bonney Stage 1 and Stage 2 projects in South Australia.

In 2005, Miles jointly led the Babcock & Brown advisory team which structured and implemented the Initial Public Offer and listing of Babcock & Brown Wind Partners on the ASX and has acted as an adviser to BBW on numerous wind farm acquisitions in Australia and overseas.

Miles has been Acting CEO of BBW since January 2007 and in April 2007 was appointed permanent CEO. Prior to joining Babcock & Brown, Miles was a Director of the Project Finance division of AIDC Limited.

Miles holds degrees of Bachelor of Engineering and MBA (Distinction) from the University of Melbourne.

GEOFF DUTAILLIS **Chief Operating Officer**

Geoff joined Babcock & Brown in early 2005 to further his career in infrastructure and specifically to focus on the expanding field of environmental infrastructure. Geoff initially worked on new investment opportunities for Babcock & Brown Environmental Investments Limited and preparing BBW for its IPO.

Prior to joining Babcock & Brown, Geoff worked at Lend Lease for almost 19 years, including seven years based in London with their European development business. Geoff has extensive experience in the development and project management of major projects, having had leadership roles on a number of landmark developments, including Bluewater in the UK and more recently as Project Director for the Rouse Hill Regional Centre, a new 100 hectare community in north-west Sydney.

Geoff holds a Bachelor of Engineering (Civil - Hons) with additional qualifications in management, property and finance.

GERARD DOVER **Chief Financial Officer**

Gerard joined Babcock & Brown in August 2006. Between 1990 and 1996, Gerard worked with Price Waterhouse in the UK and Sydney. He then joined AstraZeneca in the UK before working on the spin off and IPO of Syngenta AG. As Capital Markets Manager, he worked on the arrangement of syndicated bank facilities and a series of capital markets transactions.

More recently, Gerard was CFO and Head of IT of Syngenta Crop Protection in Australasia. In this role he also managed the system implementation SAP and SoX compliance.

Gerard has been a member of the Institute of Chartered Accountants in England and Wales since 1993 and a Member of Corporate Treasurers since 2003. He holds a Bachelors degree in Banking and Finance.



From left: Gerard Dover, Geoff Dutailis, Miles George

CATHERINE GUNNING**Legal Counsel**

Catherine joined Babcock & Brown in December 2005 as Legal Counsel, Specialised Funds. Prior to joining Babcock & Brown, Catherine was a Senior Associate in the Corporate and Commercial Department at Allens Arthur Robinson. Catherine also worked in London for leading private equity house NatWest Equity Partners (now Bridgepoint Capital Limited). Catherine has a Bachelor of Economics and a Bachelor of Laws, a Graduate Diploma in Applied Finance and Investment and is admitted as a legal practitioner of the Supreme Court of New South Wales.

DAVID RICHARDSON**Company Secretary**

David joined Babcock & Brown in 2005 as Company Secretary for a number of the Specialised Funds. Prior to joining Babcock & Brown, David was a Company Secretary within the AMP Group including AMP Capital Investors, Financial Services and Insurance divisions. David holds a Diploma of Law, Bachelor of Economics and a Graduate Diploma in Company Secretarial Practice. David is a Member of Chartered Secretaries Australia.

ROSALIE DUFF**Investor Relations Manager**

Rosalie Duff joined Babcock & Brown in June 2006 to manage the Investor Relations function for Babcock & Brown Wind Partners. In this role she supports the CEO, Miles George and his senior management team in all external media and investor communications. Prior to joining Babcock & Brown, Rosalie was an Investor Relations Manager with AMP. Rosalie is a senior investment professional with extensive experience in the funds management industry, having had research responsibility for Australian equities and international equity markets for over 10 years with Westpac. She holds a Bachelor of Economics and a Master of Economics from Macquarie University.

DAVID SILCOCK**Group Financial Controller**

David joined Babcock & Brown in August 2005 to fill the role of group financial controller of BBW. Prior to joining Babcock & Brown, David worked as a chartered accountant in public practice for the international accounting firm, Ernst & Young. David relocated with Ernst & Young to Silicon Valley in California for three years and then to the firm's Sydney office. David left public practice to join Woolworths Limited in a corporate finance role in October 2002. David is a chartered accountant and has been a member of the Institute of Chartered Accountants in England & Wales since 1996. He holds a Masters degree in Economics.

HILARY GEORGE**Treasurer**

Hilary George joined BBW in 2007 as Treasurer. Hilary has held Treasury roles in domestic and international companies in the energy and infrastructure sectors,

most recently as Treasurer of AGL Energy. She has extensive experience in corporate finance, financial risk management and capital markets. Hilary George holds a Bachelor of Economics.

BRAD HOPWOOD**Tax Manager**

Brad joined Babcock & Brown in April 2006 to establish and lead the tax function for Babcock & Brown's Specialised Funds platform. Following the successful recruitment of additional tax managers, Brad now focuses on a smaller number of funds, including BBW. Prior to joining Babcock & Brown, Brad worked with KPMG in Sydney and London. Brad holds Bachelor degrees in Economics and Law and a Graduate Diploma of Legal Practice. Brad is also admitted in New South Wales as a (non-practising) Solicitor.

PERRY WRIGHT**Australian Asset Manager**

Perry Wright joined Babcock & Brown in December 2006 as BBW's Australian Asset Manager. Together with a dedicated team, Perry manages the operational requirements for the Australian wind assets. Prior to joining Babcock & Brown, Perry worked with wind turbine manufacturer Vestas as Asia-Pacific Aust' QSE Manager. He has an extensive background in asset management and engineering derived from the petrochemical, mining and energy industries. Perry holds a Bachelor of Engineering (Mechanical) from the University of Tasmania.

MARÍA GARCÍA**Spanish Asset Manager**

María García joined Babcock & Brown's Madrid office in 2005 to work as an Asset Manager in the Infrastructure Group. As part of a team of five, Maria manages the assets in Spain. She graduated from Gijón Engineering School with a Mechanical Engineering specialisation and MBA of Madrid Business Institute. Prior to joining Babcock & Brown she was the Asset Manager of Iberia Business of the Danish utility DONG (formerly Energi E2), with an experience of more than 10 years managing wind farms and other renewable energy assets.

DAVID BARNES**US Asset Manager**

David Barnes joined Babcock & Brown in 2005 and currently leads Babcock & Brown's operations and asset management activities in North America. With over 25 years experience in infrastructure, David has worked at various companies including Garrad Hassan, Terranova Energy and SeaWest Services as well as with several wind turbine manufacturers. He is an experienced manufacturer representative, an independent engineer, project developer and operations manager. He has developed qualified operations teams in the US and Spain and designed leading SCADA systems. David is based in Dallas.

Corporate Structure

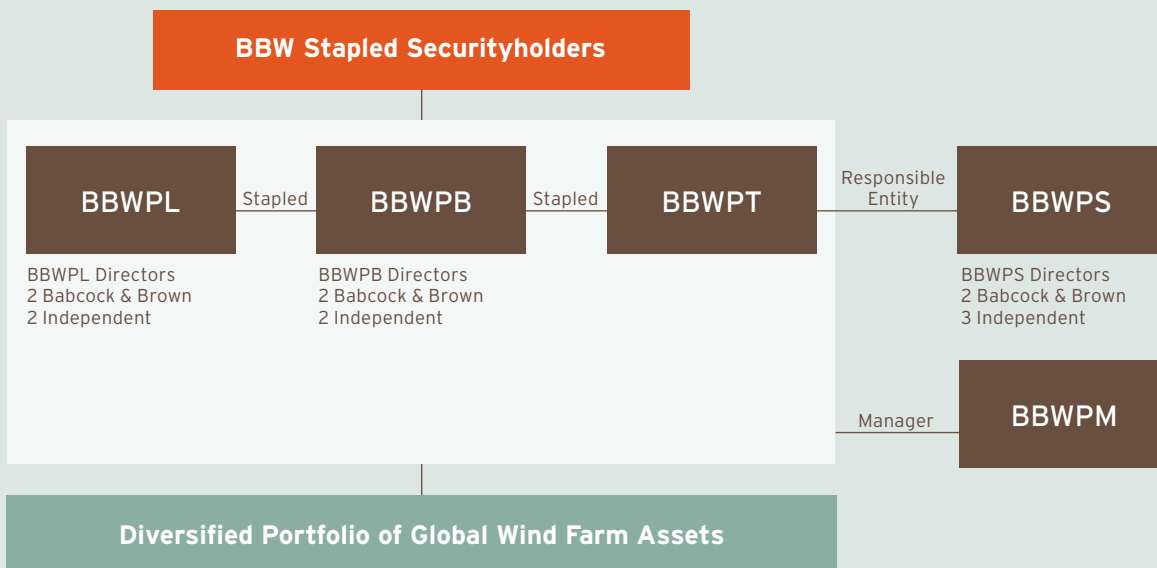
The Babcock & Brown Wind Partners Group ("BBW") consists of the of the following entities:

- 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 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").



Corporate Governance Statement

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43	ASX Principle 4: Safeguard integrity in financial reporting
43	ASX Principle 5: Make timely and balanced disclosure
44	ASX Principle 6: Respect the rights of shareholders
44	ASX Principle 7: Recognise and manage risk
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Corporate Governance Statement

INTRODUCTION

This Corporate Governance Statement refers to the corporate governance principles and practices followed by Babcock & Brown Wind Partners ("BBW") during the 2007 Financial Year.

BBW comprises:

- Babcock & Brown Wind Partners Limited ACN 105 051 616 ("BBWPL"), an Australian public company;
- Babcock & Brown Wind Partners (Bermuda) Limited ARBN 116 360 715 ("BBWPB"), a company established in Bermuda and registered in Australia;
- Babcock & Brown Wind Partners Trust ARSN 116 244 118 ("BBWPT"), an Australian trust of which Babcock & Brown Wind Partners Services Limited ACN 113 813 997, AFSL 290710 ("BBWPS") is the responsible entity; and
- the respective subsidiary entities of BBWPL and BBWPT.

Shares issued by BBWPL and BBWPB, as well as units issued by BBWPT are stapled together to form BBW stapled securities. These BBW stapled securities have been quoted on the Australian Securities Exchange ("ASX") under the market code "BBW" since BBW's listing on 28 October 2005.

Any reference contained in this Statement to BBWPS is a reference to BBWPS in its capacity as responsible entity of BBWPT, unless otherwise indicated.

The Boards of BBWPL, BBWPB and BBWPS (the "BBW Boards"), are responsible for overseeing the rights and interests of all holders of BBW stapled securities and are accountable to them for the overall governance and management of BBW. The BBWPL Board, in consultation and agreement with the BBWPB and BBWPS Boards, formulate and approve the strategic direction, investment objectives and goals of BBW.

The Directors elected to the BBW Boards are also responsible for establishing a sound framework of corporate governance and implementing the corresponding governance culture and processes for BBW. The BBW Boards recognise that corporate governance and good governance procedures can add to the performance of BBW, increase securityholder value and engender the confidence of the investment community.

The ASX Corporate Governance Council has developed a set of guidelines entitled Principles of Good Corporate Governance and Best Practice Recommendations. These guidelines articulate 10 core principles (the "ASX Principles") that the Council believes underlie good corporate governance, together with 28 recommendations (the "ASX Recommendations") for implementing effective corporate governance.

In addition, the Babcock & Brown Group (of which the manager of BBW is a member) recognises that effective and transparent governance practices within the funds which it manages are essential to the preservation of securityholders' and stakeholders' interests and the continued success of those funds. To this end, the Babcock & Brown Group has established a robust corporate governance framework for the management of the Babcock & Brown specialised funds. This framework includes a number of key principles for the governance of those funds with a view to protecting the interests of each fund's securityholders and other stakeholders. A summary of the corporate governance framework adopted by Babcock & Brown can be found on pages 81 to 82 of the Babcock & Brown Limited 2006 Annual Report. The manager of BBW has had close regard to this framework in assisting the BBW Boards to formulate their respective corporate governance practices.

INTERACTION BETWEEN THE ROLES OF BBWPL, BBWPB AND BBWPS

Although in practice BBWPL was primarily responsible for conducting the day-to-day operations of BBW during the 2007 Financial Year, it did and will continue to consult and exchange information with and seek the agreement of BBWPB and BBWPS when making decisions in relation to BBW in accordance with the terms of the stapling deed ("Stapling Deed").

The Stapling Deed sets out the terms and conditions of the relationship between BBWPL, BBWPB and BBWPS in respect of BBW, for so long as the units in BBWPT and shares in both BBWPL and BBWPB remain stapled. In summary, the Stapling Deed provides that each of BBWPL, BBWPB and BBWPS must:

- co-operate in respect of all matters relating to BBW and consult each other prior to causing any act to be done or omission to be made which may materially affect the value of BBW stapled securities (including the announcement or payment of a dividend or trust distribution);
- make available to each other all information in their possession necessary or desirable to fulfil their respective obligations under the Stapling Deed;
- co-operate with each other to ensure that each complies with its obligations under the ASX Listing Rules (including disclosure obligations), co-ordinate disclosure to the ASX and securityholders, and liaise with the ASX in relation to ASX Listing Rule matters;
- perform their obligations under the Stapling Deed and their respective constitutions with a view to enhancing the market value of BBW stapled securities;
- notify each other of an intention to acquire or sell assets where the value of those assets is greater than 5% of the respective entity's net tangible assets;

- act consistently with the investment strategy of BBW as agreed between them and consult each other on implementation of this strategy and any changes to its implementation;
- not borrow or raise any money unless the other entities agree;
- co-operate to ensure that BBWPL and BBWPB shareholder and BBWPT unitholder meetings are held concurrently or, where necessary, consecutively;
- consult each other in relation to any reorganisation or restructure of capital or any changes to stapling arrangements;
- co-operate on the terms and timing of all new issues, bonus and rights issues, placements, redemptions, buy-backs and any dividend or distribution reinvestment plans; and
- co-operate with each other to ensure that the Boards of BBWPL, BBWPB and BBWPS have a common sub-group of Directors.

