

BABCOCK & BROWN POWER

Babcock & Brown Power Limited · ABN 67 116 665 608
Babcock & Brown Power Services Limited · ABN 37 118 165 156
As responsible entity for Babcock & Brown Power Trust · ARSN 122 375 562
Level 21 The Chifley Tower · 2 Chifley Square · Sydney NSW 2000 Australia · T +61 2 9229 1800 · F +61 2 9372 2610
Level 25 Waterfront Place · Eagle Street · Brisbane QLD 4000 Australia · T +61 7 3011 7600 · F +61 7 3011 7610
www.bbpower.com

25 September 2009

BABCOCK & BROWN POWER TRUST – ANNUAL FINANCIAL REPORT

Babcock & Brown Power (ASX:BBP) advises that the attached Annual Financial Report of the Babcock & Brown Power Trust for the year ended 30 June 2009 has been dispatched to Securityholders today.

ENDS

Further Information:

Ross Rolfe AO
Chief Executive Officer
Ph + 61 2 9372 2627

Peter Brook
Chief Financial Officer
Ph + 61 2 9372 2623

About Babcock & Brown Power

Babcock & Brown Power (ASX:BBP) is a power generation business, with assets diversified by geographic location, fuel source, customers, contract types and operating mode.

The portfolio has interests in 12 operating power stations representing approximately 2,800MW¹ of installed generation capacity. BBP has interests in a number of other associated power assets including the WA retail assets Alinta.

¹ Some assets have minority shareholders.

**Babcock & Brown
Power Trust**

ARSN 122 375 562

Annual Financial Report
for the year ended 30 June 2009

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BB POWER TRUST

LETTER FROM THE CHIEF EXECUTIVE

18 September 2009

Dear Securityholder,

Please find enclosed the BBP Trust Annual Financial Report. This report provides the accounts for the BBP Trust, which forms one part of the stapled security that you hold.

The 2009 financial year has been particularly challenging for BBP. However, over the course of the year, your Board and Management team have made progress in dealing with the numerous issues confronting the business. We expect to be in a position to provide you with greater detail prior to the Annual General Meeting that will be held on Monday, 30 November 2009.

The full Annual Report for BBP will be published in late October and will be mailed to you together with the notice of Annual General Meeting.

We thank you for your ongoing support of BBP.

Yours faithfully,



Ross Rolfe
Chief Executive

BBPT

REPORT OF THE DIRECTORS OF THE RESPONSIBLE ENTITY

The Babcock & Brown Power Group (BBP) consists of the following entities:

- Babcock & Brown Power Limited (BBPL or the Company);
- Babcock & Brown Power Trust (BBPT or the Trust); and
- the subsidiary entities of BBPL.

One share in BBPL and one unit in BBPT have been stapled together to form a single BBP Stapled Security. These BBP Stapled Securities are tradable on the Australian Securities Exchange (ASX).

The Directors of Babcock & Brown Power Services Limited (BBPS), the Responsible Entity of BBPT, hereby submit the following financial report on the financial results of BBPT for the year ended 30 June 2009.

DIRECTORS

The following persons were Directors of BBPS at any time during the year, up to the date of this Directors' report.

Mr L F Gill (Chairman) - from 1 July 2008	appointed 1 July 2008
Mr J Fletcher	appointed 29 October 2006
Mr P M Kinsey	appointed 29 October 2006, resigned 1 July 2008
Mr R K Rolfe (Managing Director & Chief Executive Officer)	appointed 8 December 2008
Mr J Bowyer	appointed 3 September 2008, resigned 8 December 2008
Mr W D Murphy	resigned 3 September 2008
Mr P F Hofbauer	resigned 3 September 2008
Mr M Garland (Alternate for Mr W D Murphy)	role ceased 3 September 2008
Mr G W Denton (Alternate for Mr P F Hofbauer)	role ceased 3 September 2008

Particulars of the qualifications, experience and special responsibilities of the Directors at the date of this report are set out below:

Mr L F Gill - Independent Non-Executive Director - Chairman from 1 July 2008

Leonard (Len) Gill has extensive knowledge and over 30 years' experience in the Australian energy industry. He is the former Chief Executive Officer of TXU Australia (now TRUenergy). Prior to his appointment as CEO of TXU, Len headed the wholesale energy division for five years, which included general management responsibility for power generation and gas storage assets. Len is also a former Non-Executive Director of Verve Energy. Len holds a Bachelor of Engineering (Hons) and is a Member of the Australian Institute of Company Directors.

Mr J Fletcher - Independent Non-Executive Director

John Fletcher is currently a Director of APA Group and Sydney Water Corporation. His recent experience includes board positions with Foodland Associated Limited, Integral Energy and NGC Limited of New Zealand. He held a number of executive roles at The Australian Gas Light Company, including that of CFO, and has extensive experience of the energy industry. John has a Bachelor of Science and a Master of Business Administration. He is a Fellow of the Australian Institute of Company Directors.

Mr P M Kinsey - Independent Non-Executive Director

Peter Kinsey is the Regional Legal & Compliance Manager South Asia for the global ABB Limited Group and a Director of ABB Australia Pty Limited and ABB Limited (New Zealand). He has been a corporate lawyer for over 26 years in a number of major corporations. Peter has been involved in the negotiation of various types of commercial contracts, including power projects and transportation projects in countries such as Australia, New Zealand, the United States, Sweden, Japan, China, Thailand, Indonesia, Malaysia and India. He gives seminars on compliance and business ethics throughout Asia for ABB.

Prior to joining ABB, Peter was General Counsel at David's Holdings Pty Ltd and prior to that Corporate Legal Manager of Alliance Holdings Ltd.

Peter holds a Bachelor of Law, a Graduate Diploma in Financial Management and a Master of Commerce.

Mr R Rolfe - Managing Director & Chief Executive Officer

Ross Rolfe is the Chief Executive Officer of BBP. Ross was appointed to this position in October 2008, having worked as the acting Chief Executive Officer since August 2008.

Prior to his role with BBP, Ross worked as a senior executive with Babcock & Brown from July 2007. His role with Babcock & Brown was of a strategic nature with a primary focus on infrastructure (predominantly in energy and transport).

Ross held a range of Chief Executive Officer positions in the Queensland Government and in industry in Queensland over the last decade. He was the Director General of the Department of the Premier and Cabinet. He was also the Co-ordinator General in Queensland - a position he held for six years. In this role Ross was responsible for the delivery of the South Queensland Regional Infrastructure Plan and for the design and implementation of the water grid. Ross also held the position of Chief Executive Officer for Stanwell Corporation (one of Queensland's largest energy generation companies) for the period from January 2002 to July 2005.

Ross is a member of the Board of Infrastructure Australia, a member of the National Board of Infrastructure Partnerships Australia and a Non-Executive Director of WDS Limited, Evans & Peck Pty Ltd and the Thies Group.

COMPANY SECRETARY

The Company Secretary of BBPL and BBPS during the year and up to the date of this Directors' report was Mr John P Remedios. John joined BBP in November 2006 and is principally responsible for the company secretarial function and corporate governance requirements of BBP. Prior to joining BBP, John was a Senior Legal Counsel for AMP Capital Investors and held various company secretarial positions, including Company Secretary of AMP Life Limited and Assistant Company Secretary of AMP Limited. John holds a Bachelor of Economics and Bachelor of Law (Hons) from the University of Sydney and is a Member of the Law Society of New South Wales.