Therefore, as indicated, it is by operation of the Stapling Deed that the Boards of BBWPL, BBWPB and BBWPS (as responsible entity of BBWPT) are together responsible for overseeing the rights and interests of securityholders of BBW, and accountable to securityholders for the overall corporate governance and management of BBW.

HIGHLIGHTS OF THE 2007 FINANCIAL YEAR

Throughout the 2007 Financial Year, BBW continued its focus on ensuring robust corporate governance practices were implemented and followed by Directors and staff. Significant additional governance related practices implemented to further strengthen BBW's corporate governance regime in the 2007 Financial Year included:

- establishment of a Nomination and Remuneration Committee to provide a renewed focus on nomination, remuneration and succession matters for BBW;
- appointment of a designated Manager to focus on the specific responsibilities of operating wind farms and identifying new wind farm investment opportunities for BBW; and
- undertaking a tender process to assess and identify an appropriate independent firm to provide internal audit services for BBW.

COMPLIANCE WITH THE ASX RECOMMENDATIONS

As at the date of this Corporate Governance Statement, the BBW Boards advise that their corporate governance practices comply with the ASX Recommendations, except where specifically noted in this Statement.

ASX PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Role of the BBW Boards and Management

ASX Recommendation 1.1: Formalise and disclose the functions reserved to the board and those delegated to management

Each of the BBW Boards is assisted in its management of the affairs of BBW by the Manager, Babcock & Brown Wind Partners Management Pty Ltd ("BBWPM" or the "Manager"). BBWPM is a subsidiary company within the Babcock & Brown Group and was appointed as the Manager of BBW, effective 6 March 2007, on the same terms as the previous Manager, another subsidiary company within the Babcock & Brown Group, Babcock & Brown Infrastructure Management Pty Ltd ("BBIM"). Prior to this change of Manager, BBIM acted as the Manager of BBW as well as other infrastructure-related funds within the Babcock & Brown Group. The appointment of BBWPM as Manager of BBW in March 2007 resulted in a Manager solely designated to BBW with an exclusive focus on the management of the affairs of BBW. Any reference in this Statement to employees or staff includes an employee or staff member of the Babcock & Brown Group who is seconded to BBWPM to provide services to BBW under the Management Agreements, unless otherwise indicated.

In accordance with the respective Management Agreements with each of BBWPL, BBWPB and BBWPS, BBWPM provides comprehensive management services to each of the entities comprising BBW. These services include identifying and recommending investment opportunities for BBW, managing BBW's investments and advising in respect of any exit from those investments. In addition to these more strategic services, BBWPM has specific operational management duties and carries out management services for BBW on a day-to-day basis. BBWPM's appointment as Manager by each of BBWPL, BBWPB and BBWPS is exclusive and is for a term of 25 years. This arrangement is commonly referred to as an "externally managed" fund.

Under the Management Agreements, BBWPM as Manager has established a Dedicated Management Team comprising individuals performing the following functions: chief executive officer; chief financial officer and other accounting, tax and treasury personnel; chief operating officer and other operations management personnel; corporate counsel and company secretary; investor relations; and risk and compliance personnel. The Chief Executive Officer leads the management team which reports to the Board of BBWPM. As an externally managed entity, the management team also effectively act in the same capacity for BBW as in their appointed functional role for BBWPM as Manager.

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The Management Agreements contain provisions which require BBWPM, as a primary obligation, to give priority to the interests of BBW and, consequently, the BBW securityholders. In accordance with the terms of the Management Agreements, the BBW Boards must consider any recommendations put to them by BBWPM and determine whether the recommended action is in the best interests of BBW securityholders.

The BBW Boards have each adopted a formal Board Charter which details the functions and responsibilities of the relevant Board and distinguishes such functions and responsibilities from those which have been delegated to BBWPM.

As outlined in the respective Board Charters, the BBW Boards are together responsible for the management of the affairs of BBW. Specific matters reserved for determination by the BBW Boards include:

- developing and approving the corporate strategy, policy and objectives of BBW;
- determining BBW's distribution policy;
- evaluating and approving major capital expenditure and all major acquisitions, divestitures and other transactions of BBW above the delegated levels set out in the Management Agreements;
- approving all accounting policies, financial reports and material reporting of BBW;
- approving the appointment of Directors to the BBW Boards and to the Committees established by the BBW Boards;
- reviewing and evaluating the performance of the BBW Boards, each Board committee, and each individual Director; and
- reviewing the performance and effectiveness of BBW's corporate governance policies and procedures.

The Board Charters also establish the specific powers and responsibilities of the Chairman, the Lead Independent Director and the Chief Executive Officer (further information is included in Principle 2 below).

Each of the BBW Boards act independently of each other as necessary, although where there is a joint responsibility between the Boards over aspects of BBW's operations, the relevant BBW Boards will only have responsibility to the extent of its own specific involvement in those operations. However, the BBW Board will co-operate to the extent required under the Stapling Deed in meeting those joint responsibilities to ensure that the interests of BBW securityholders are met.

The Board Charters also include a summary of the responsibilities and expectations of the Directors.

A summary of the BBW Board Charters is available on BBW's website (www.bbwindpartners.com).

ASX PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

Structure of the Board

ASX Recommendation 2.1: A majority of the board should be independent directors

The size and composition of the relevant BBW Board is determined in accordance with the Constitution of each BBW entity and the governance framework applied by Babcock & Brown to its specialised fund activities, as in force from time to time. It is intended that each BBW Board will comprise Directors with a broad range of skills, expertise and experience from a diverse range of backgrounds, and will comprise either a majority of independent Directors or, at a minimum, an equal number of independent and non-independent Directors.

The Directors appointed to the respective BBW Boards, along with their appointment dates, are set out below:

Name	Position	BBWPL Board Appointment	BBWPB Board Appointment	BBWPS Board Appointment
P Hofbauer	Non-Executive Chairman	11/6/03	14/9/05	14/4/05
A Battle	Lead Independent Non-Executive Director	9/9/05	14/9/05	9/9/05
D Clemson	Independent Non-Executive Director	9/9/05	14/9/05	9/9/05
N Andersen	Independent Non-Executive Director	n/a	n/a	9/9/05
W Murphy	Non-Executive Director	24/11/03	14/9/05	14/4/05

Details of the experience and expertise of the Directors are set out in the BBW Boards section of the Annual Report.

The BBW Boards have adopted a definition of Independent Director which is consistent with that set out in ASX Recommendation 2.1. As shown in the table above, the BBWPS Board has a majority of Independent Directors. The Boards of BBWPL and BBWPB had equal numbers of Independent and Non-Independent Directors during the 2007 Financial Year. This differs to ASX Recommendation 2.1, which recommends that Boards comprise a majority of Independent Directors.

The BBW Boards recognise the importance of Independent Directors, particularly the external perspective and advice that these Directors can provide. The BBWPL and BBWPB Boards, however, consider the current composition of their Boards, and in particular the equality of independent and non-independent Directors appropriate, given its management arrangements with Babcock & Brown and in view of:

- the fact that the composition of the BBW Boards was fully disclosed to securityholders in the BBW Prospectus and Product Disclosure Statement, dated 26 September 2005, as part of the Initial Public Offering of BBW; and
- the Stapling Deed requires co-operation and consultation on all material matters between BBWPL, BBWPB and BBWPS, which means in effect that a majority of Independent Directors in aggregate will generally be considering all material matters, due to the BBWPS Board consisting of a majority of Independent Directors.

The BBW Boards conduct a number of their duties and responsibilities through the use of specific Board Committees. The standing Board Committees are:

- Audit, Risk & Compliance Committee
- Nomination & Remuneration Committee

The Board Committees are governed by Charters that have been approved and will be regularly reviewed by the relevant BBW Board.

In accordance with each Board Charter, each Director of the BBW Boards is entitled to seek independent professional advice, including but not limited to, legal, accounting and financial advice, at BBW's expense on any matter connected with the discharge of his or her responsibilities. The cost and nature of the advice and the identity of the independent adviser must first be approved by the Chairman of the BBW Boards or the Lead Independent Director (where the advice sought relates to a matter over which the Chairman has declared an interest). The Chairman or Lead Independent Director (as the case may be) may determine if any advice received by an individual Director will be circulated to the remainder of the relevant BBW Board.

ASX Recommendation 2.2: The chairperson should be an independent director

The Chairman of the BBW Boards, Mr Peter Hofbauer, is not an Independent Director, and this differs to ASX Recommendation 2.2, which recommends that the Chairman should be an Independent Director.

The Directors of the BBW Boards consider it appropriate under the management arrangements for the Chairman of the BBW Boards to be an executive from Babcock & Brown. Mr Hofbauer is not part of management of BBW or BBWPM, rather he is the Global Head of Babcock & Brown's Infrastructure Group, and therefore performs the role of Chairman of the BBW Boards from a non-executive perspective.

Each BBW Board has appointed a Lead Independent Director, Mr Anthony Battle, who has authority to call Board meetings or meetings of Independent Directors, as appropriate. Also, the Lead Independent Director will:

- chair any meetings of the Independent Directors;
- be the primary spokesman for the Independent Directors at any General Meeting of BBW;
- represent the views of the Independent Directors to the BBW Boards, the Chief Executive Officer and BBWPM; and
- be the primary channel of communication and point of contact between Independent Directors and the BBW Boards, the Chief Executive Officer and BBWPM.

Throughout the 2007 Financial Year, the Independent Directors frequently met or spoke to review and discuss issues in the absence of non-independent Directors and management.

ASX Recommendation 2.3: The roles of chairperson and chief executive officer should not be exercised by the same individual

The BBW Board Charters provide that the roles of Chairman and Chief Executive Officer must not be exercised by the same person. The roles of Chairman and Chief Executive Officer are not fulfilled by the same individual for BBW. Furthermore, the respective roles and responsibilities of the Chairman, Chief Executive Officer and Lead Independent Director are described in the Board Charters.

Recommendation 2.4: The Board should establish a nomination committee

The BBWPL Board has established a Nomination & Remuneration Committee which is responsible for advising the BBW Boards on the composition of the Boards and their Committees, and reviewing the performance of the Boards, their Committees and individual Directors. In making recommendations to the BBW Boards regarding the appointment of Directors, the Nomination & Remuneration Committee will periodically assess the appropriate mix of skills, experience and expertise required on the relevant Board and assess the extent to which those skills and experience are represented. As BBW develops its existing asset base and continues to seek further investment opportunities, the Nomination & Remuneration Committee will review the composition of the BBW Boards to ensure they remain appropriate.

The Nomination & Remuneration Committee was established by the BBWPL Board in February 2007 and, as at the date of this Statement, the Committee comprised five members, a majority of whom are Independent Directors. The Committee is chaired by an Independent Director and met once from establishment to the end of the 2007 Financial Year.

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The Nomination & Remuneration Committee has a Charter, a summary of which is available on BBW's website. The responsibilities of the Committee pursuant to its Charter include:

- monitoring and reviewing the performance of BBWPM under the Management Agreements;
- consulting with BBWPM in respect of the Key Performance Indicators for each of BBWPM's Key Management Personnel, and providing input and advice about their remuneration;
- approving BBW's remuneration disclosures;
- making recommendations to the BBW Boards in relation to the level of remuneration to be paid to Independent Directors;
- periodically assessing the skills required to competently discharge the BBW Boards' duties and obligations, and making recommendations to the Chairman about how those skill levels could be enhanced;
- reviewing potential candidates for appointment to the BBW Boards and making recommendations in respect of them;
- having oversight of the BBW Boards' annual performance evaluation process; and
- providing confirmation of the Directors to retire annually by rotation in accordance with the provisions of the Constitution of BBWPL.

ASX PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

ASX Recommendation 3.1: Establish a code of conduct to guide the directors, the chief executive officer (or equivalent), the chief financial officer (or equivalent) and any other key executives as to:

3.1.1 the practices necessary to maintain confidence in the company's integrity

3.1.2 the responsibility and accountability of individuals for reporting and investigating reports of unethical practices

Code of Conduct

The BBW Boards recognise the need to observe the highest standards of corporate practice and business conduct. To this end, each BBW Board has adopted a formal Code of Conduct which requires Directors and the management seconded to BBWPM to adopt high ethical standards in relation to all of BBW's activities.

The Code of Conduct requires Directors and management to, among other things:

- avoid conflicts of interest between their personal interests and those of BBW and its securityholders;
- not take advantage of opportunities arising from their position for personal gain or in competition with BBW; and
- comply with BBW's Security Trading Policy and other policies.

The Code of Conduct requires Directors and management to report any actual or potential breach of the law, the Code of Conduct or other BBW policies. BBW promotes and encourages ethical behaviour and provides protection for those who report violations. A summary of the Code of Conduct is available on BBW's website.

In addition to the Code of Conduct, the Board Charters require that all Directors conduct their duties with the highest level of honesty and integrity, observe the rule and spirit of the law, comply with any relevant ethical and technical standards, not make improper use of any confidential information, and set a high standard of fairness, diligence and competency in their position as a Director.

ASX Recommendation 3.2: Disclose the policy concerning trading in company securities by directors, officers and employees

Security Trading Policy

BBW has in place a Security Trading Policy which regulates the manner in which Directors and employees can buy or sell BBW stapled securities, and requires that they conduct their personal investment activities in a manner that is lawful and avoids conflicts between their own interests and those of BBW.

The Policy is specifically designed to raise awareness and minimise any potential for breach of regulations relating to insider trading contained in the Corporations Act. The Policy is also designed to minimise the chance that misunderstandings or suspicions arise regarding employees trading while in possession of non-public price sensitive information. The Policy applies to all Directors and the management seconded to BBWPM.

The Policy specifies trading windows as the periods during which trading in BBW stapled securities can occur. These trading windows will generally be eight week periods following the release of BBW's half year and full year financial results, an eight week period following lodgment of BBW's Annual Report with the ASX, and the offer period under any prospectus or similar disclosure document. Trading is prohibited despite a window being open if the relevant person is in possession of non-public price-sensitive information regarding BBW. The Policy provides that the BBW Boards may authorise the opening of trading windows at other times, as appropriate.

Further, Babcock & Brown also has a policy which regulates the manner in which directors and employees of the Babcock & Brown Group may buy or sell shares in other companies, which may be affected by the activities of Babcock & Brown (including BBW). This policy is called the Employee Investment Policy.

A summary of the Security Trading Policy is available on BBW's website.

ASX PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

ASX Recommendation 4.1: Require the chief executive officer (or equivalent) and the chief financial officer (or equivalent) to state in writing to the board that the company's financial reports present a true and fair view, in all material respects of the company's financial condition and operational results and are in accordance with the relevant accounting standards

Chief Executive Officer and Chief Financial Officer Sign-off

The Chief Executive Officer and Chief Financial Officer of BBW each report in writing to the BBW Boards that in their opinion BBW's financial statements for each half and full financial year represent a true and fair view, in all material respects, of BBW's financial condition and that operational results are in accordance with the relevant accounting standards.

ASX Recommendation 4.2: The board should establish an audit committee**Audit, Risk & Compliance Committee**

Each of the BBW Boards has established an Audit, Risk & Compliance Committee to assist the relevant Board in fulfilling its corporate governance and oversight responsibilities relating to financial accounting practices, risk management and internal control systems, external reporting, monitoring compliance and the external audit function. Unless otherwise required, meetings of these Audit, Risk & Compliance Committees are held concurrently.

Each Committee provides advice to the respective Board and reports on the status of the business risks to BBW through its risk management processes, which are aimed at ensuring risks are identified, assessed and properly managed. The Committees also work on behalf of the BBW Boards with the external auditors to review non-audit services provided by the external auditor to confirm that they are consistent with maintaining external audit independence.

ASX Recommendation 4.3: Structure the audit committee so that it consists of:

- only non-executive directors
- a majority of independent directors
- an independent chairperson, who is not chairperson of the board
- at least three members

Throughout the 2007 Financial Year, each Audit, Risk & Compliance Committee comprised Mr Doug Clemson (Independent Non-Executive Committee Chairman), Mr Anthony Battle (Independent Non-Executive Committee Member) and Mr Peter Hofbauer (Non-Executive Committee Member). All members possess the requisite financial expertise expected of a person holding the position of an audit committee member.

The structure of BBW's Audit, Risk & Compliance Committees accord with ASX Recommendation 4.3 in that the Committees comprise a majority of Independent Directors, have an independent chairman who is not the chairman of the BBW Boards and have at least three members.

The Committees generally meet as required but will normally expect to meet not less than four times per year. The Committees report to their respective full Board following each Committee meeting, including making any recommendations from the Committees that require Board approval or action. The Committees met formally four times during the 2007 Financial Year.

ASX Recommendation 4.4: The audit committee should have a formal charter

The Committees have each adopted a Charter, a summary of which is available on BBW's website. The primary duties and responsibilities of the Committees are set out in the Charter and include:

- overseeing the financial reporting process of the BBW entities to ensure the financial statements reflect appropriate accounting policies, principles, and laws;
- reviewing the effectiveness of the internal controls and risk management systems established by the BBW entities to ensure risks are appropriately identified, assessed and managed, including overseeing the activities of the internal audit function;
- reviewing the external financial auditor's proposed audit scope and approach, as well as the results of financial audits; and
- specifically for BBWPT, monitoring the compliance of the Responsible Entity with BBWPT's Compliance Plan and report its findings to the BBWPS Board.

ASX PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

ASX Recommendation 5.1: Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance

Continuous Disclosure Policy

BBW is committed to complying with its continuous disclosure obligations pursuant to the ASX Listing Rules and the Corporations Act, and BBW has in place well developed procedures for ensuring compliance. In this regard BBW has a Continuous Disclosure Policy consistent with the continuous disclosure obligations of the ASX and the Corporations Act which sets out the standards, protocols and requirements expected of all Directors, management, employees and officers of BBW and BBWPM.

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The Policy is designed with the intention of ensuring that all investors have equal and timely access to information concerning BBW, and to ensure that price-sensitive information from any part of BBW is immediately notified to the ASX in a complete, balanced and timely manner.

The Company Secretary, Legal Counsel and Investor Relations Manager, in conjunction with the Chairman and Chief Executive Officer, are responsible for overseeing the implementation and operation of the Policy. The Company Secretary, Legal Counsel and Investor Relations Manager are responsible for reviewing information reported by the Directors or staff and which is or may be material, determining with the Chairman and Chief Executive Officer whether any such information is required to be disclosed to the ASX, and making ASX announcements and issuing media releases and other written public statements on behalf of BBW. Directors and staff of BBW and BBWPM are required to ensure that they are familiar with the Policy, report material information to the Company Secretary, Legal Counsel or Investor Relations Manager, and provide sufficient details to allow a view to be formed as to whether the information requires disclosure.

Each of the BBW Boards is actively and regularly involved in discussing disclosure obligations in respect of all relevant matters that come before the Boards.

The Company Secretary is primarily responsible for communications with the ASX.

A summary of the Continuous Disclosure Policy is available on BBW's website.

ASX PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

ASX Recommendation 6.1: Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings

BBW is committed to communicating with its securityholders in an effective and timely manner to provide them with ready access to information relating to BBW. In this regard and in addition to the Continuous Disclosure Policy, BBW maintains a website (www.bbwindpartners.com) which provides access to the following information of interest to BBW securityholders:

- access to all BBW announcements and media releases, which are posted to the website promptly following release;
- copies of half year and full year financial reports;
- summaries of Board and Committee Charters and relevant corporate governance policies;
- copies of disclosure documents relating to BBW's capital raisings; and
- access to the website of BBW's Security Registry, Link Market Services Limited (www.linkmarketservices.com.au)

BBW encourages securityholders to utilise its website as their primary tool to access securityholder information and disclosures. In addition, the Annual Report facilitates the provision to securityholders by BBW on a yearly basis of detailed information in respect of the major achievements, financial results and strategic direction of BBW.

BBW has a practice that information to be given by BBW at analyst briefings is initially released to the ASX and the market to ensure that the market operates on an equal basis.

Securityholders are strongly encouraged to attend and participate in general meetings of BBW, especially the Annual General Meeting. BBW will provide securityholders with details of any proposed meetings well in advance of the relevant dates.

ASX Recommendation 6.2: Request the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report

BBW's external auditor will be requested to attend the Annual General Meeting and be available to answer securityholder questions about the conduct of the audit and the preparation and content of the auditor's report. This allows securityholders an opportunity to ask questions of the auditor and reinforces the auditor's accountability to securityholders.

ASX PRINCIPLE 7: RECOGNISE AND MANAGE RISK

ASX Recommendation 7.1: The board or appropriate board committee should establish policies on risk oversight and management

The BBW Boards are ultimately responsible for overseeing and managing the material risks of BBW. To assist them in this role, each BBW Board has established its own Audit, Risk & Compliance Committee. In accordance with the respective Charters, the role of the Committees includes reviewing and managing the system for identifying, managing and monitoring the key risks of BBW and obtaining reports from management on the status of any key risk exposures or incidents. In undertaking these responsibilities, the Committees will principally rely on the resources and expertise of BBWPM to implement and report upon the risk management systems and procedures implemented, such that the Committees are able to keep the BBW Boards informed of all material business risks.

BBW has adopted a Risk Management Policy consistent with Australia/New Zealand Standard 4360:2004, which clearly defines responsibilities for managing risk under BBW's risk management process. The principal risks of BBW's business, including operational, financial, market, safety, environmental and regulatory compliance risks, have been identified and are required to be regularly managed, monitored and reported. Methods for treating and mitigating risks include transferring, reducing, accepting or passing on risk following assessment using a variety of methods. A summary of the Risk Management Policy is available on BBW's website.

With regard to risk, the Audit, Risk & Compliance Committees include amongst their responsibilities:

- consideration of the overall risk management framework of BBW and the review of its effectiveness in meeting sound corporate governance principles;
- keeping the BBW Boards informed of all significant business risks;
- reviewing with management the system for identifying, managing and monitoring the key risks of BBW; and
- obtaining reports from management on the status of any key risk exposures or incidents.

The role of BBWPM also plays a part in the management of risk. In accordance with the Management Agreements, BBWPM first reviews, evaluates and recommends substantial investments before they are separately and independently considered by the BBW Boards.

In addition to requiring a recommendation from BBWPM for all investment decisions, BBWPM's most senior Executives are involved in major investment decisions, with all capital investments above a specified threshold requiring approval of the BBW Boards.

BBW did not have an internal audit function during the 2007 Financial Year. However, a tender process for the appointment of an internal auditor was conducted by BBWPM and members of the Audit, Risk & Compliance Committees in the last quarter of the Financial Year, with the result being that KPMG has since been appointed as the outsourced internal audit service provider for BBW.

ASX Recommendation 7.2: The chief executive officer (or equivalent) and the chief financial officer (or equivalent) should state to the board in writing that:

7.2.1 the statement given in accordance with best practice recommendation 4.1 is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board

7.2.2 the company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects

Prior to the BBW Boards approving the financial reports of BBW, the Chief Executive Officer and Chief Financial Officer each report in writing to the BBW Boards whether in their opinion:

- the statement given in accordance with the Council's best practice recommendation 4.1 is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the BBW Boards; and
- BBW's risk management and internal compliance and control framework is operating efficiently and effectively in all material respects.

BBW is committed to ensuring that its system of risk oversight, management and internal control complies with the ASX Principles and that its culture, processes and structures facilitate realisation of BBW's business objectives, including potential opportunities, while managing adverse effects and preserving capital.

ASX PRINCIPLE 8: ENCOURAGE ENHANCED PERFORMANCE

ASX Recommendation 8.1: Disclose the process for performance evaluation of the board, its committees and individual directors and key executives

The BBWPL Board has established a Nomination & Remuneration Committee which has responsibilities relating to the review and monitoring of the performance of the BBW Boards, the individual members of the Boards and the Board Committees.

Whilst the Nomination & Remuneration Committee was established by the BBWPL Board, consistent with the intent and philosophy that underpins the terms of the Stapling Deed, the Nomination & Remuneration Committee does, at the request of the Boards of BBWPS and BBWPB from time to time, carry out on behalf of those Boards similar activities to those the Committee undertakes for BBWPL. When so requested, the Committee provides to the Boards of BBWPS and BBWPB advices and recommendations in relation to the matters referred to it. It is intended that the BBWPS and BBWPB Boards may rely on those activities, advices and recommendations as if the BBWPL Nomination & Remuneration Committee was a committee of the BBWPS and BBWPB Boards. The Boards of BBWPS and BBWPB only have the authority to request the BBWPL Nomination & Remuneration Committee to carry out activities that relate to BBWPS and BBWPB - they do not have authority to request the Committee to carry out activities in relation to BBWPL or its subsidiaries.

The BBWPL Nomination & Remuneration Committee also reviews the membership and performance of the various Committees established by the BBW Boards and makes recommendations to the BBW Boards in that regard.

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Specific functions of the BBWPL Nomination & Remuneration Committee are set out in the Committee's Charter and include:

- at least once per year, reviewing the performance of BBWPM in providing services under the Management Agreements. During this review, any Committee Member who is not independent from BBWPM will exclude themselves from the room during discussion and any voting on BBWPM's performance;
- periodically assessing the skills required to competently discharge the relevant Board's obligations considering the strategic direction of BBW and reporting to the relevant Board on the outcome of that assessment;
- making recommendations to the Chairman of the relevant Board of BBW regarding how to enhance the skill levels possessed by the present Directors of that Board;
- reviewing potential candidates for appointment to the relevant Board as identified by BBWPM. In identifying suitable candidates, BBWPM will have regard to the skills required relative to the skills represented by the then Directors of the relevant Board;
- making recommendations to the relevant Board on candidates identified by BBWPM, that the Committee considers appropriate for appointment;
- providing confirmation of those Directors to retire annually by rotation; and
- having oversight of the BBW Boards' annual performance evaluation process which is managed by the Chairman and the Company Secretary.

The Nomination & Remuneration Committee also has certain responsibilities in relation to remuneration. These are discussed below in relation to Recommendation 9.2.

As they do each year, the BBW Boards has undertaken a formal performance review in respect of the 2007 Financial Year. This review has involved a review of each Board's performance and the performance of the relevant Board committees.

ASX PRINCIPLE 9: REMUNERATE FAIRLY AND RESPONSIBLY

ASX Recommendation 9.1: Provide disclosure in relation to the company's remuneration policies to enable investors to understand (i) the costs and benefits of those policies and (ii) the link between remuneration paid to directors and key executives and corporate performance

The remuneration policies of BBW have been structured to be competitive in the industry and global marketplace and to ensure that BBW can attract and retain the talent needed to achieve both short and long-term success, while maintaining a strong focus on teamwork, individual performance and the interests of securityholders.

The non-independent Directors of the BBW Boards, Peter Hofbauer and Warren Murphy, are employees of the Babcock & Brown Group. Similarly, the management staff seconded to BBWPM are also employees of the Babcock & Brown Group. As such, all of these people are remunerated not by BBW but rather by the Babcock & Brown Group.