REVIEW OF OPERATIONS

BBPT is a registered management investment scheme which acts as a financing vehicle to BBPL. The units of BBPT and the shares of BBPL are stapled together to form BBP. BBP was listed on the Australian Securities Exchange on 11 December 2006.

The Trust was formed on 18 May 2006, at which point 1,000 units were issued. Since the formation and up to the IPO date of 11 December 2006, an additional 359,289,014 units were issued progressively. These units were stapled together with the shares in BBPL to form the stapled securities of BBP. On 9 November 2006, the units of the Trust and the shares of the Company were stapled (the Stapled Securities). On 27 August and 6 September 2007, an additional 3,584,000 and 331,303,000 units were issued respectively as part of BBP's acquisition of Alinta. On 5 December 2007, an additional 15,145,000 units were issued under the Share Purchase Plan and on 31 March 2008 an additional 17,007,000 units were issued under the Dividend Reinvestment Plan.

The net loss after tax for the year ended 30 June 2009 was \$352,773,000 (30 June 2008: \$202,789,000). The overriding driver of this result relates to a reassessment of the repayment profile of the loan to BBPL and an impairment charge recognised against the loan. BBPT is a passive investment vehicle with its primary investment being a loan to its co-stapled entity, BBPL. BBPL is currently in negotiations with its major external creditor, Babcock & Brown (B&B), for the settlement or restructuring of BBPL's borrowing facility. Negotiations are also taking place in respect of loans provided by a banking syndicate to a subsidiary of BBPL. The outcome of these negotiations is uncertain and if not satisfactorily resolved may significantly reduce the recoverability of the loan to BBPL. Accordingly, the Directors have reviewed the carrying value of the BBPL loan, which is reflected in the loss for the year.

PRINCIPAL ACTIVITIES

The Trust is a registered management investment scheme which acts as a financing vehicle to BBPL.

DISTRIBUTIONS

The Directors of the Responsible Entity decided not to make a distribution for the year ended 30 June 2009.

SIGNIFICANT CHANGES TO THE STATE OF AFFAIRS

During the year ended 30 June 2009, there were no significant changes to the state of affairs of the Trust other than those disclosed in this report, the financial statements and notes thereof.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

There have been no material matters subsequent to the end of the financial year.

FUTURE DEVELOPMENTS

Further information on likely developments in the operations of the Trust and the expected results of operations have not been included in this report because the Directors believe it would be likely to result in unreasonable prejudice to the Trust.

INDEMNIFICATION OF OFFICERS AND AUDITORS

BBP has agreed to indemnify each Director, Alternate and officer on a full indemnity basis against all losses and liabilities incurred in their role as a Director, Alternate or officer (including for legal costs incurred in preparing for, conducting or defending legal actions). This indemnity is subject to certain exclusions, including to the extent that such indemnity is prohibited by the *Corporations Act 2001* or any other law, or to the extent that the loss or liability is covered by insurance. BBP has not been advised of any claims under any of the abovementioned indemnities.

BBPT

REPORT OF THE DIRECTORS OF THE RESPONSIBLE ENTITY

INDEMNIFICATION OF OFFICERS AND AUDITORS (continued)

The terms of engagement of BBP's external auditor includes an indemnity in favour of the external auditor. This indemnity is in accordance with PricewaterhouseCoopers' standard Terms of Business and is conditional upon PricewaterhouseCoopers acting as external auditor. BBP has not otherwise indemnified or agreed to indemnify the external auditors of BBP at any time during the financial year.

During the financial year, BBP has paid insurance premiums for a directors' and officers' liability insurance contract that provides cover for current and former Directors, secretaries and executive officers of BBP, its controlled entities and BBPS. The Directors have not included details of the nature or limit of the liabilities covered in this directors' and officers' liability insurance contract or the amount of the premium paid, as disclosure is prohibited under the terms of the contract.

PROCEEDINGS ON BEHALF OF THE RESPONSIBLE ENTITY

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Responsible Entity (BBPS), or to intervene in any proceedings to which BBPS is a party, for the purpose of taking responsibility on behalf of BBPS for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the BBPS with leave of the Court under section 237 of the *Corporations Act 2001*.

NON-AUDIT SERVICES

No non-audit services have been provided by the external auditors of BBPT.

FEES PAID FROM AND INTERESTS IN THE TRUST

Fees paid or payable to the Responsible Entity, its associates and Directors during the year are disclosed in note 12 of the financial report. The Responsible Entity does not hold any units in the Trust. There was no movement in the number of units issued in the Trust during the year.

The value of the Trust's assets and liabilities is disclosed in the balance sheet and derived using the basis set out in note 1 of the financial report.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 5 and forms a part of the Directors' report.

ENVIRONMENTAL REGULATION

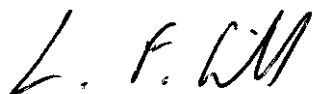
The Trust's assets and activities are of a nature that is not subject to environmental regulations under both Commonwealth and State legislation.

ROUNDING OFF OF AMOUNTS

The Trust is of a kind referred in Class Order 98/100, issued by the Australian Securities & Investments Commission, relating to the "rounding off" of amounts in the Directors' report and financial report. Amounts in the Directors' report and the financial report are rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

PricewaterhouseCoopers continues in office in accordance with section 327 of the *Corporations Act 2001*.

This report is made in accordance with a resolution of Directors.



Mr L F Gill

Director

Dated at Sydney this 16th day of September 2009.

AUDITOR'S INDEPENDENCE DECLARATION



PricewaterhouseCoopers
ABN 52 780 433 757

Darling Park Tower 2
201 Sussex Street
GPO Box 2650
SYDNEY NSW 1171
DX 77 Sydney
Australia
Telephone 61 2 8266 0000
Facsimile 61 2 8266 9999
www.pwc.com/au

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of Babcock and Brown Power Trust for the year ended 30 June 2009, 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 and Brown Power Trust during the year.

A handwritten signature in black ink, appearing to read 'M Upcroft'.

Marc Upcroft
Partner
PricewaterhouseCoopers

Sydney
16 September 2009

INCOME STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

	Notes	2009 \$'000	2008 \$'000
Revenue from ordinary activities			
Financing income	3	68,328	4,191
Total revenue from ordinary activities		68,328	4,191
Finance costs ¹	3	(279,134)	(204,216)
Impairment loss on loan receivable	3	(141,161)	-
Other corporate expenses	3	(806)	(2,764)
Total expenses from ordinary activities		(421,101)	(206,974)
Net (loss) before income tax		(352,773)	(202,789)
(Loss) for the year		(352,773)	(202,789)

¹ The finance costs represent a present value adjustment required to the loan receivable from BBPL in accordance with the requirements of Australian Accounting Standards.

The above income statements should be read in conjunction with the notes to the financial statements disclosed on pages 10 to 26.