The policies and principles which are applied to determine the nature and amount of remuneration paid to the Directors and Key Management Personnel of BBW are set out in detail in the Remuneration Report (within the Directors' Report).

Total remuneration of the non-independent Directors and management staff by the Babcock & Brown Group is delivered through a combination of base salary, an annual performance bonus and, for some executives, through an equity incentive plan of Babcock & Brown Limited. Babcock & Brown is currently reviewing the remuneration philosophy and framework as it applies to BBW and intends that any changes made as a result of the review should further align the interests of senior management staff seconded to BBWPM with those of BBW securityholders.

The BBW Boards each acknowledge that the remuneration of the non-independent Directors by the Babcock & Brown Group is mainly determined by reference to the performance of the Babcock & Brown Group and their individual performance in connection with that Group. In this regard, the BBW Boards recognise that there is scope for potential conflicts of interest to arise, both in terms of the Babcock & Brown Group's dealings with BBW and in terms of the dual roles of the non-independent Directors. For instance, the Babcock & Brown Group is expected to earn fees and other income from its management of and other dealings with BBW, and the remuneration of the non-independent Directors by the Babcock & Brown Group may be partly determined by reference to the level of such fees and income.

In such cases, the BBW Boards implement steps to ensure that such conflicts of interest are declared, managed and, where practicable, removed. Such steps include ensuring that non-independent Directors declare an interest in circumstances where there are dealings between the Babcock & Brown Group and BBW and that, in those cases, non-independent Directors abstain from voting on all such matters. Other steps may include seeking independent third party advice in some cases or having matters considered by a Committee of the relevant Board comprised of solely the Independent Directors. These measures are designed to ensure that, in the event of a conflict of

interest, the interests of BBW securityholders are given priority over the interests of the Babcock & Brown Group and the non-independent Directors.

ASX Recommendation 9.2 The Board should establish a remuneration committee

As noted above in relation to Principle 8, in order to assist the BBW Boards in achieving fairness and transparency in relation to remuneration issues and overseeing the remuneration and human resources policies and practices of BBW, the BBWPL Board has established a Nomination & Remuneration Committee. The Nomination & Remuneration Committee has adopted a Charter, a summary of which is available on BBW's website. The responsibilities of the Committee in relation to remuneration include:

- making recommendations to the Board for determining the level of remuneration to be applied to Independent Non-Executive Directors of BBWPL. The Committee may engage external advisors to provide information to the Boards to be considered in their deliberations for the purpose of recommending an appropriate level of remuneration for Independent Non-Executive Directors. All fees paid to Independent Non-Executive Directors are disclosed in BBWPL's annual financial statements to the extent required by law; and
- taking into account the fact that the remuneration of the Key Management Personnel is set by BBWPM under the Babcock & Brown Group's remuneration principles and practices:
 - consult with BBWPM in respect of the Key Performance Indicators ("KPI's") for each of BBWPM's Key Management Personnel as determined by BBWPM and provide feedback to BBWPM about their respective performance against such KPI's;
 - provide input and advice to BBWPM about remuneration of Key Management Personnel or other individuals, as requested by BBWPM, based on the Babcock & Brown Group's remuneration principles and practices;
 - approve the Remuneration Report to be disclosed in the BBWPL annual Directors' Report;
 - monitor any amendments to the Babcock & Brown Group's remuneration principles and practices to the extent that they affect BBW and report such amendments to the BBWPL Board as appropriate;
 - consider for approval the formulation of any long term incentive plans ("LTI Plans") recommended by BBWPM involving the issue of BBW stapled securities; and
 - monitor and review any LTI Plans for compliance with changes to legislation, regulation and market expectations or practices.

As at the date of this Statement, the Nomination & Remuneration Committee comprised five members, a majority of whom are Independent Directors. The Committee is chaired by an Independent Director. The members of the Committee are Anthony Battle (Chairman), Peter Hofbauer, Doug Clemson, Warren Murphy and Nils Andersen.

ASX Recommendation 9.3: Clearly distinguish the structure of non-executive directors' remuneration from that of executives

The total remuneration paid to the Independent Non-Executive Directors to 30 June 2007 is set out in the Remuneration Report. Independent Non-Executive Directors are paid an annual fee for their service to the relevant BBW Boards and Committees which they are members of. Non-Executive Directors' fees for BBWPL and BBWPB are determined within a Non-Executive Directors' aggregate fee pool limit which was approved by shareholders at the 2006 AGM. The maximum aggregate sum has currently been set at \$500,000 annually for each of the BBWPL and BBWPB Boards.

Non-Executive Directors are not provided with retirement benefits other than statutory superannuation and did not receive bonus payments, options or other equity incentives from BBW.

In terms of the remuneration paid to the non-independent Directors, the parties have agreed that a portion of the manager base fee paid to BBWPM be designated as an amount referable for BBWPM making available the services of the non-independent Directors. The amount which has been so designated for each non-independent Director corresponds with the scale of remuneration paid to the Independent Non-Executive Directors and also counts against the aggregate fee pool limit referred to above.

ASX Recommendation 9.4: Ensure that payment of equity-based executive remuneration is made in accordance with thresholds set in plans approved by shareholders

Neither Directors nor staff seconded to BBWPM received any equity based remuneration from BBW in the 2007 Financial Year.

Corporate Governance Statement

ASX PRINCIPLE 10: RECOGNISE THE LEGITIMATE INTERESTS OF STAKEHOLDERS

ASX Recommendation 10.1: Establish and disclose a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders

BBW recognises that it has a number of legal and other obligations to its non-securityholder stakeholders, including staff, clients and the wider community.

As outlined above, BBW has established a Code of Conduct requiring Directors and management seconded to BBWPM to observe high standards of corporate and individual behaviour. The objectives of the Code of Conduct include ensuring that staff, suppliers, clients and competitors can be assured that BBW will conduct its affairs in accordance with ethical values and practices. Staff are required to comply with both the spirit as well as the letter of the ASX Listing Rules and all laws which govern the operations of BBW. The Code of Conduct specifically requires all staff to always deal with securityholders, clients, customers, suppliers, competitors and other staff in a manner that is lawful, diligent and fair and with honesty, integrity and respect.

In accordance with the Code of Conduct, BBW aims to provide a work environment in which all staff can excel regardless of race, religion, age, disability, gender, sexual preference or marital status. In this regard, the Babcock & Brown Group maintains various policies relating to the workplace, including in respect of occupational health and safety issues.

In accordance with the Code of Conduct and the Continuous Disclosure Policy described above, BBW is committed to delivering to the market accurate, timely and up-to-date information so that, in relation to BBW stapled securities, the entire investment community operates on an informed and equal basis.

These principles of fairness, honesty and propriety are essential elements of the various policies which have been adopted by BBW.

Directors' Report

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

CORPORATE STRUCTURE

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

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

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

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

A structural representation of the above entity relationships is included in the Corporate Structure section of the Annual Report.

DIRECTORS

The names and appointment dates of the current Directors and Alternate Directors of BBW during or since the end of the financial year are set out in the table below. Further particulars in relation to the background and experience of the Directors are provided in the BBW Boards section of the Annual Report.

	BBWPL Board		BBWPB Board		BBWPS Board	
	Appointed	Resigned	Appointed	Resigned	Appointed	Resigned
Directors						
P Hofbauer	11/6/03	-	14/9/05	-	14/4/05	-
N Andersen	n/a	n/a	n/a	n/a	9/9/05	-
A Battle	9/9/05	-	14/9/05	-	9/9/05	-
D Clemson	9/9/05	-	14/9/05	-	9/9/05	-
W Murphy	24/11/03	-	14/9/05	-	14/4/05	-
Alternate Directors¹						
M Garland	8/5/07	-	8/5/07	-	8/5/07	-
A Lo Bianco	8/5/07	-	8/5/07	-	8/5/07	-

¹ Messrs Garland and Lo Bianco were appointed Alternate Directors for each of Messrs Hofbauer and Murphy on the above BBW Boards.

COMPANY SECRETARIES

The names and appointment dates of the Company Secretaries of BBW during or since the end of the financial year are set out in the table below. Further particulars in relation to the background and experience of the Company Secretary is provided in the BBW Management Team section of the Annual Report.

	BBWPL Board		BBWPB Board		BBWPS Board	
	Appointed	Resigned	Appointed	Resigned	Appointed	Resigned
D Richardson	26/10/05	-	26/10/05	-	26/10/05	-
J Remedios	28/6/07	-	28/6/07	-	28/6/07	-

FORMER PARTNERS OF THE AUDIT FIRM

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

Directors' Report

PRINCIPAL ACTIVITIES

BBW's principal activities include:

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

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

REVIEW OF OPERATIONS

A review of the operations of BBW and the results of those operations for the year ended 30 June 2007 is included in the Chairman's Letter and CEO's Report of the Annual Report, as well as 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 the consolidated entity other than that referred to in the financial statements and notes to the financial statements.

SUBSEQUENT EVENTS

ALINTA SCHEME OF ARRANGEMENT

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

ACQUISITIONS UNDER THE SPANISH FRAMEWORK AGREEMENT

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

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

FUTURE DEVELOPMENTS

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

ENVIRONMENTAL REGULATIONS

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

DISTRIBUTIONS

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

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

INDEMNIFICATION OF OFFICERS

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

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

DIRECTORS' MEETINGS

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

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

COMMITTEE MEETINGS

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

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

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

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

DIRECTORS' SECURITY HOLDINGS

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

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

¹ Alternate Directors.

Directors' Report

REMUNERATION REPORT

SPECIALISED FUNDS PLATFORM

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

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

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

The Babcock & Brown remuneration philosophy seeks to focus on:

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

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

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

REMUNERATION COMMITTEE

Role of the Babcock & Brown Remuneration Committee

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

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

Membership of the B&B Remuneration Committee

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

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

BBW DIRECTORS

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

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

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

REMUNERATION POLICY AND STRUCTURE

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

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

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

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

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

EXECUTIVES

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

Name	Role
Peter O'Connell	Chief Executive Officer (resignation effective 31 December 2006)
Miles George	Chief Executive Officer (appointment effective 1 January 2007)
Geoff 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 security holdings in BBW as stated in the Directors' Report.

REMUNERATION FRAMEWORK AND PHILOSOPHY

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

Directors' Report

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

FIXED REMUNERATION

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

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

SHORT-TERM INCENTIVE PLAN (STIP) - DELIVERED AS CASH AND DEFERRED EQUITY (BONUS DEFERRAL RIGHTS)

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

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

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

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

LONG-TERM INCENTIVE PLAN (LTIP)

To complement the STIP, Babcock & Brown has established a LTIP which aims to motivate and retain key executives. 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. 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.

BBW REMUNERATION OF DIRECTORS AND EXECUTIVES

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

Short-term employee benefits					Post employment benefits	Long-term employee benefits	
Year	Salary \$	STIP relating to current period \$	Non-monetary benefits \$	Super-annuation \$	Share based payments¹ \$	Total \$	
Directors							
P Hofbauer²	2007	91,667	-	-	-	91,667	
	2006	-	-	-	-	-	
A Battle	2007	93,885	-	-	8,449	102,334	
	2006	74,636	-	-	6,717	81,353	
D Clemson	2007	89,604	-	-	8,063	97,667	
	2006	71,680	-	-	6,451	78,131	
N Andersen³	2007	35,016	-	-	3,151	38,167	
	2006	27,711	-	-	2,494	30,205	
W Murphy²	2007	85,667	-	-	-	85,667	
	2006	-	-	-	-	-	
Total remuneration for Directors	2007	395,839	-	-	19,663	415,502	
	2006	174,027	-	-	15,662	189,689	
Executives⁴							
P O'Connell	2007	182,500	-	-	6,343	242,561	
	2006	357,500	455,667	-	14,162	850,028	
M George	2007	131,250	829,250	-	6,343	1,160,932	
	2006	-	-	-	-	-	
G Dutailis	2007	277,250	368,750	-	12,686	708,657	
	2006	215,312	138,750	-	9,104	370,158	
G Dover	2007	252,793	121,000	-	12,686	390,668	
	2006	-	-	-	-	-	
D Richardson	2007	121,934	106,960	-	12,686	243,814	
	2006	45,657	8,800	-	3,642	58,099	
Total remuneration for Executives	2007	965,727	1,425,960	-	50,744	2,746,632	
	2006	618,469	603,217	-	26,908	1,278,285	

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

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

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

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

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.

LINK BETWEEN REMUNERATION POLICY AND BBW'S PERFORMANCE

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 SECURITYHOLDER 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

PROCEEDINGS ON BEHALF OF BBW

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

NON-AUDIT SERVICES

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

AUDITOR'S INDEPENDENCE DECLARATION

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

ROUNDING

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

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

On behalf of the Directors of BBW:



PETER HOFBAUER
Chairman

Sydney, 27 August 2007



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AUDITOR'S INDEPENDENCE DECLARATION



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AUDITOR'S INDEPENDENCE DECLARATION

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

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

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

A handwritten signature in dark ink, appearing to read 'AW', written over a light blue horizontal line.

ANDREW WILSON
Partner
PricewaterhouseCoopers
Sydney, 27 August 2007

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

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

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

BALANCE SHEET AS AT 30 JUNE 2007

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

The above balance sheets should be read in conjunction with the accompanying Notes to the Financial Statements.

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

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

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

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

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

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

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

1. SUMMARY OF ACCOUNTING POLICIES

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

(A) BASIS OF PREPARATION

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

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" or the "Group"). The shares of BBWPL and BBWPB and the units of BBWPT cannot be traded separately and can only be traded as stapled securities.