BALANCE SHEETS

AS AT 30 JUNE 2009

	Notes	2009 \$'000	2008 \$'000
Current assets			
Cash and cash equivalents		806	679
Other receivables	4	45	111
Loans to related parties	4	-	93,661
Total current assets		851	94,451
Non-current assets			
Loans to related parties	4	450,000	708,358
Total non-current assets		450,000	708,358
Total assets		450,851	802,809
Current liabilities			
Trade and other payables	5	1,000	273
Loans payable - to related parties	5	853	765
Total current liabilities		1,853	1,038
Total liabilities		1,853	1,038
Net assets		448,998	801,771
Unitholders' interest			
Units on issue	6	1,115,749	1,115,749
Accumulated losses	7	(666,751)	(313,978)
Total equity		448,998	801,771

The above balance sheets should be read in conjunction with the notes to the financial statements disclosed on pages 10 to 26.

STATEMENTS OF CHANGES IN UNITHOLDER INTERESTS FOR THE YEAR ENDED 30 JUNE 2009

	Notes	2009 \$'000	2008 \$'000
Unitholders' interest at the beginning of the year		801,771	440,721
Total income and expense for the period recognised directly in unitholder interests			
Loss for the year		(352,773)	(202,789)
Total expense for the year		(352,773)	(202,789)
Distribution	8	-	(142,513)
Units issued (net of transaction costs)	8	-	706,352
Total unitholder interests at the end of the year		448,998	801,771

The above statements of changes in unitholder interests should be read in conjunction with the notes to the financial statements disclosed on pages 10 to 26.

CASH FLOW STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

	2009 \$'000	2008 \$'000
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	-	67
Payments to suppliers and employees (inclusive of GST)	-	(3,556)
Other receipts	74	-
Interest received	53	88
Interest and other costs of finance paid	-	(4)
Net cash inflow from operating activities	127	(3,405)
Cash flows from investing activities		
Loan to related party	-	(30,575)
Net cash (outflow) from investing activities	-	(30,575)
Cash flows from financing activities		
Distributions paid to securityholders	-	(142,512)
Proceeds from issue of securities (net of transaction costs paid)	-	29,538
Proceeds from borrowings	-	145,842
Proceeds from oversubscription of units	-	-
Net cash inflow from financing activities	-	32,868
Net increase in cash and cash equivalents	127	(1,112)
Cash and cash equivalents at the beginning of the year	679	1,791
Cash and cash equivalents at the end of the year	806	679

The above cash flow statements should be read in conjunction with the notes to the financial statements disclosed on pages 10 to 26.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

1. SUMMARY OF ACCOUNTING POLICIES

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

This report should be read in conjunction with any public announcements made by BBP during the year in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and the ASX Listing Rules.

(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, including Australian Interpretations, and the *Corporations Act 2001*.

The financial statements were approved by the Board of Directors of the Responsible Entity (the Directors) on 16 September 2009.

Going concern

The financial information presented in the annual financial report of Babcock & Brown Power Trust (BBPT or the Trust) has been prepared on the basis that BBPT is a going concern.

The Directors regularly monitor and review the debt facilities of BBPL (BBPT's co-stapled head entity in the BBP group) and its subsidiaries and the status of negotiations between BBPL and its non-related financiers. The Directors also review the debt servicing capacities and forecast cash flows for BBPL and its subsidiaries taking into account their associated performance assumptions and capital expenditure requirements.

After a detailed review of these factors, the Directors are of the opinion that this financial report for BBPT is correctly prepared on the basis of BBPT being a going concern.

BBP refinance initiatives

The Trust's major asset is a loan receivable from its co-stapled relative Babcock & Brown Power Limited (BBPL or the Company) of \$450,000,000. BBPT is therefore reliant on the continued solvency of BBPL to enable the full loan receivable balance to be realised. The Directors have performed an assessment of the amount that BBPT would recover from BBPL in the unlikely event of BBPL being required to realise its assets in a liquidation scenario. The range of likely outcomes will be more than sufficient to realise any outstanding obligations of BBPT both at 30 June 2009 and as forecast in the foreseeable future.

As previously announced to the market, BBPL is currently in negotiations with its two major non-related financiers with a view to restructuring its borrowing obligations. BBPL has two primary external borrowing obligations one with members of the Babcock & Brown Group (B&B) for \$399 million and one with a syndicate of banks that have lent to a subsidiary, BBPF (BBPF Syndicate) for \$2,541 million.

Negotiations with both financiers are progressing constructively, with an expectation that they will be successfully completed in late September 2009. In the event that the negotiations are unsuccessful, B&B has a right to accelerate the loan within a 60-day period, with the obligation otherwise due to mature in March 2010. The BBPF Syndicate members have the right to accelerate their obligations with 30 days' notice.

The Directors acknowledge that there is significant uncertainty over the ability of BBPL to continue as a going concern until it successfully completes the negotiations with its financiers. If for any reason BBPL was unable to realise its assets and operate as a going concern, the ability of BBPT to realise its loan receivable from BBPL in full may be compromised. Accordingly, while BBPL's negotiations are outstanding, there is significant uncertainty as to BBPT's ability to realise its loan receivable in the ordinary course of business.

However, as noted above, expected recoveries in this unlikely scenario are expected to more than adequately meet BBPT's outstanding obligations.

Compliance with IFRS

The financial report of BBPT complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Stapled security

The shares of BBPL and the units in BBPT are combined and issued as Stapled Securities in the Babcock & Brown Power Group (BBP or the Group). The shares in the Company and the units of the Trust cannot be traded separately and can only be traded as Stapled Securities.

The shares in the Company and the units of the Trust will remain stapled commencing from 9 November 2006 until the earlier of the Company ceasing to exist or being wound up, or the Trust being dissolved in accordance with the provisions of the Trust Constitution.

Trust formation and termination

The Trust was formed on 18 May 2006. On 9 November 2006, the units of the Trust and the shares of the Company were stapled (the Stapled Securities). On 10 November 2006, the Stapled Securities were offered to the public through an Initial Public Offering and were listed on the Australian Securities Exchange on 11 December 2006.

Historical cost convention

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

Critical accounting estimates and judgments

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It requires management to exercise its judgments in the process of applying accounting estimates. It also requires management to exercise its judgments in the process of applying the Trust's accounting policies.

Significant judgment - carrying value of loans receivable

BBPT's significant asset is a loan receivable from its co-stapled relative BBPL, valued at \$450,000,000. There is a significant degree of judgments required in determining an appropriate recoverable amount for this loan balance as a result of uncertainties facing the borrower BBPL. Significant uncertainties relate to the refinance of BBPL's major external financing facilities (refer to the 'BBP refinance initiatives' section on page 10) noted above and the impact of the introduction of the Commonwealth Government's proposed Carbon Pollution Reduction Scheme (CPRS). BBP has both gas- and coal-fired generators in various markets and regions. Until further clarity is available as to the exact nature of the final scheme to be implemented, there is no certainty as to the positive or negative impacts to BBP.

The value of the loan receivable may materially change in the long-term (including both increases and decreases in the value of the loan) as a result of the factors outlined above. In the current year, BBPT has recognised an impairment loss of \$141,161,000 in respect of its loan receivable from BBPL.