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

Compliance with IFRS

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

Change in accounting policies

Adoption of new/revised standards

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

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

Early adoption of standards

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

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

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

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

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

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

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

1. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

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

Historical cost convention

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

(B) CONSOLIDATED ACCOUNTS

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

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

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

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

(C) PRINCIPLES OF CONSOLIDATION

(i) Subsidiaries

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

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

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

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

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

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

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

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

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

1. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

(D) INVESTMENT IN FINANCIAL ASSETS

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

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

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

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

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

Discount rates and sensitivities are disclosed in Note 9.

(E) TRADE AND OTHER PAYABLES

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

(F) BUSINESS COMBINATIONS

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

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

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

(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.

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

1. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

(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
---------------------	----------

(K) DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

Cash flow hedge

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

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

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

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

1. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Net investment hedge

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

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

Derivatives that do not qualify for hedge accounting

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

(L) GOODS AND SERVICES TAX

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

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

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

(M) SEGMENT REPORTING

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

(N) FOREIGN CURRENCY TRANSLATION

Functional and presentation currency

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

Transactions and balances

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

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

Group companies

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

- assets and 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.

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

1. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

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 is 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 reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

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

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

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

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

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

Current and deferred tax for the period

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

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

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.

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

1. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

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

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

(P) INTANGIBLE ASSETS

Goodwill

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

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

Framework Agreements

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

Licences

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

(Q) LEASED ASSETS

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

Group as lessee

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

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

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

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

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

Group as lessor

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

(R) IMPAIRMENT OF ASSETS

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

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

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

1. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

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 reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

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

(U) DISTRIBUTIONS AND DIVIDENDS

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

(V) REVENUE RECOGNITION

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

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

Revenue is recognised for the major business activities as follows:

Electricity sales

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

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

1. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Lease income

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

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

Other revenue

Interest income is recognised using the effective interest method.

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

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

Other income - revaluation of investments

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

(W) LOANS AND RECEIVABLES

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

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

(X) CONTRIBUTED EQUITY

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

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

(Y) EARNINGS PER SHARE

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

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

(Z) FAIR VALUE ESTIMATION

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

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

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

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

1. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

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

(AA) ROUNDING OF AMOUNTS

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

(AB) NEW ACCOUNTING STANDARDS AND UIG INTERPRETATIONS

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

- (i) AASB 7 Financial Instruments: Disclosures and AASB 2005-10 Amendments to Australian Accounting Standards (AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038)
- AASB 7 and AASB 2005-10 are applicable to annual reporting periods beginning on or after 1 January 2007. The Group has not adopted the standards early. Application of the standards will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the Group's financial instruments.

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

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

(AC) CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

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

(ii) Income taxes

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

(iii) Forecast cash flows and discount rates

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

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

2. PROFIT FROM OPERATIONS

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

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

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

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

* Refer Note 18 and Note 29 for further details.

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

3. INCOME TAXES

	Consolidated		Parent Entity	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
(A) INCOME TAX EXPENSE				
Income tax comprises:				
Current tax	(7,110)	(3,070)	(5,234)	(1,805)
Deferred tax	7,879	3,021	228	(81)
	769	(49)	(5,006)	(1,886)

Deferred income tax expense included in income tax (revenue)/expense comprises:

Decrease/(increase) in deferred tax assets	(169)	(345)	(71)	(81)
(Decrease)/increase in deferred tax liabilities	8,048	3,366	299	-
	7,879	3,021	228	(81)

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

(B) NUMERICAL RECONCILIATION OF INCOME TAX EXPENSE/(BENEFIT) TO PRIMA FACIE TAX PAYABLE:

Profit/(loss) from continuing operations before income tax expense	14,622	(16,284)	(18,324)	(9,370)
Income tax expense calculated at 30% (2006: 30%)	4,387	(4,885)	(5,497)	(2,811)

Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:

Non-deductible expenses	770	231	-	-
Non-assessable income	(5,896)	(1,199)	-	-
Non-deductible expenses for trade tax purposes	95	184	-	-
Amortisation of framework agreements	491	454	491	454
Management Fee	1,195	4,900	-	-
Sundry items	121	(104)	-	(134)
Difference in overseas tax rates	(394)	(236)	-	-
Previously recognised and unused tax losses	-	606	-	605
Income tax expense/(benefit)	769	(49)	(5,006)	(1,886)

(C) AMOUNTS RECOGNISED DIRECTLY IN EQUITY

The following current and deferred amounts were not recognised in net profit or loss but charged directly to equity during the period:

Current tax	-	-	-	-
Net deferred tax	8,314	(5,062)	(2,322)	151
	8,314	(5,062)	(2,322)	151

(D) TAX LOSSES

Unused tax losses for which no deferred tax asset has been recognised

Potential tax benefit @ 30%	-	-	-	-
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

3. INCOME TAXES (CONTINUED)

(E) TAX CONSOLIDATION

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

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

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

	Consolidated		Parent Entity	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000

(F) CURRENT TAX LIABILITIES

Current tax payables:

Income tax payable attributable to:

Australian entities in the group	1,079	-	-	-
Overseas entities in the group	3,920	1,743	-	-
	4,999	1,743	-	-

(G) DEFERRED TAX BALANCES

Deferred tax assets comprise temporary differences attributable to:

Unused revenue tax losses - corporate	24,637	9,222	23,684	8,249
Unused tax losses for trade tax purposes	565	64	-	-
Deductible equity raising costs	80	119	90	119
Effect of hedge movements	2,943	731	105	687
Unrealised foreign exchange loss	15,078	490	(1,634)	6
Other	1,121	5	(300)	-
	44,424	10,631	21,945	9,061

Deferred tax liabilities comprise temporary differences attributable to:

Depreciation	(18,804)	(9,755)	-	-
Effect of hedge movements	(12,363)	(2,932)	-	-
Other	(1,088)	(694)	-	-
	(32,255)	(13,381)		

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

3. INCOME TAXES (CONTINUED)

Taxable and deductible temporary differences arise from the following:

	Opening balance \$'000	Charged to income \$'000	Consolidated Charged to equity \$'000	Acquisitions/ disposals \$'000	Closing balance \$'000
2007					
Gross deferred tax assets:					
Unused revenue tax losses - corporate	9,222	15,415	-	-	24,637
Unused tax losses for trade tax purposes	64	501	-	-	565
Deductible equity raising costs	119	-	(39)	-	80
Effect of hedge movements	731	-	2,212	-	2,943
Unrealised foreign exchange loss	490	-	14,588	-	15,078
Other	5	1,116	-	-	1,121
	10,631	17,032	16,761	-	44,424
Gross deferred tax liabilities:					
Depreciation	(9,755)	(9,049)	-	-	(18,804)
Effect of hedge movements	(2,932)	-	(9,431)	-	(12,363)
Other	(694)	-	(394)	-	(1,088)
	(13,381)	(9,049)	(9,825)	-	(32,255)
2006					
Gross deferred tax assets:					
Unused revenue tax losses - corporate	4,092	5,130	-	-	9,222
Unused tax losses for trade tax purposes	-	64	-	-	64
Deductible equity raising costs	-	-	119	-	119
Effect of hedge movements	-	150	581	-	731
Unrealised foreign exchange loss	200	-	290	-	490
Other	-	5	-	-	5
	4,292	5,349	990	-	10,631
Gross deferred tax liabilities:					
Depreciation	(5,618)	(2,915)	-	(1,222)	(9,755)
Effect of hedge movements	-	-	(2,932)	-	(2,932)
Other	(183)	(511)	-	-	(694)
	(5,801)	(3,426)	(2,932)	(1,222)	(13,381)

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

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

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

Options held over BBW securities

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

Bonus Deferral Rights held over BBW securities

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

Security holdings in BBW

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

	Balance 1 July 2006	Acquired during the year	Sold during the year	Balance 30 June 2007
P O'Connell ¹	357,000	-	357,000	-
M George ²	250,000	250,000	-	500,000
G 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.

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

4. KEY MANAGEMENT PERSONNEL REMUNERATION (CONTINUED)

Outlined below are the security holdings of the KMPs for the period 28 October 2005 (Initial Public Offer 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 FY06 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.

5. REMUNERATION OF AUDITORS

	Consolidated		Parent Entity	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
PricewaterhouseCoopers: Audit services				
Audit and review of the financial report	862,639	687,691 ¹	30,125	25,677
Assistance with transition to Australian-equivalents to International Financial Reporting Standards	-	95,009	-	-
Total remuneration for audit services	862,639	782,700	30,125	25,677
PricewaterhouseCoopers: Non-Audit services				
Audit related services				
Due diligence services	132,990	-	13	-
Taxation services				
Review of transfer pricing arrangements	9,900	-	9,900	-
Total remuneration for Non-Audit services	142,890	-	9,913	-

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

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

6. TRADE AND OTHER RECEIVABLES

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

7. PREPAYMENTS

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

8. OTHER CURRENT ASSETS

	Consolidated		Parent Entity	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Other	72	419	-	-
	72	419	-	-

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

9. FINANCIAL ASSETS

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

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

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

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

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

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

¹ Includes distributions paid to minority interests.

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

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

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

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

9. FINANCIAL ASSETS (CONTINUED)

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

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

- (a) On average, the discount rate range increased to between 7.9%-8.6% at the time of valuation resulting in a decrease in the valuation of \$13,629,000.
- (b) The valuation increase arising from operational assumptions of \$32,198,000 was largely attributable to increases in estimated long-term energy prices offset by assumptions of reduced short-term availability compared to the prior year. The increases have an immediate impact on farms supplying electricity at market prices but also impact farms with PPA agreements that expire before the end of their useful economic lives.

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

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

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

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

Minority Interest

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

10. DERIVATIVE FINANCIAL INSTRUMENTS - ASSETS

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

Refer Note 32 for further information.

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

11. PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

12. GOODWILL

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

(a) Allocation of goodwill to cash-generating units

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

(b) Amounts reclassified following a purchase price reallocation exercise

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

(c) Impairment tests for goodwill

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

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

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

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

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

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

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

13. INTANGIBLE ASSETS

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

	Parent Entity		
	Framework agreement \$'000	Project-related agreements and licences \$'000	Total \$'000
Balance at 1 July 2005	-	-	-
Additions	5,100	-	5,100
Balance at 1 July 2006	5,100	-	5,100
Transfers (i)	(300)	-	(300)
Additions	-	-	-
Balance at 30 June 2007	4,800	-	4,800
Accumulated amortisation and impairment			
Balance at 1 July 2005	-	-	-
Amortisation expense (ii)	(1,514)	-	(1,514)
Balance at 1 July 2006	(1,514)	-	(1,514)
Amortisation expense (ii)	(1,638)	-	(1,638)
Balance at 30 June 2007	(3,152)	-	(3,152)
Net book value			
As at 30 June 2006	3,586	-	3,586
As at 30 June 2007	1,648	-	1,648

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

13. INTANGIBLE ASSETS (CONTINUED)

(i) Transfers - project-related agreements and licences

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

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

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

Significant intangible assets

Additions - Project-related agreements and licences

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

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

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

(a) Lake Bonney Stage 2

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

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

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

(b) Olivo

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

(c) Fruges

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

14. TRADE AND OTHER PAYABLES

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

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

15. BORROWINGS

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

¹ Further information relating to loans from related parties is set out in Note 29.

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

15. BORROWINGS (CONTINUED)

(i) Debt facilities at 30 June 2007

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

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

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

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

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

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

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

The facility is split into the following components:

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

(i) Term loan commitment reduced to €751,609,000 following the repayment of €869,000 in June 2007.

(ii) This represents the Euro-equivalent of funds drawn in multiple currencies at the exchange rate in effect at the date of drawdown. The total funds drawn down by currency and exchanged at the year end rate are presented in the following table:

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

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

15. BORROWINGS (CONTINUED)

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

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

(ii) Debt facilities at 30 June 2006

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

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

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

(iii) Finance lease liabilities

Refer Note 25.

16. DERIVATIVE FINANCIAL INSTRUMENTS - LIABILITIES

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

Refer Note 32 for further information.

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

17. CAPITALISED BORROWING COSTS

	Consolidated		Parent Entity	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Borrowing costs capitalised during the financial year	10,500	5,615	-	-
Weighted average capitalisation rate on funds borrowed generally	6.3%	5.7%	-	-

18. CONTRIBUTED EQUITY

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

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

18. CONTRIBUTED EQUITY (CONTINUED)

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

(i) Change in Constitution

Upon the implementation of A-IFRS, security holder interests were initially accounted for as debt. Following a change in the BBWPT Constitution on 12 September 2005, security holder interests were reclassified as equity. Under the election granted under AASB 132 and AASB 139, these interests were also accounted for as equity in the comparative period. BBWPT paid a distribution of \$1,628,000 in August 2005, prior to the change in the Constitution, which has been recognised as a reduction in this debt.

(ii) Lake Bonney Stage 2

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

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

Subsequently, pursuant to the Initial Public Offering in October 2005, each share in BBWPL and each unit in BBWPT was stapled to a share in BBWPB.

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

(iii) Walkaway Wind Farm

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

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

Subsequently, pursuant to the Initial Public Offering in October 2005, each share in BBWPL and each unit in BBWPT was stapled to a share in BBWPB.