(b) Foreign currency translation

Functional and presentation currency

The consolidated financial statements are presented in Australian dollars, which is the Trust'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 where deferred in equity as qualifying cash flow hedges.

(c) Rounding

The Trust 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.

(d) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held at call with financial institutions, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, net of any bank overdrafts.

Cash assets are stated at nominal values. Bank overdrafts are shown within Borrowings in the Current Liabilities section on the balance sheet and are carried at the principal amount. Interest on bank overdrafts is recognised as an expense as it occurs.

Cash that is reserved and its use specifically restricted for maintenance and/or debt servicing under the Trust's borrowing agreements is defined as restricted cash. Restricted cash is shown in the balance sheet according to the timing of its release. Accordingly, cash that cannot be applied or used within the next 12 months is shown as a non-current asset. All other cash and cash equivalents are shown as current assets.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

1. SUMMARY OF ACCOUNTING POLICIES (continued)

(e) Trade receivables

All trade debtors are recognised initially at fair value, less any subsequent provision for doubtful debts. Collectability of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts (provision of impairment of trade receivables) is established when sufficient reasonable doubt exists as to the collection of all outstanding amounts. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows from short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the provision is recognised in the income statement within other expenses. When a trade receivable for which an impairment allowance has been recognised becomes uncollectible in a subsequent period, it is written off against an allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement.

(f) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Trust provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date, which are classified as non-current assets. Loans and receivables are carried at amortised cost using the effective interest method.

Subsequent measurement

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Impairment

The recoverable amount of loans and receivables are assessed at each reporting date and are compared to their carrying amount. In the event that the carrying amount exceeds the recoverable amount, an impairment charge is recognised. In the current year an impairment charge of \$141,161,000 has been recognised against the long-term loan receivable from the Trust's co-stapled related entity, BBPL.

Fair value

If the market for a financial asset is not active and for unlisted securities, the Trust establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

(g) Fair value estimation

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

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, 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 entity is the current bid price. The appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Trust uses a variety of methods, such as estimated discounted cash flows, and makes assumptions that are based on the market conditions existing at each balance date.

(h) Trade and other payables

These amounts represent liabilities for goods and services provided to the Trust prior to the end of the financial period, which are unpaid. The amounts are unsecured and are usually paid within 60 days of recognition.

(i) Contributed equity

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

(j) Revenue recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The amount recognised is the fair value of consideration received. Interest income is recognised using the effective interest method.

(k) Dividends or distributions

Provision is only made for the amount of any distribution when they are declared by the Directors and no longer at the discretion of the entity, on or before balance date but not distributed at balance date.

(l) Interest free loans

Interest free loans which are expected to mature in a period beyond 12 months are recognised at their amortised cost value. Loans are discounted at their effective interest rate having regard to the repayment schedule determined at the loan's inception. Discounts from the nominal face value of the loan are recognised as finance costs in the profit and loss account.

Interest income is recognised using the effective interest method over the life of the loan. Amounts credited to interest income are debited to the loan receivable amount as the discount is unwound.

The repayment profile of interest free loans is reviewed at each balance date, holding the initial effective interest rate constant. Changes in the discounted value of the loan as a result of changes in the repayment profile are recognised as either finance income or cost.

The carrying values of interest free loans are assessed at each balance date. If there is evidence of impairment for any of the Trust's loans receivable measured at amortised cost, an impairment loss is measured as the difference between the loan's carrying amount and an estimate of its recoverable amount. Any excess in carrying value over the recoverable amount is recognised as an impairment charge.

(m) GST

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

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

Cash flows are included in the consolidated statement of cash flows 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.

2. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

Certain new accounting standards and Australian interpretations have been published that are not mandatory for 30 June 2009 reporting periods. BBPT's assessment of the impact of these new standards and interpretations is set out below.

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

Revised AASB 123 is applicable to annual reporting periods commencing on or after 1 January 2009. It has removed the option to expense all borrowing costs and - when adopted - will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. This will not impact BBP because the current accounting policy is for all borrowing costs relating to qualifying assets to be capitalised.

(b) Revised AASB101 *Presentation of Financial Statements* and AASB 2007-8 *Amendments to Australian Accounting Standards arising from AASB 101*

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

3. PROFIT/(LOSS) FROM OPERATIONS

	2009 \$'000	2008 \$'000
Revenue		
Interest income		
Related parties - from BBPL (amortised effective interest)	68,275	4,091
Bank deposits	53	100
	68,328	4,191
(Loss) before income tax has been arrived at after charging the following expenses:		
Operating expenses:		
Base fee	-	(2,373)
Responsible Entity fee	(583)	(559)
Custodian fee	(197)	(93)
Other expenses	(26)	261
	(806)	(2,764)
Finance costs:		
Interest expense	(1)	(6)
Interest-free loan amortised cost adjustment	(279,133)	(204,210)
	(279,134)	(204,216)
Impairment charge:		
Impairment of loan receivable from BBPL	(141,161)	-

4. LOANS AND OTHER RECEIVABLES

	2009 \$'000	2008 \$'000
Current		
GST refundable	45	111
Loan to BBPL	-	93,661
	45	93,772
Non-current		
Loan to BBPL	591,161	708,358
Provision for impairment	(141,161)	-
	450,000	708,358

The principal amount of the loan to BBPL is \$1.120 billion. The loan was present valued based on forecast cash flows discounted using a 10-year benchmark interest rate of 6.50% + 2%. The loans to BBPL have a maturity of 10 years, maturing between 2016 and 2017. Following an assessment of the recoverable amount of the loans with BBPL, an impairment charge of \$141,161,000 was recognised as at 30 June 2009 (30 June 2008: Nil).

5. TRADE AND OTHER PAYABLES

	2009 \$'000	2008 \$'000
Current		
Other payables	1,000	273
Payable to related parties - BBPL (refer to note 12)	853	765
	1,853	1,038

6. CONTRIBUTED EQUITY

		Unit in BBPT Issue price per unit \$	\$'000
Opening balance 30 June 2007	359,290		551,910
Units issued on acquisition of Alinta	27 Aug 07	3,584	1.97
Units issued on acquisition of Alinta	6 Sep 07	331,303	1.97
Distribution paid	30 Sep 07		(50,301)
Share Purchase Plan	5 Dec 07	15,145	1.95
Distribution Reinvestment Plan	31 Mar 08	17,007	1.11
Distribution paid	31 Mar 08		(92,212)
Less: IPO transaction costs			(139)
Balance 30 June 2008	726,329		1,115,749
No equity transactions during the 2009 year	-		-
Balance 30 June 2009	726,329		1,115,749

7. RETAINED EARNINGS

	2009 \$'000	2008 \$'000
Balance at beginning of financial year	(313,978)	(111,189)
Net profit attributable to unitholders	(352,773)	(202,789)
Balance at end of financial year	(666,751)	(313,978)

8. DISTRIBUTIONS

	2009		2008	
	Cents per unit	Total \$'000	Cents per unit	Total \$'000
Recognised amounts				
Fully paid units				
Paid from contributed equity	-	-	14	50,301
	-	-	13	92,212
Total distributions paid	-	-		142,513

The Directors of BBPS (the Responsible Entity) have decided not to make a distribution for the year ended 30 June 2009.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

9. NOTES TO THE CASH FLOW STATEMENTS

(a) Reconciliation of cash and cash equivalents

	2009 \$'000	2008 \$'000
Cash and cash equivalents including:		
Unrestricted cash	806	679
	806	679

(b) Reconciliation of profit for the period to net cash flows from operating activities

	2009 \$'000	2008 \$'000
(Loss) for the period	(352,773)	(202,789)
Interest-free loan amortised cost adjustment (net - interest income and interest expense)	210,858	200,119
Impairment loss	141,161	-
Decrease/(increase) in receivables	154	(31)
(Decrease)/increase in payables	727	(704)
Net cash from operating activities	127	(3,405)

10. SEGMENT INFORMATION

The Trust has one primary business and operates predominantly in one geographical region (Australia). Its principal activity is the provision of loans to related entities, for the purpose of those entities undertaking investments.