(iv) Capital raising, net of issue costs

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

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

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

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

18. CONTRIBUTED EQUITY (CONTINUED)

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

(v) Incentive Fee

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

19. RESERVES

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

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

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

19. RESERVES (CONTINUED)

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

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

Acquisition reserve

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

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

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

20. ACCUMULATED LOSSES

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

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

21. EARNINGS PER SECURITY/ SHARE

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

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

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

22. DISTRIBUTIONS AND FINANCE COSTS PAID

	2007		2006	
	Cents per security	Total \$'000	Cents per security	Total \$'000
Recognised amounts				
Ordinary securities				
Final distribution in respect of 2006 year (2005: finance cost) of 5.1 cents per stapled security (2005: 1.0 cents) paid in September 2006 (2005: August 2005 ¹), 100% tax deferred from BBWPT's contributed equity	5.10	29,340	1.00	1,628
Interim distribution in respect of 2007 year of 6.25 cents (2006: 5.1 cents) per stapled security paid 9 March 2007 (2006: 23 March 2006), 100% tax deferred (2006: 100% tax deferred)	6.25	36,256	5.10	25,202
		65,596		26,830

Distributions paid in cash or satisfied by the issue of new stapled securities under the Distribution Reinvestment Plan during the year ended 30 June 2007 and the year ended 30 June 2006 were as follows:

Paid in cash	50,513	26,830
Satisfied by the issue of stapled securities	15,083	-
	65,596	26,830

¹ Upon implementation of A-IFRS and prior to a change in BBWPT's Constitution, 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 27 August 2007, the Directors of BBW declared a final distribution in respect of the year ended 30 June 2007 of 6.25 cents per stapled security (2006: 5.1 cents), 100% tax deferred. The amount that will be paid on 14 September 2007 (2006: 29 September 2006) will be \$42,067,000 (2006: \$22,820,000). As the distribution was declared subsequent to 30 June 2007 no provision has been included as at 30 June 2007.

No franking credits have been generated by the parent entity.

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

23. COMMITMENTS FOR EXPENDITURE

	Consolidated		Parent Entity	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
(a) Capital expenditure commitments				
Not longer than 1 year	242,596	109,561	-	-
Longer than 1 year and not longer than 5 years	1,900	158,088	-	-
	244,496	267,649	-	-

(b) Lease commitments

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

(c) Other expenditure commitments

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

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

24. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

	Consolidated		Parent Entity	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Contingent Liabilities				
Letters of credit	9,663	108,540	-	99,000
Guarantees	89,753	59,211	78,587	54,679
	99,416	167,751	78,587	153,679

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

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

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

25. LEASES

FINANCE LEASES

Leasing arrangements

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

Finance lease liabilities

	Minimum future lease payments			
	Consolidated		Parent Entity	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000

Commitments in relation to finance leases are payable as follows:

No later than 1 year	5,079	4,267	-	-
Later than 1 year and not later than 5 years	20,314	17,067	-	-
Later than five years	46,789	41,556	-	-
Minimum lease payments ¹	72,182	62,890	-	-
Less future finance charges	(20,834)	(21,298)	-	-
Present value of minimum lease payments	51,348	41,592	-	-

Included in the financial statements as:

Current borrowings (Note 15)	2,339	1,721	-	-
Non-current borrowings (Note 15)	49,009	39,871	-	-
	51,348	41,592	-	-

¹ Minimum future lease payments include the aggregate of all lease payments and any guaranteed residual.

Operating leases

	Consolidated		Parent Entity	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

Not longer than 1 year	3,829	1,777	-	-
Longer than 1 year and not longer than 5 years	15,682	8,160	-	-
Longer than 5 years	76,981	59,406	-	-
	96,492	69,343	-	-

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

26. SUBSIDIARIES

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

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

26. SUBSIDIARIES (CONTINUED)

	Country of incorporation	Ownership interest	
		2007 %	2006 %
Babcock & Brown Wind Partners (Spain) S.L.	Spain	100%	100%
Babcock & Brown Wind Portfolio I LLC	USA	100%	-
* CS Walkaway Pty Limited	Australia	100%	100%
CS Walkaway Trust	Australia	100%	100%
Global Wind Partners UK Ltd	UK	100%	100%
Global Wind Partners UK 2 Ltd	UK	100%	100%
Global Wind Partners UK 3 Ltd	UK	100%	100%
Global Wind Partners UK 4 Ltd	UK	100%	-
* GWP Europe Pty Limited	Australia	100%	100%
* GWP Europe 2 Pty Limited	Australia	100%	100%
* GWP Walkaway Pty Limited	Australia	100%	100%
Kaarst GmbH & Co KG Partnership	Germany	100%	-
* Lake Bonney Wind Power Pty Limited	Australia	100%	100%
* Lake Bonney Wind Power 2 Pty Limited	Australia	100%	100%
* Lake Bonney Wind Power 3 Pty Limited	Australia	100%	100%
* NPP LB2 LLC	USA	100%	100%
* NPP Projects I LLC	USA	100%	100%
* NPP Projects V LLC	USA	100%	100%
* NPP Walkaway Pty Limited	Australia	100%	100%
* NPP Walkaway Trust	Australia	100%	100%
Olivento S.L.	Spain	100%	100%
* Plambeck Neue Energien Windpark Fonds XXXV			
Kaarst - Willich GmbH & CO. KG	Germany	100%	-
Renewable Power Ventures Investment Trust	Australia	100%	100%
SEC Holdco S.A.	Spain	100%	-
Sistemas Energeticos Del Sardon S.A.U.	Spain	-	100%
Sistemas Energeticos Montes de Conjuero S.A.U.	Spain	70%	-
Sistemas Energeticos Montes de Leon S.A.U.	Spain	-	100%
Sistemas Energeticos Opinen S.A.U.	Spain	100%	100%
Sistemas Energeticos Serra da Loba S.A.U.	Spain	-	100%
Sistemas Energeticos Sierra del Trigo S.A.U.	Spain	100%	100%
Sistemas Energeticos Villarubia S.A.U.	Spain	100%	100%
Societe d'Exploitation du Parc Eolien de Fond Du Moulin SARL	France	100%	100%
Societe d'Exploitation du Parc Eolien de Mont Felix SARL	France	100%	100%
Societe d'Exploitation du Parc Eolien Le Marquay SARL	France	100%	100%
Societe d'Exploitation du Parc Eolien Le Chemin Vert SARL	France	100%	-
Societe d'Exploitation du Parc Eolien Les Trentes SARL	France	100%	-
Societe d'Exploitation du Parc Eolien Sole de Bellevue SARL	France	100%	-
Walkaway Wind Power Pty Limited	Australia	100%	100%
Windpark Eifel GmbH & Co KG Partnership	Germany	100%	100%
Windpark Niederrhein GmbH & Co KG Partnership	Germany	99%	99%

* Denotes a member of the BBWPL tax consolidated group.

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

27. ACQUISITION OF BUSINESSES 2007

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

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

Provisional values

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

(i) Monte Seixo/Serra do Cando

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

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

The provisional values of net liabilities acquired, \$7,704,000, are provided in the table above.

The acquired business contributed revenues of \$2,204,000 and net profit of \$1,340,000 to the Group for the period from acquisition to 30 June 2007. If the acquisition had occurred on 1 July 2006, revenue of \$23,044,000 and net profit of \$2,229,000 would have been contributed to the Group.

(ii) Conjuro

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

The purchase price was approximately \$658,000, including associated costs and net of cash acquired.

The provisional values of net liabilities acquired, \$451,000, are provided in the table above.

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

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

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

27. ACQUISITION OF BUSINESSES (CONTINUED)

(iii) Kaarst

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

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

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

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

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

2006

Babcock & Brown Wind Partners (Bermuda) Limited

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

Walkaway Wind Power Pty Limited

In September 2005, BBWPL and BBWPS entered into a Sale and Purchase Agreement to purchase the remaining 25% of Walkaway Wind Power Pty Limited ("Walkaway Acquisition Agreement") that was not previously owned by BBW. The consideration payable under the Walkaway Acquisition Agreement was \$48,000,000, which was satisfied through the issue of shares and units by BBWPL and BBWPT, respectively ("Walkaway Purchase Price Securities"). In addition to the issue of shares and units, ancillary costs of \$1,442,000 were incurred. The combined fair value of each share and unit that comprised the Walkaway Purchase Price Securities was \$1.40, which was based on the offer price of stapled securities at the subsequent Initial Public Offering in October 2005. Correspondingly, BBWPL issued 34,286,000 shares and BBWPT issued 34,286,000 units.

Subsequently, pursuant to the Initial Public Offering in October 2005, each share in BBWPL and each unit in BBWPT was stapled to a share in BBWPB.

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

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

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

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

27. ACQUISITION OF BUSINESSES (CONTINUED)

Olivento S.L.

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

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

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

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

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

27. ACQUISITION OF BUSINESSES (CONTINUED)

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

Eifel

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

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

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

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

27. ACQUISITION OF BUSINESSES (CONTINUED)

Fruges

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

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

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

Plambeck

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

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

28. SEGMENT INFORMATION

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

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

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

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

Segment revenues

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

Segment results 2007

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

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

28. SEGMENT INFORMATION (CONTINUED)

Segment results 2006

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

Segment assets and liabilities

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

Other segment information

	Australia 2007 \$'000	Spain 2007 \$'000	Germany 2007 \$'000	France 2007 \$'000	US 2007 \$'000	Unallocated 2007 \$'000	Consolidated 2007 \$'000
Carrying value of investments in financial assets (US wind farms)	-	-	-	-	581,033	-	581,033
Revaluation of US wind farm investments	-	-	-	-	18,569	-	18,569

Acquisition of segment assets:

Financial assets	-	-	-	-	296,533	-	296,533
Property, plant & equipment	201,594	2,080	36,159	35,767	-	-	275,600
Depreciation and amortisation of segment assets	(13,047)	(15,652)	(3,505)	-	-	(1,761)	(33,965)

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

28. SEGMENT INFORMATION (CONTINUED)

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

29. RELATED PARTY DISCLOSURES

(A) EQUITY INTERESTS IN RELATED PARTIES

Equity interests in subsidiaries

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

(B) KEY MANAGEMENT PERSONNEL DISCLOSURES

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

(C) OTHER RELATED PARTY TRANSACTIONS

Transactions involving the parent entity

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

Transactions involving other related parties

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

Custodian, Responsible Entity and Manager fees and costs

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

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

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

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

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

29. RELATED PARTY DISCLOSURES (CONTINUED)

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

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

Transactions with US financial assets

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

Other related party transactions

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

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

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

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

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

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

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

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

Related party balances

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

BBPOP Wind Equity LLC	\$181,776,000 ¹
Babcock & Brown Australia Pty Limited	\$11,438,000
Babcock & Brown Wind Partners Management Pty Limited	\$7,429,000
Babcock & Brown Wind Partners Services Limited	\$143,000
Babcock & Brown Asset Holdings Pty Limited	\$28,000

¹ This amount relates to the acquisition of the second phase of the US06 transaction which was completed on 29 June 2007. Related payments were made on 2 July 2007.

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

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

29. RELATED PARTY DISCLOSURES (CONTINUED)

(D) PARENT ENTITIES

The parent entity in the Group is BBWPL.

The ultimate Australian parent entity is BBWPL.

The ultimate parent entity is BBWPL.

30. SUBSEQUENT EVENTS

Alinta Scheme of Arrangement

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

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

Acquisitions under the Spanish Framework Agreement

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

Additionally, BBW acquired a 97% interest in the Valdeconejos wind farm in August 2007 for an enterprise value of approximately \$79,000,000.

31. NOTES TO THE CASH FLOW STATEMENT

	Consolidated		Parent Entity	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000

(A) RECONCILIATION OF CASH AND CASH EQUIVALENTS

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

Cash and cash equivalents	441,625	311,195	23,265	64,166
	441,625	311,195	23,265	64,166

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

31. NOTES TO THE CASH FLOW STATEMENT (CONTINUED)

	Consolidated		Parent Entity	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
(B) BUSINESSES ACQUIRED				
During the financial year, 4 businesses (2006: 7), Fruges 2, Kaarst, SEC Holdco (Monte Seixo and Serra do Cando) and Conjuero, were acquired. Details of the acquisitions are as follows:				
Consideration				
Cash and cash equivalents ¹	85,883	107,342	957	10,273
Fair value of net assets acquired				
Cash	11,338	8,371	-	2,486
Receivables and other current assets	3,706	19,667	-	667
Property, plant and equipment	82,932	170,990	-	36,322
Equity accounted investments	-	19,744	-	-
Licences	-	74,367	-	-
Deferred tax assets	6,259	189	-	-
Payables	(1,390)	(5,791)	-	(1,141)
Interest bearing liabilities	(108,707)	(203,869)	-	(43,943)
Deferred tax liabilities	-	(593)	-	-
Other liabilities	(2,292)	-	-	-
Net assets/(liabilities) acquired	(8,154)	83,075	-	(5,609)
Premium on acquisition	94,037	24,267	957	15,882
Net cash outflow on acquisition				
Cash and cash equivalents consideration	85,883	107,342	957	10,273
Less cash and cash equivalent balances acquired	(11,338)	(8,371)	-	(2,486)
Cash paid for purchase of controlled entity	74,545	98,971	957	7,787

¹ During the year ended 30 June 2007, costs of approximately \$7,280,000 were unpaid at balance date. During the year ended 30 June 2006, BBWPL purchased Eifel. In addition to this purchase, BBWPL incurred and paid costs of approximately \$3,627,000 in relation to the Walkaway, Fruges and Olivo acquisitions.