11. CONTINGENT ASSETS AND LIABILITIES

Contingent assets

There are no material contingent assets in existence at the date of this report.

Contingent liabilities

There are no material contingent liabilities in existence at the date of this report.

12. RELATED PARTIES DISCLOSURES

Detailed remuneration disclosures in this section of the annual financial report relate to the BBP group as a whole, of which BBPT is a co-stapled head entity.

(a) Director and executive remuneration

During the year, BBP took a number of steps to formally separate itself from its management arrangements with B&B. This included the transfer of the employment arrangements of BBP's key executives from B&B to BBP, with effect from 1 January 2009.

There has also have been a number of changes to the executive management of BBP during this period, including the positions of Chief Executive Officer and Chief Financial Officer.

Remuneration policy and approach

BBP aims to recruit, retain and reward the best available employees to meet the organisation's objectives. The Board and executive recognise that BBP operates in a competitive environment and that retaining the talents and experience of motivated, suitably qualified specialists is in the best interests of the business and its various stakeholders.

BBP has a formally constituted Nomination & Remuneration Committee (the Committee) which is comprised by BBP's three Independent Directors and chaired by Mr Peter Kinsey. The Committee is charged with responsibility for considering the composition of the BBP Board and succession planning, as well as reviewing and making recommendations to the BBP Board on the level of remuneration and performance of the Directors and senior executives within the organisation. The Committee met six times during the 2009 year.

The 2009 year has been particularly challenging for BBP and has required a significant focus on stabilising the financial structure of the business through various initiatives. In these circumstances, the BBP Board's approach to executive remuneration has been to provide a balance of fixed remuneration and retention focused short-term incentives. In determining the 2009 remuneration mix, the Board utilised the services of external remuneration consultants who benchmarked the remuneration of senior executives against their peers within ASX 200 entities.

BBP is currently reviewing its remuneration framework for executives and employees across the business in order to respond to the challenges it faces with respect to its financial position and the broader current economic environment. It is expected that the proposed remuneration framework will:

- take into account the immediate short-term priorities facing the business (which requires a tailored approach in line with the needs of the business - e.g. a focus on retaining and motivating key personnel through the stabilisation of the financial structure which will be ongoing during FY2010; and
- promote the longer-term strategic focus of the business to ensure alignment with key stakeholders including BBP securityholders.

Further details of this framework will be disclosed at an appropriate time.

During the financial year 2009, BBP has transitioned the employment contracts of its key management personnel (KMP) from calendar year to financial year in line with BBP reporting obligations.

BBP executives

The executives outlined in the report are considered to be the KMP of the BBP organisation. KMPs are those members of the senior management team with authority and responsibility for planning, directing and controlling the activities of the BBP group.

The following persons were considered to be KMP for the year to 30 June 2009:

Executive management

Mr Ross Rolfe	Chief Executive Officer (appointed 29 August 2008)
Mr Peter Brook	Chief Financial Officer (appointed 7 October 2008)
Mr Brian Green	Chief Operating Officer
Mr Andrew Kremor	General Manager, Energy Markets (resigned - effective 31 August 2009)
Mr Victor Browner	General Manager (Acting) - Alinta
Mr Andrew Bills	General Manager, Commercial
Mr Paul Simshauser	Chief Executive Officer - (resigned 29 August 2008)
Mr James Brown	Chief Financial Officer - (resigned 29 August 2008)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

12. RELATED PARTIES DISCLOSURES (continued)

Remuneration of the executives for the 2009 financial year

Details of the nature and amount of each element of the emoluments of each executive of BBP for the years ended 30 June 2009 and 2008 are set out in the table below.

	Short-term employee benefits				
	Year \$	Salary (cash) \$	Short-term incentive (relating to current period) \$	Retention Incentive \$	Short-term incentive (relating to prior years) \$
Executives					
Mr Ross Rolfe ^{1,2,5,6}	2009	727,499	-	220,000	233,000 ⁵
	2008	-	-	-	-
Mr Peter Brook ^{1,2,6}	2009	345,688	-	180,000	-
	2008	-	-	-	-
Mr Brian Green ^{1,2}	2009	430,000	-	143,000	-
	2008	294,900	350,000	-	-
Mr Andrew Kremor	2009	430,938	-	100,000	-
	2008	360,000	232,700	-	-
Mr Andrew Bills ^{1,6}	2009	413,750	-	143,000	260,000
	2008	-	-	-	-
Mr Victor Browner ^{1,2,6}	2009	269,725	-	160,961	65,688
	2008	-	-	-	-
Mr Tom Richardson ⁷	2009	-	-	-	-
	2008	334,255	150,000	-	-
Mr Paul Simshauser ²	2009	165,308	-	-	-
	2008	365,000	412,475	-	-
Mr James Brown ²	2009	137,500	-	-	-
	2008	294,900	350,000	-	-
Total remuneration for Executives	2009	2,920,408	-	946,961	558,688
	2008	1,649,055	1,495,175	-	-

1 These are the five executives who received the highest emoluments in the 2009 financial year.

2 A number of executives receive salary continuance insurance under a BBP group policy. The insurance premium paid by BBP in respect of that policy relating to the period 28 February 2009 to 27 February 2010 was \$91,738 and has not been apportioned to individual executives.

3 Current year losses as a result of executives forfeiting benefits previously available under B&B sponsored equity settled share-based payment schemes, including Share Awards, B&B Bonus Deferral Rights (BDRs) and performance-based Option schemes. Benefits were forfeited as a result of the cessation of employment relationships with B&B during the year.

4 Current year losses as a result of relevant executives forfeiting benefits previously available under B&B sponsored cash settled share-based payment BDRs. Benefits were forfeited as a result of the cessation of employment relationships with Babcock & Brown during the year.

5 Mr Rolfe was paid a short-term incentive amount of \$700,000 by BBP in respect of the calendar year 2008. Mr Rolfe had been entitled to this amount under his former contractual employment relationship with B&B. Of the \$700,000 paid, \$233,000 related to services Mr Rolfe provided to BBP. The balance while paid by BBP related to Mr Rolfe's services provided to other B&B activities. The full \$700,000 was netted off against manager fees and other amounts payable to B&B by BBP.