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

31. NOTES TO THE CASH FLOW STATEMENT (CONTINUED)

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

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

(D) RESTRICTED CASH BALANCES

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

32. FINANCIAL INSTRUMENTS

(A) FINANCIAL RISK MANAGEMENT OBJECTIVES

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

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

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

- interest rate swaps
- foreign currency forward contracts

(B) SIGNIFICANT ACCOUNTING POLICIES

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

(C) FOREIGN CURRENCY RISK MANAGEMENT

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

Forward foreign exchange contracts

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

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

32. FINANCIAL INSTRUMENTS (CONTINUED)

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

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

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

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

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

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

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

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

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

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

32. FINANCIAL INSTRUMENTS (CONTINUED)

(D) CASH FLOW AND INTEREST RATE RISK MANAGEMENT

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

Interest rate swap contracts

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

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

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

	Weighted average effective interest rate	Variable interest rate	Fixed interest maturity dates							Non-interest bearing	Total
			Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	5+ years			
2007	%	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets:											
Cash and cash equivalents	2.95	441,625	-	-	-	-	-	-	-	-	441,625
Trade and other receivables	-	-	-	-	-	-	-	-	-	40,797	40,797
Investments in financial assets	-	-	-	-	-	-	-	-	-	581,033	581,033
		441,625	-	-	-	-	-	-	-	621,830	1,063,455

Financial liabilities:

Payables	-	-	-	-	-	-	-	-	-	257,049	257,049
Interest rate swaps ¹	5.30	(1,218,835)	35,311	19,694	37,830	77,063	126,092	922,845	-	-	-
Bank loans	6.27	1,287,537	-	-	-	-	-	-	-	-	1,287,537
Finance lease liabilities	6.42	51,348	-	-	-	-	-	-	-	-	51,348
		120,050	35,311	19,694	37,830	77,063	126,092	922,845	257,049	1,595,934	

¹ Notional principal amounts.

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

32. FINANCIAL INSTRUMENTS (CONTINUED)

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

¹ Notional principal amounts.

(E) CREDIT RISK MANAGEMENT

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

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

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

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

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

32. FINANCIAL INSTRUMENTS (CONTINUED)

(F) 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 values 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.

(G) LIQUIDITY RISK MANAGEMENT

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

For personal use only

DIRECTORS' DECLARATION

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

- (a) the financial statements and notes set out on pages 60 to 113 are in accordance with the Corporations Act 2001 including:
 - (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2007 and of their performance, as represented by the results of their operations, changes in equity and their cash flows, for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

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

On behalf of the Directors of BBWPL:



PETER HOFBAUER
Chairman

27 August 2007

INDEPENDENT AUDIT REPORT



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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BABCOCK & BROWN WIND PARTNERS LIMITED

REPORT ON THE FINANCIAL REPORT AND THE AASB 124 REMUNERATION DISCLOSURES CONTAINED IN THE DIRECTORS' REPORT

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

We have also audited the remuneration disclosures contained in the directors' report. As permitted by the Corporations Regulations 2001, the company has disclosed information about the remuneration of directors and executives ("remuneration disclosures"), required by Accounting Standard AASB 124 Related Party Disclosures, under the heading "remuneration report" in pages 52 to 56 of the directors' report and not in the financial report.

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

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

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

Auditor's responsibility

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

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

INDEPENDENT AUDIT REPORT



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

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

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

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

Matters relating to the electronic presentation of the audited financial report

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

Independence

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

Auditor's opinion on the financial report

In our opinion:

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

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

In our opinion, the remuneration disclosures that are contained in pages 52 to 56 of the directors' report comply with Accounting Standard AASB 124.

A handwritten signature in dark ink, appearing to read 'PricewaterhouseCoopers', is written over a light blue, stylized background graphic that resembles a signature or a set of initials.

PricewaterhouseCoopers

A handwritten signature in dark ink, appearing to be a stylized 'AW', is written over a light blue, stylized background graphic that resembles a signature or a set of initials.

Partner

Sydney, 27 August 2007

ADDITIONAL INVESTOR INFORMATION

SPANISH FRAMEWORK AGREEMENT

BBWPL entered into a Framework Agreement, dated 13 September 2005, with Babcock & Brown (UK) Holdings Limited, a UK subsidiary of Babcock & Brown ("B&B UK"), pursuant to which BBWPL acquired certain rights and obligations in relation to the acquisition of wind farms in Spain which correspond to rights and obligations which B&B UK has with Gamesa Energía SAU. As consideration, B&B UK receives a fee from BBWPL each time BBWPL purchases a wind farm pursuant to the Framework Agreement. The wind farms must satisfy certain criteria in order to fall within the scope of the Framework Agreement. The Framework Agreement contemplates that wind farms with installed capacity of up to 400MW¹ in aggregate of power could be available under the Framework Agreement in FY08 and FY09. BBWPL and B&B UK have agreed to co-ordinate the due diligence process in relation to any potential wind farms under the Framework Agreement. The Framework Agreement is governed by the law of New South Wales, Australia.

PLAMBECK FRAMEWORK AGREEMENT

BBW has entered into a Framework Agreement, dated 29 March 2006, with Plambeck Neue Energien AG ("Plambeck"). Under the Framework Agreement, BBW has secured the rights to acquire a portfolio of wind farms comprising potentially up to approximately 290MW² in FY08 and FY09. Wind farms will be acquired as specified conditions precedent for each wind farm are satisfied and they are completed. A number of the potential projects are still in the development phase and consequently these conditions precedent, whilst expected to be satisfied in FY08 and FY09, may take longer or in fact never become satisfied. It is Plambeck's responsibility to satisfy these conditions precedent.

IMPORTANT ASPECTS OF THE US ASSETS

LLC PROJECT AGREEMENTS - CHANGE OF CONTROL PROVISIONS

The limited liability company agreements (each a LLC Project Agreement) of the various Project LLC's for the US Assets provide for two levels of membership interests: Class A and Class B. The Class B Members serve as the managing members of the company.

The managing members have control over and manage the affairs of the Project LLC, but the consent of the Class A Members is required for certain material actions to be taken by the Project LLC (such as the incurrence of debt, sale of material assets, mergers, acquisitions, sale of the Project LLC or other similar actions).

Transfers of membership interests are permitted subject to (a) a right of first bid procedure for the benefit of non-transferring members, (b) a prohibition against transfers to certain disqualified transferees (such as competitors of the Project LLC), (c) prior to the Reallocation Date, transfers of Class B interests require consent of a designated super-majority of the Class A interests, and (d) Class A interests may be transferred after ten years if the Reallocation Date has not been reached and distributions have failed to exceed the sum of the Class B Members' capital contributions.

A change of control must comply with the foregoing transfer restrictions, except that an event causing a change of control of a company member's parent company does not constitute a change of control. However, these change of control clauses are triggered by a change of the managing manager outside the Babcock & Brown Group. A change of this kind requires the prior consent of the Class A Members in the Project LLC. The relevant limited liability company agreements provide that a change purported to be made in breach of these provisions is void and that specific performance in respect of those clauses can be sought. In addition, breach of these provisions may give rise to a claim of damages.

Babcock & Brown Wind Partners US LLC ("BBWPUS") is a wholly owned subsidiary of BBWPL and acts as the holding company for BBW's US wind farm assets. The BBWPUS LLC Agreement contains similar restrictions on transfers of membership interests and changes in control or management of BBW outside the Babcock & Brown Group.

BACK TO BACK GUARANTEES REGARDING COVENANTS IN THE LLC PROJECT AGREEMENTS

In addition, each of BBWPL and, in certain instances, Babcock & Brown Wind Partners Services Limited in its capacity as Responsible Entity of BBWPT (together, the Guarantors) have entered into guarantees (the Back-to-Back Guarantees) in favour of Babcock & Brown International Pty Ltd and/or

Babcock & Brown LP (the Beneficiaries).

The Back-to-Back Guarantees support downstream guarantees which have been given by the Beneficiaries to support the obligations of the Investment LLCs which are Class B Members of Project LLCs (that own and operate wind farm projects in the United States) in favour of the Class A Members of those Project LLCs.

BERMUDA LAW ISSUES

Incorporation: BBWPB is incorporated in Bermuda.

Takeovers: Unlike BBWPL and BBWPT, BBWPB is not subject to the sections in Chapter 6 of the Corporations Act dealing with the acquisition of shares (including substantial holdings and takeovers). Bermuda company law does

1 As at the date of this Annual Report, a 96% interest in the Valdeconejos wind farm (32.3MW) and a 100% interest in the Conjuro wind farm (17.0MW) has been delivered under the Spanish Framework Agreement.

2 As at the date of this Annual Report, the Kaarst wind farm (12.0MW) has been delivered under the Plambeck Framework Agreement.

ADDITIONAL INVESTOR INFORMATION

not have a takeover code which, effectively means that a takeover of BBWPB will be regulated under Australian takeover law. However, Section 103 of the Bermuda Companies Act provides that where an offer is made for shares of a company and, within four months of the offer the holders of not less than 90% of the shares which are the subject of such offer accept, the offeror may by notice require the non-tendering shareholders to transfer their shares on the terms of the offer. Dissenting shareholders may apply to the court within one month of the notice, objecting to the transfer. The test is one of fairness to the body of the shareholders and not to individuals, and the burden is on the dissentient shareholder to prove unfairness, not merely that the scheme is open to criticism.

STAPLED SECURITIES

Each Stapled Security is made up of one BBWPL share, one BBWPT unit and one BBWPB share which, under each of the Constitutions, are stapled together and cannot be traded or dealt with separately. In accordance with its requirements in respect of listed stapled securities, ASX reserves the right to remove any or all of BBWPL, BBWPB and BBWPT from the Official List if, while the stapling arrangements apply, the securities in one of these entities ceases to be stapled to the securities in the other entities or one of these entities issues securities which are not then stapled to the relevant securities in the other entities.

INCENTIVE FEES

The principal ongoing fees payable by BBW to BBWPM as Manager comprise a base and incentive fee. With respect to the incentive fee, BBWPM may be entitled to receive an incentive fee related to the relative performance of BBW. This fee is paid half yearly in respect of a financial half year. The incentive fee is payable to BBWPM in cash out of assets, however subject to the Corporations Act and the Listing Rules, BBWPM is prepared to accept up to 60% of its incentive fee in Stapled Securities and will be so paid if the BBWPL Independent Directors request.

No incentive fee was payable in the financial year ended 30 June 2007. See Note 29 to the financial statements.

FURTHER INVESTOR INFORMATION

Further information required by the Australian Securities Exchange and not shown elsewhere in this Report is as detailed below. The information is current as at 11 September 2007.

NUMBER OF STAPLED SECURITIES AND HOLDERS

One share in each of BBWPL and BBWPB, and one unit in BBWPT, have been stapled together to form a single BBW Stapled Security. The total number of BBW Stapled Securities on issue as at the date of this Report is 803,218,523 and the number of holders of these Stapled Securities is 81,586.

SUBSTANTIAL SECURITYHOLDERS

The names of substantial BBW Securityholders who have notified BBW in accordance with section 671B of the Corporations Act 2001 are set out below.

Substantial BBW Securityholder	Date of Notice	BBW Stapled Securities Held	
		Number	Percentage
Babcock & Brown Group	7 May 2007	81,161,803	12.05
Wellington Management Company, LLP	1 August 2007	61,082,057	9.08
Merrill Lynch & Co., Inc	28 May 2007	53,069,746	7.88
Kairos Fund Ltd	4 September 2007	54,054,372	6.74

VOTING RIGHTS

It is generally expected that General Meetings of shareholders of BBWPL, shareholders of BBWPB, and unitholders of BBWPT will be held concurrently where proposed resolutions relate to all three BBW entities. At these General Meetings of BBWPL, BBWPB and BBWPT the voting rights outlined below will apply.

Voting rights in relation to General Meetings of BBWPL and BBWPB:

- on a show of hands, each shareholder of BBWPL and BBWPB who is present in person and each other person who is present as a proxy, attorney or duly appointed corporate representative of a shareholder has one vote; and
- on a poll, each shareholder of BBWPL and BBWPB who is present in person has one vote for each share they hold. Also each person present as a proxy, attorney or duly appointed corporate representative of a shareholder, has one vote for each share held by the shareholder that the person represents.

Voting rights in relation to General Meetings of BBWPT:

- on a show of hands, each unitholder who is present in person and each other person who is present as a proxy, attorney or duly appointed corporate representative of a unitholder has one vote; and
- on a poll, each unitholder who is present in person has one vote for each one dollar of the value of the units in the Trust held by the unitholder. Also, each person present as proxy, attorney or duly appointed corporate representative of a unitholder has one vote for each one dollar of the value of the units in the Trust held by the unitholder that the person represents.

ADDITIONAL INVESTOR INFORMATION

ON-MARKET BUY-BACK

There is no current on-market buy-back of BBW Stapled Securities.

STAPLED SECURITIES THAT ARE RESTRICTED OR SUBJECT TO VOLUNTARY ESCROW

There are currently no BBW Stapled Securities which are restricted or subject to voluntary escrow.

USE OF CASH

Throughout the 2007 financial year, BBW used the cash (and assets in a form readily convertible to cash) that it held at 28 October 2005 (the date BBW listed on the Australian Securities Exchange) in a way consistent with its business objectives, as outlined in the financial statements and Notes.

DISTRIBUTION OF BBW STAPLED SECURITIES

Category	Holders	Securities
1 - 1,000	68,804	15,703,347
1,001 - 5,000	8,661	19,432,559
5,001 - 10,000	2,051	15,033,268
10,001 - 100,000	1,862	45,282,112
100,001 - and over	208	707,767,237
Total	81,586	803,218,523

The number of Securityholders holding less than a marketable parcel of BBW Stapled Securities is 52,618.