6 These executives do not have prior period remuneration disclosed because either they were not employed in the service of BBP or they were not considered KMPs in the previous year.

7 Mr Richardson was not considered to be a KMP in the 2009 financial year.

		Post- Employment benefits	Termination benefits	Other long-term employee benefits		Share-based payments	TOTAL
Non-monetary benefits ² \$	Total of short-term employee benefits \$	Super- annuation \$	Severance payments \$	Long Service Leave Liability \$	Equity settled ³ \$	Cash settled ⁴ \$	
-	1,180,499	13,744	-	29,263	(57,705)	-	1,165,801
-	-	-	-	-	-	-	-
-	525,688	10,309	-	8,164	-	-	544,161
-	-	-	-	-	-	-	-
-	573,000	13,744	-	22,347	(44,660)	(3,629)	560,802
-	644,900	13,129	-	4,915	189,449	2,420	854,813
	530,938	13,744	-	18,037	(27,149)	(2,411)	533,159
-	592,700	13,129	-	6,000	30,820	1,607	644,256
-	816,750	15,821	-	18,604	-	-	851,175
-	-	-	-	-	-	-	-
-	496,374	45,176	-	38,600	-	-	580,150
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	484,255	13,745	-	-	-	-	498,000
-	165,308	6,872	15,138	-	(151,192)	(13,183)	22,943
-	777,475	13,129	-	6,083	622,455	8,788	1,427,930
-	137,500	6,872	391,477	-	(57,598)	(2,928)	475,323
	644,900	13,129	-	4,915	168,592	1,952	833,488
-	4,426,057	126,282	406,615	135,015	(338,304)	(22,151)	4,733,514
-	3,144,230	66,261	-	21,913	1,011,316	14,767	4,258,487

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

12. RELATED PARTIES DISCLOSURES (continued) (a) Director and executive remuneration (continued)

Executive employment contracts

The base salaries for executives as at 30 June 2009, in accordance with their employment contract, are shown below:

Executives	Base remuneration per Service Agreement (\$)
Mr Ross Rolfe	800,000
Mr Peter Brook	470,000
Mr Brian Green	430,000
Mr Andrew Kremor	430,000
Mr Andrew Bills	470,000
Mr Victor Browner	269,725

The employment contract of Mr Ross Rolfe contains the conditions below:

Length of contract	• Open-ended
Frequency of base remuneration review	• Annual
Incentive remuneration	<ul style="list-style-type: none"> • Eligible for a Maximum Annual Short Term Incentive up to 60% of base salary and a long-term incentive up to 40% of base salary, to be delivered in cash, securities or equivalent benefits as determined by the Board in its sole discretion • Subject to performance, eligible for a payment of up to 50% of the Maximum Annual STI, to be paid on the first pay period on or after 30 September 2009
Termination of employment	• May be terminated by BBP with 12 months' written notice or by Mr Rolfe providing six months' written notice

The employment contract of Mr Peter Brook contains the conditions below:

Length of contract	• Open-ended
Frequency of base remuneration review	• Annual
Incentive remuneration	• Eligible to receive a Maximum Annual Short Term Incentive up to 60% of base salary and a long-term incentive up to 40% of base salary, to be delivered in cash, securities or equivalent benefits as determined by the Board in its sole discretion
Termination of employment	• May be terminated by BBP with nine months' written notice or by Mr Brook providing three months' written notice

The employment contract of Mr Brian Green contains the conditions below:

Length of contract	• Open-ended
Frequency of base remuneration review	• Annual
Incentive remuneration	• Eligible to receive a Maximum Annual Short Term Incentive up to 65% of base salary and a long-term incentive up to 40% of base salary, to be delivered in cash, securities or equivalent benefits as determined by the Board in its sole discretion
Termination of employment	• May be terminated by BBP with six months' written notice or by Mr Green providing six months' written notice

The employment contract of Mr Andrew Kremor contains the conditions below:

Length of contract	• Open-ended
Frequency of base remuneration review	• Annual
Incentive remuneration	• Eligible to receive a Maximum Annual Short Term Incentive up to 55% of base salary and a long-term incentive up to 40% of base salary, to be delivered in cash, securities or equivalent benefits as determined by the Board in its sole discretion
Termination of employment	<ul style="list-style-type: none"> • May be terminated by BBP with six months' written notice or by Mr Kremor providing three months' written notice • Note: Mr Kremor has resigned from the employment of BBP. His arrangements ended on 31 August 2009

The employment contract of Mr Andrew Bills contains the conditions below:

Length of contract	• Open-ended
Frequency of base remuneration review	• Annual
Incentive remuneration	• Entitled to receive a Maximum Annual Short Term Incentive up to 60% of base salary and a long-term incentive up to 35% of base salary, to be delivered in cash, securities or equivalent benefits as determined by the Board in its sole discretion
Termination of employment	• May be terminated by BBP with six months' written notice or by Mr Bills providing three months' written notice

The employment contract of Mr Victor Browner contains the conditions below:

Length of contract	• Open-ended
Frequency of base remuneration review	• Annual
Incentive remuneration	• Entitled to receive a Maximum Annual Short Term Incentive up to 45% of total fixed remuneration package and a long-term incentive up to 50% of remuneration package, as determined by the Board in its sole discretion
Termination of employment	• May be terminated by BBP with six months' written notice or by Mr Browner providing one month's written notice

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

12. RELATED PARTIES DISCLOSURES (CONTINUED)

(a) Director and executive remuneration (continued)

Forfeiture of Babcock & Brown incentive arrangements

Mr Paul Simshauser and Mr James Brown left the employment of B&B and resigned their positions with BBP on 29 August 2008. Continuing BBP executives transferred their employment arrangements from B&B to BBP on 1 January 2009. Under their former employment arrangements with B&B, executives had the potential to benefit from a number of incentive schemes that were to be equity or cash settled, the details of which were fully disclosed in BBP's 2008 annual report. Access to these benefits was forfeited as a result of the termination of the executive employment arrangements with B&B during the year. Negative remuneration presented under the share-based payment column of the remuneration table above represents reversals of prior period amortisation in respect of the unvested B&B Bonus Deferral Rights scheme, Options over B&B shares scheme and the Fund Bonus Deferral Rights scheme, which will now not be paid.

The following table presents the equity settled entitlements forfeited by BBP executives as a result of the termination of their employment arrangements with B&B:

	B&B Bonus Deferral Rights				Options over B&B shares				Total
	Opening balance	Forfeited	Closing balance	Value forfeited (\$)	Opening balance	Forfeited	Closing balance	Value forfeited (\$)	Equity settled value forfeited
Mr Ross Rolfe	6,469	(6,469)	-	25,268	27,055	(27,055)	-	32,437	57,705
Mr Brian Green	2,668	(2,668)	-	10,421	28,558	(28,558)	-	34,239	44,660
Mr Andrew Kremor	1,772	(1,772)	-	6,921	16,871	(16,871)	-	20,228	27,149
Mr Paul Simshauser	9,691	(9,691)	-	37,853	75,107	(75,107)	-	113,339	151,192
Mr James Brown	2,152	(2,152)	-	8,406	34,555	(34,555)	-	49,192	57,598

The following table presents the cash settled entitlements that were forfeited by BBP executives as a result of the termination of their employment arrangements with B&B:

	BBP Bonus Deferral Rights			
	Opening balance	Forfeited	Closing balance	Cash settled value forfeited (\$)
Mr Brian Green	18,903	(18,903)	-	3,629
Mr Andrew Kremor	12,557	(12,557)	-	2,411
Mr Paul Simshauser	68,660	(68,660)	-	13,183
Mr James Brown	15,249	(15,249)	-	2,928

The following table presents the Share Awards entitlements of BBP executives as at 30 June 2009. Share Awards under this scheme vested in April 2008 and were fully expensed by B&B in the 2008 year. As a result of B&B entering into voluntary administration on 13 March 2009, the remaining entitlements have no value.