TWENTY LARGEST SECURITYHOLDERS

Rank	BBW Securityholder	BBW Stapled Securities Held	
		Number	Percentage
1	Citicorp Nominees Pty Limited	117,271,883	14.60
2	HSBC Custody Nominees (Australia) Limited - A/C 2	95,068,920	11.84
3	National Nominees Limited	83,219,068	10.36
4	ANZ Nominees Limited <Cash Income A/C>	77,844,751	9.69
5	HSBC Custody Nominees (Australia) Limited	48,675,409	6.06
6	J P Morgan Nominees Australia Limited	48,061,057	5.98
7	UBS Wealth Management Australia Nominees Pty Ltd	19,450,571	2.42
8	HSBC Custody Nominees (Australia) Limited - GSI ECSA	15,879,918	1.98
9	HSBC Custody Nominees (Australia) Limited - GSCO ECA	14,586,661	1.82
10	HSBC Custody Nominees (Australia) Limited	14,125,981	1.76
11	CS Fourth Nominees Pty Ltd <Unpaid A/C>	8,655,002	1.08
12	Cogent Nominees Pty Limited	7,076,147	0.88
13	NPP Projects II LLC	6,331,714	0.79
14	Citicorp Nominees Pty Limited <DRP Account>	5,843,124	0.73
15	L J K Nominees Pty Ltd <J D Ross Family A/C>	5,520,000	0.69
16	IAG Nominees Pty Limited	5,262,756	0.66
17	BT (Queensland) Pty Limited	5,099,731	0.63
18	HSBC Custody Nominees (Australia) Limited - GSCO ECSA	4,765,489	0.59
19	AMP Life Limited	4,744,299	0.59
20	Cogent Nominees Pty Limited <SMP Accounts>	4,359,272	0.54
	Total	591,841,753	73.68

ADDITIONAL INVESTOR INFORMATION

KEY ASX ANNOUNCEMENTS

2007

26 June

CEO presents to the UBS Australian Energy & Utilities Conference

18 June

Completes acquisition of Monte Seixo and Serra do Cando wind farms in Spain

13 June

CEO presents to the ABN Amro Morgans Clean & Green Conference

1 June

Provides update on final outcome of Spanish tariff review

24 May

Completes €1.03bn refinancing of its global wind farm portfolio

7 May

Provides update potential acquisitions totalling 700MW

27 April

Announces successful completion of capital raising of \$156.8m via placement

24 April

Announces change to manager base fee calculation providing a benefit to BBW Securityholders

23 April

BBW directs Alinta to sell Wattle Point wind farm

18 April

Appoints permanent CEO, Miles George

13 April

Provides update on second closing of US06 acquisitions

3 April

Acting CEO, Miles George presents to Listed Infrastructure Funds Conference UK

30 March

Agrees to acquire Wattle Point wind farm through the Alinta proposal

9 March

Initial closing of US06 Portfolio

8 March

Announces interim distribution and Distribution Reinvestment Plan participation

26 February

General meeting of security holders for the US06 portfolio

23 February

Releases Interim Result

12 February

Releases investor pack and portfolio model

19 January

Signs conditional US Portfolio Purchase Agreement and provides FY08 distribution guidance of 14.0 cps

15 January

Announces acquisition of Kaarst wind farm

2006 (DECEMBER TO JULY)

22 December

Acquisition of Bear Creek & Jersey Atlantic wind farms in the US

11 December

Acquisition of Fruges 2 Wind Farms in France

6 December

Update on Spanish Regulatory Review

5 October

Presents at the Citigroup Conference

7 September

Announces full year results and upgrade to FY07 distribution

25 August

Achieves practical completion for Alinta Wind Farm

18 August

Eurus Acquires 25% Interest in Crescent Ridge Class B Units

31 July

Acquisition of interests in Kumeyaay and Sweetwater 3 wind farms under the US Framework Agreement

Dates shown are when announcements were made to the Australian Stock Exchange (ASX).

The above list does not include all announcements made to the ASX, such as Change in Substantial Shareholders Notices and Change in Director's Interests Notices. A comprehensive list and full details of all publications can be found on the BBW website, <http://www.bbwindpartners.com/>

GLOSSARY

ASX	Australian Securities Exchange Limited (ABN 98 008 624 691)
B&B GERMANY	Babcock & Brown GmbH, a subsidiary of Babcock & Brown based in Munich, Germany
B&B UK	Babcock & Brown (UK) Holdings Limited, a subsidiary of Babcock & Brown based in London, UK
BABCOCK & BROWN	Babcock & Brown Limited (ABN 53 108 614 955)
BABCOCK & BROWN GROUP	Babcock & Brown and its subsidiaries from time to time
BBWPM	BBW is managed by Babcock & Brown Wind Partners Management Pty Ltd (BBWPM), BBWPM is the manager of BBW under long-term management agreements
BBPOP	Babcock & Brown Power Operating Partners LLC, a US entity in the Babcock & Brown Group
BBW	Babcock & Brown Wind Partners, comprising BBWPL, BBWPB and BBWPS as Responsible Entity of BBWPT and, where the context permits, includes their subsidiaries from time to time
BBWE	BBPOP Wind Equity LLC, a US subsidiary of Babcock & Brown
BBWPB	Babcock & Brown Wind Partners (Bermuda) Limited (ARBN 116 360 715)
BBWPL	Babcock & Brown Wind Partners Limited (ABN 39 105 051 616)
BBWPS	Babcock & Brown Wind Partners Services Limited (ACN 113 813 997) (AFSL 290 710) the responsible entity of BBWPT
BBWPT	Babcock & Brown Wind Partners Trust (ARSN 116 244 118)
BBWPUS	Babcock & Brown Wind Partners - US LLC
\$bn, bn	\$billion, billion
BNB	Babcock & Brown Limited
CAPACITY	The maximum power that a wind turbine can safely produce or handle
CAPACITY FACTOR	A measure of the productivity of a wind turbine, calculated by the amount of power that a wind turbine produces over a set time period, divided by the amount of power that would have been produced if the turbine had been running at full capacity during that same time interval
CCGT	Combined Cycle Gas Turbine
CHESS	Clearing House Electronic Sub-Register System, operated by ASX Settlement and Transfer Corporation Proprietary Limited
CLASS A MEMBERS	Holders of Class A interests in a Project LLC
CLASS A MEMBERSHIP INTERESTS	The interests held by Class A Members
CLASS B MEMBERS	Holders of Class B interests in a Project LLC
CLASS B MEMBERSHIP INTERESTS	The interests held by Class B Members
CO ₂	Carbon Dioxide
CUSTODIAN AGREEMENT	The agreement pursuant to which the Responsible Entity has appointed BBAH to act as custodian of the assets of BBWPT
DIRECTORS' FORECAST	A-IFRS forecast summaries of financial performance, cash flows and distributions for the years ending 30 June 2008 and 2009
DISTRIBUTIONS	Distributions of cash made by BBW to Securityholders in respect of their Stapled Securities
DRP	Distribution Reinvestment Plan
EBIT	Earnings before interest and tax
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation

GLOSSARY

EER	Emerging Energy Research
ETS	Emissions Trading Scheme
EU	European Union
EURO OR €	Euro, the currency of the European Monetary Union
FINANCIAL YEAR	A period of 12 months starting on 1 July and ending on 30 June in the next calendar year
FRAMEWORK AGREEMENTS	The US Framework Agreement, the Spanish Framework Agreement and the Plambeck Framework Agreement. Details are included in the Additional Investor Information Section
FY	Financial Year
GAMESA	Gamesa Energía SAU, a company based in Spain
GHG	Greenhouse Gas
GRID	Also termed transmission system, the network of power lines and associated equipment required to deliver electricity from generators to consumers
GW	GigaWatt. One billion Watts of electricity
GWEC	Global Wind Energy Council
GWH	GigaWatt hour
HIN	Holder Identification Number
IEA	International Energy Agency - an energy policy adviser focused on climate change policies, market reform and energy technology collaboration
IGCC	Integrated Gasification Combined Cycle
INDEPENDENT AUDITOR	PricewaterhouseCoopers
INSTALLED CAPACITY	The amount of capacity installed at a wind farm
INVESTMENT LLC	One of eight limited liability companies through which BBW invests as the Class B Member in the US Assets.
IPCC	Intergovernmental Panel on Climate Change - established to assess scientific, technical and socio-economic information relevant for the understanding of Climate Change.
IPO	The Initial Public Offer of BBW Stapled Securities
IPO DOCUMENT	The BBW Product Disclosure Statement and Prospectus, dated 26 September 2005. Also referred to as the Prospectus and/or the PDS
IPO FORECAST PERIOD	The period between the date of allotment of Stapled Securities, being 27 October 2005, and 30 June 2007
IPP	Independent Power Producer
KW	KiloWatt. One thousand Watts of electricity
KWH	KiloWatt hour. A unit of energy of work equal to 1,000 Watt-hours
KYOTO PROTOCOL	The international agreement signed in Kyoto, Japan in 1997 which builds on the United Nations Framework Convention on Climate Change and sets targets and timetables for cutting the greenhouse gas emissions of industrialised countries which are signatory states
LBWP	Lake Bonney Wind Power Pty Limited
LNG	Liquefied Natural Gas
LONG-TERM MEAN ENERGY PRODUCTION	The best estimate of energy production in a year where there is a 50% probability that a given level of energy production will be exceeded in any year. This may also be referred to as P50
\$m, m	\$millions, million
MITSUBISHI	Mitsubishi Power Systems - wind turbine supplier

GLOSSARY

MRET	Mandatory Renewable Energy Target established by the Australian Government
MW	MegaWatt. Equal to 1,000 kiloWatts or one million Watts
MWH	MegaWatt hour
NOCF	Net Operating Cash Flow: EBITDA plus US Distributions less corporate costs, Interest paid, Tax Paid, Changes in working capital; before investment related CAPEX, acquisitions and debt principal repayments. NOCF does not include proceeds from re-gearing, refinancing of restructuring initiatives
NPAT	Net profit after tax
OECD	Organisation for Economic Cooperation and Development - a group of 30 member countries that cooperatively discuss and develop social and economic policies
OFFTAKE AGREEMENT	An agreement to take or receive electricity
P50	See Long-Term Mean Energy Production
PDS	The BBW Product Disclosure Statement and Prospectus, dated 26 September 2005. Also referred to as the Prospectus and/or the IPO Document
PJM MARKET	PJM Market is the regional competitive market for the purchase and sale of electricity in all or parts of Delaware, Illinois, Indiana, Kentucky, Maryland, Michigan, New Jersey, North Carolina, Ohio, Pennsylvania, Tennessee, Virginia, West Virginia and the District of Columbia in the United States.
PPA	Power Purchase Agreement
PRACTICAL COMPLETION	The date on which construction has been completed in accordance with the respective delivery contract(s), typically including all regulatory requirements
PRE-COMMISSIONING	Operation of the wind farm prior to practical completion, during which all aspects are tested for performance against specified criteria
PROJECT ADMINISTRATOR	A person appointed by a Project LLC to be responsible for managing its day-to-day activities
PROJECT LLC	One of eight limited liability companies which each own a wind farm in the US and in which BBW has acquired indirect Class B Member interests
PROJECT LLC AGREEMENT	A limited liability company agreement between the members of a Project LLC
PROSPECTUS	The BBW Product Disclosure Statement and Prospectus dated 26 September 2005. Also referred to as the IPO Document and/or the PDS
PTC	Production Tax Credit: the result of the US Energy Policy Act of 1992, a tax credit that applies to wholesale electrical generators of wind energy facilities based upon the amount of energy generated in a year
REALLOCATION DATE	The date on which tax benefits and cash distributions are shared between the Class A Members and the Class B Members, being a date which occurs when the Class A Members' target has been achieved, as further described in a Project LLC Agreement as the flip date
REC	Renewable Energy Certificate
RENERCO	Renerco Renewable Energy Concepts AG, a German company
RPS	Renewable Portfolio Standard
SECURITYHOLDER	The registered holder of a Stapled Security
SIEMENS	Siemens Power Generation - wind turbine supplier
SOLAR CSP	Concentrating Solar Power
SRN	Shareholder Reference Number
STAPLED SECURITY	One unit in BBWPT, one ordinary share in BBWPL and one ordinary share in BBWPB, stapled together such that the unit and those shares cannot be traded or dealt with separately
STERN REVIEW	A UK report on the economic impact of climate change

GLOSSARY

TARIFF	Rates paid for electricity per kiloWatt hour consumed or generated
UNIT	An ordinary unit in BBWPT
UNITHOLDER	The registered holder of a Unit
VESTAS	Vestas Wind Systems A/S, a company incorporated in Denmark
VESTAS-AUSTRALIA	Vestas-Australian Wind Technology Pty Ltd (ABN 80 089 653 878), a subsidiary of Vestas
WATT	The base unit of power. A measure of the rate at which work is being done. (746 W = one horsepower)
WATTHOUR (WH)	The electrical energy unit of measure equal to one Watt of power supplied to, or taken from an electric circuit steadily for one hour
WIND RESOURCE	A reference to the quality of energy potentially available from the wind in a particular place
WTG	Wind turbine generator

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Miles George

COMPANY SECRETARY

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ANNUAL GENERAL MEETING

Babcock & Brown Wind Partners Annual General Meeting will be held in the Grand Ballroom of the Sofitel Wentworth Sydney, 61-101 Phillip Street, Sydney on 9 November 2007.

ABOUT BBW AND THIS ANNUAL REPORT

Each Stapled Security in Babcock & Brown Wind Partners (ASX: BBW) comprises one Share of Babcock & Brown Wind Partners Limited (ACN 105 051 616) (BBWPL), an Australian public company, one Unit of Babcock & Brown Wind Partners Trust (BBWPT), an Australian registered managed investment scheme whose responsible entity is Babcock & Brown Wind Partners Services Limited (BBWPS) which is a subsidiary of Babcock & Brown, and one Share of Babcock & Brown Wind Partners (Bermuda) Limited (BBWPB).

All amounts expressed in dollars (\$) in this Annual Report are Australian dollars, unless otherwise specified.