	Opening balance	Granted during the year	Lapsed during the year	Closing balance	Fair value of shares
					30 June 2009 (\$)
Mr Ross Rolfe	15,094	-	7,547	7,547	-
Mr Brian Green	12,452	-	6,226	6,226	-
Mr Andrew Kremor	992	-	496	496	-
Mr Paul Simshauser	40,354	-	20,177	20,177	-
Mr James Brown	10,044	-	5,022	5,022	-

Directors

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

Directors

Mr L F Gill	Independent Chairman from 1 July 2008 and Independent Non-Executive Director
Mr R K Rolfe	Chief Executive Officer from 29 August 2008 and Managing Director from 8 December 2008
Mr J Fletcher	Independent Non-Executive Director
Mr P M Kinsey	Independent Non-Executive Director
Mr W D Murphy	Non-Executive Director - resigned 3 September 2008
Mr P F Hofbauer	Non-Executive Director - resigned 3 September 2008
Mr M Garland	Alternate Director to Mr W D Murphy - resigned 3 September 2008
Mr G W Denton	Alternate Director to Mr P F Hofbauer - resigned 3 September 2008
Mr J Bowyer	Non-Executive Director - from 3 September 2008 to 8 December 2008

Remuneration policy and structure

Non-Executive Directors' individual fees, including committee fees, are reviewed by the Nomination & Remuneration Committee and then made the subject of a recommendation to the BBP Board for approval. Fees paid to the Non-Executive Directors must fall within the aggregate fee pool approved by BBP securityholders. The current maximum aggregate amount which may be paid to all Non-Executive Directors is \$750,000 per annum.

The 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.

Fees paid to the Directors are in respect of their services provided to BBPL and BBPS, the Responsible Entity of BBPT.

It is noted that each of the Independent Directors of BBP initiated and accepted a voluntary reduction to their Director's fees during FY2009.

Fees payable to Independent Directors during the year ended 30 June 2009 are set out below:

Board/Committee	Role	Fee
Board	Independent Chair	\$218,000
	Member	\$124,000
Audit & Risk Management Committee	Chair	\$13,000
	Member	\$6,500
Nomination & Remuneration Committee	Chair	\$4,000
	Member	\$2,000

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

12. RELATED PARTIES DISCLOSURES (continued) (a) Director and executive remuneration (continued)

Directors' meetings

The number of meetings of Directors (including meetings of committees of Directors) held during the year ended 30 June 2009, and the number of meetings attended by each Director, are as follows:

Board or Committee	BBPL Board meetings		BBPS Board meetings		Audit, Risk & Compliance Committee meetings for BBPL and BBPS		Nomination & Remuneration Committee meetings for BBPL		Energy Trading & Risk Management Committee meetings for BBPL ¹		Additional Committee meetings ²	
	H	A	H	A	H	A	H	A	H	A	H	A
Held/Attended												
Mr Len Gill	52	52	52	52	3	3	6	5	4	4	6	6
Mr John Fletcher	52	52	52	52	7	7	6	6	-	-	6	6
Mr Peter Kinsey	52	51	-	-	7	7	6	6	-	-	1	1
Mr Ross Rolfe ³	37	37	37	37	-	-	-	-	4	0	2	2
Mr John Bowyer	8	7	8	7	1	0	-	-	-	-	-	-
Mr Peter Hofbauer	7	6	7	6	-	-	3	2	-	-	-	-
Mr Warren Murphy	7	7	7	7	3	3	3	3	-	-	-	-

Columns H - indicates the number of meetings held while the relevant Director was a member of the Board/Committee.

Columns A - indicates the number of those meetings attended by that Director.

- 1 The Energy Trading & Risk Management Committee is a committee comprising both members of the Board and of BBP senior management. Directors do not receive any additional remuneration for their attendance and participation in this committee.
- 2 Additional committees of the Board were constituted during the year in relation to the financial results or were separate meetings of the Independent Directors.
- 3 These numbers reflect Mr Rolfe's meeting attendances after his appointment as a Director on 8 December 2008. Mr Rolfe attended Board and Committee meetings prior to his appointment as CEO of BBP.

Remuneration of Non-Executive Directors for the years ended 30 June 2009 and 2008

Details of the nature and amount of each element of the emoluments of each Non-Executive Director of BBP for the years ended 30 June 2009 and 2008 are set out in the table below.

	Year	Short-term employee benefits	Post-employment benefits	Total
		Fees	Superannuation	
Independent Non-Executive Directors				
Mr L F Gill (Chairman) - from 1 July 2008	2009	224,534	13,745	238,279
	2008	127,001	11,430	138,431
Mr J A Fletcher	2009	138,833	12,495	151,328
	2008	140,000	12,600	152,600
Mr P M Kinsey	2009	134,371	12,093	146,464
	2008	145,500	13,095	158,595
Executive Directors				
Mr P F Hofbauer ¹	2009	-	-	-
	2008	127,000	N/A	127,000
Mr W D Murphy ¹	2009	-	-	-
	2008	133,500	-	133,500
Total remuneration for Non-Executive Directors	2009	497,738	38,333	536,071
	2008	673,001	37,125	710,126

- 1 In the 2008 financial year, Mr Hofbauer and Mr Murphy were allocated notional remuneration amounts for their services as Directors of BBP. BBP did not directly pay these amounts to these Directors as it was included in the management fee BBP paid to B&B in that year. Both Directors resigned from BBP on 3 September 2008. Accordingly, no amount has been recorded as remuneration for these Directors in the 2009 financial year.

BBP did not pay any remuneration directly to Mr John Bowyer (who as an employee of B&B served as a Director of BBP between 3 September 2008 and 8 December 2009) and accordingly, no remuneration has been disclosed for Mr Bowyer.

(b) Directors' and executives' security holdings and other interests in BBP

Outlined below are the security holdings in BBP of the Directors and executives over the years ending 30 June 2008 and 30 June 2009:

	Balance 30 June 2007 Number	Acquired during the year Number	Sold during the year Number	Balance 30 June 2008 Number	Acquired during the year Number	Sold during the year Number	Balance 30 June 2009 Number
Directors							
Mr John Fletcher	80,000	28,767	-	108,767	-	-	108,767
Mr Len Gill	40,000	38,000	-	78,000	42,229	-	82,229
Mr Peter Hofbauer	1,238,383	636,581	-	1,874,964	-	1,874,964	-
Mr Peter Kinsey	16,000	-	-	16,000	-	-	16,000
Mr Warren Murphy	931,162	674,294	-	1,605,456	-	954,294	651,162
Executives							
Mr Ross Rolfe	-	-	-	-	-	-	-
Mr Peter Brook	-	-	-	-	-	-	-
Mr Brian Green	-	300	-	300	-	-	300
Mr Andrew Kremor	-	-	-	-	-	-	-
Mr Victor Browner	N/A	-	-	6,978	-	-	6,978
Mr Andrew Bills	N/A	-	-	-	-	-	-
Mr Paul Simshauser	80,000	94,523	-	174,523	-	174,523	-
Mr James Brown	25,000	-	-	25,000	-	-	25,000

Securities granted as remuneration

No securities were granted as remuneration to the executives during the financial year and no securities were acquired upon the exercise of options during the financial year. Directors are not eligible for securities as remuneration.

Loans to key management personnel and their personally related entities from Babcock & Brown Limited

No loans have been made by BBP and Babcock & Brown Limited to KMP over the years ending 30 June 2009 and 30 June 2008.

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

No loans have been made by BBP to KMP over the years ending 30 June 2009 and 30 June 2008.

(c) Other related party transactions**Transactions involving other related parties**

Receivables from related parties are disclosed in note 4. Payables to related parties are disclosed in note 5. Transactions were made on contracted terms and conditions.

Custodian, Responsible Entity and manager fees and costs**Custodian fee**

Under the terms of the Custodian Agreement with Babcock & Brown Asset Holdings Pty Limited (BBAH), which is a subsidiary of B&B, 0.0125% of the gross asset value of BBPT is payable. During the year ended 30 June 2009, fees payable to the Custodian by the Trust were \$197,125 (2008: \$93,133). Custodian fees payable of \$145,251 remained outstanding as at 30 June 2009 (2008: \$22,927).

Responsible Entity fees

Under the terms of the Trust Constitution, the Responsible Entity, BBPS, which is a subsidiary of B&B, is entitled to a management fee of 2% per annum of the value of the gross assets of BBPT. The Responsible Entity has waived its right to receive the management fee referred to above in return for the payment to it of a fee of \$550,000 per annum, increased by CPI. During the year ended 30 June 2009, fees paid or payable to the Responsible Entity by the Trust were \$583,402 (2008: \$559,359). Responsible Entity fees payable of \$723,248 remained outstanding as at 30 June 2009 (2008: \$139,846).

Base fees

The manager, Babcock & Brown Power Management Pty Ltd (BBPM), which is a subsidiary of B&B, waived its rights to receive base fees for services provided under the Management Agreements for 2009 (2008: \$2,372,525). Base fees payable of \$179,366 remained outstanding as at 30 June 2009 (2008: \$179,366).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

13. FINANCIAL RISK MANAGEMENT

(a) Financial risk management objectives

The Trust's treasury function provides services to the business, coordinates access to domestic and international financial markets, and manages the financial risks relating to the operations of the Trust. The Trust does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

(i) Market risk

Interest rate risk

The Trust provided an interest free loan to BBPL which has a fixed term of repayment for a maximum of 10 years (2008 10 years). In the opinion of the Directors, the Trust has no interest rate risk.

(ii) Credit risk

Credit risk refers to the loss that BBPT would incur if a debtor or other counterparty fails to perform under its contractual obligations. The carrying amounts of financial assets recognised in the balance sheet best represent the Trust's maximum exposure to credit risk at reporting date.

Other than the receivable from BBPL, the Trust has no significant concentrations of credit risk. The credit risk of all financial assets is consistently monitored in order to identify any potential adverse changes in the credit quality.

(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) Fair value of financial instruments

Other than the loan receivable from BBPL, for which due to a number of uncertainties the Directors presently cannot determine a reliable fair value, 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 (2008: fair value).

The 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 is determined with reference to quoted market prices; and
- the fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

14. REMUNERATION OF AUDITORS

During the year the following fees were paid or payable for services provided by the auditor to BBPT.

	2009 \$	2008 \$
PricewaterhouseCoopers (PwC)	12,000	12,000

15. NET TANGIBLE ASSETS PER SECURITY

	2009 \$'000	2008 \$'000
Net tangible assets per security	0.62	1.10

16. ADDITIONAL INFORMATION

Babcock & Brown Power Trust is formed and operates in Australia.

Registered Office of the Company

Level 21
The Chifley Tower
2 Chifley Square
Sydney, New South Wales 2000
Telephone: +61 2 9372 2600

Principal place of business

Level 7
50 Pitt Street
Sydney, New South Wales 2000
Telephone: +61 2 9372 2600

BABCOCK & BROWN POWER TRUST

DIRECTORS' DECLARATION

1. In the opinion of the Directors of Babcock & Brown Power Services Limited, the Responsible Entity of the Babcock & Brown Power Trust (the Trust):
 - (a) the financial statements and notes, set out on pages 6 to 26, are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Trust's financial position as at 30 June 2009 and of its performance, as represented by the results of its operations and its cash flows, for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
 - (b) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.
2. The Trust has operated during the year in accordance with the provisions of the Trust Constitution dated 18 May 2006.
3. The Register of Unitholders has, during the year ended 30 June 2009, been properly drawn up and maintained so as to give true account of the unitholders of the Trust.
4. The Directors have been given the declarations required by section 295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2009.

Signed in accordance with a resolution of the Directors:



Mr L F Gill

Director, Babcock & Brown Power Services Limited

Dated at Sydney this 16th day of September 2009.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BABCOCK & BROWN POWER TRUST



PricewaterhouseCoopers
ABN 52 780 433 757

Darling Park Tower 2
201 Sussex Street
GPO BOX 2650
SYDNEY NSW 1171
DX 77 Sydney
Australia
Telephone +61 2 8266 0000
Facsimile +61 2 8266 9999

Independent auditor's report to the members of Babcock & Brown Power Trust

Report on the financial report

We have audited the accompanying financial statements of Babcock and Brown Power Trust (the Trust), which comprise the balance sheet as at 30 June 2009, and the income statement, the statement of changes in unit holder interests and statement of cash flow for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Babcock and Brown Power Trust.

Directors' responsibility for the financial report

The directors of the Babcock & Brown Power Services Pty Ltd as Responsible Entity for the Trust 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 controls 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 financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial 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 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.

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



**Independent auditor's report to the members of
Babcock & Brown Power Trust (continued)**

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.

Independence

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

Auditor's opinion

In our opinion:

- (a) the financial report of Babcock and Brown Trust is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Trust financial position as at 30 June 2009 and of its 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 financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Significant uncertainty regarding the value of loans to related parties

Without qualification to the opinion expressed above, we draw attention to Note 1(a) to the financial statements, which comments on the refinance initiatives of Babcock & Brown Power Limited (BBPL) and the significant uncertainty regarding the value of loans receivable from BBPL with a carrying value at 30 June 2009 of \$450,000,000. If for any reason BBPL was unable to realise its assets and operate as a going concern, the ability for the Trust to realise its loan receivable from BBPL in full may be compromised.

PricewaterhouseCoopers

Marc Upcroft
Partner

Sydney
16 September 2009

