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
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28 August 2009

RESULTS FOR ANNOUNCEMENT TO THE MARKET UNDER ASX LR 4.3A

BBP APPENDIX 4E FOR THE PERIOD TO 30 JUNE 2009

Please see attached the Appendix 4E for the year ended 30 June 2009 relating to Babcock & Brown Power (ASX:BBP).

The Appendix 4E is based on financial reports which are in the process of being audited and are due to be released no later than 30 September 2009.

ENDS

Further Information:

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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 2,800MW[1] 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

APPENDIX 4E

Preliminary Final Report

Name of entity:	**Babcock & Brown Power (“BBP”), a stapled entity comprising Babcock & Brown Power Limited (ABN 67 116 665 608) and the Babcock & Brown Power Trust (ARSN 122 375 562)**
ABN:	**As Above**

1. Details of the reporting period
(Listing Rule 4.3A 1)

Current Period:	1 July 2008 - 30 June 2009
Previous Corresponding Period:	1 July 2007 - 30 June 2008

2. Results for announcement to the market
(Listing Rule 4.3A 2)

		% Movement	**2009 A$'000**	**2008 A$'000**
2.1	Revenues from ordinary activities	0.44%	1,534,177	1,527,420

2.2	Profit / (Loss) from ordinary activities after tax attributable to members	65.07%	($148,983)	($426,515)
2.3	Profit / (Loss) for the period attributable to members	65.07%	($148,983)	($426,515)
2.4	Distributions	**Amount per security**	**Franked amount per security**	
	Current period Final distribution Interim distribution (paid)	- -	- -	
	Previous corresponding period Final distribution (paid)	-	-	
2.5	Record date for determining entitlement to the Final Distribution	N/A		
2.6	Provide a brief explanation of any of the figures reported above necessary to enable the figures to be understood: Refer to section 14			

3. Income Statement
(Listing Rule 4.3A 3)

	Note	Consolidated 2009 $'000	2008 $'000
Revenue	B	1,534,177	1,527,420
Other income	B	148,681	-
Gain on disposal of businesses	D	94,117	-
Financing income	B	28,873	34,035
Total income		1,805,848	1,561,455
Operating expenses	B	(1,355,328)	(1,171,270)
Depreciation and amortisation expense	B	(176,613)	(152,855)
Finance costs	B	(385,522)	(236,410)
Share of profits of associates accounted for using the equity method		(559)	5,915
Management charges	B	(5,134)	(21,732)
Fair value (loss)/gain on derivatives	B	(68,905)	75,386
Incentive fee	B	-	23,400
Transition costs	B	(617)	(15,919)
Impairment loss	B	(56,700)	(452,000)
Total expense from ordinary activities		(2,049,378)	(1,945,485)
Profit/(loss) before income tax		(243,530)	(384,030)
Income tax benefit/ (expense)		94,547	(42,485)
Profit/(loss) for the year		(148,983)	(426,515)
Profit/(loss) attributable to stapled security holders as:			
Equity holders of the Company - BBPL		(146,976)	(427,401)
Equity holders of the Trust – BBPT (Minority interest)		(755)	1,424
		(147,731)	(425,977)
Subsidiary company minority interests		(1,252)	(538)
		(148,983)	(426,515)
		Cents	**Cents**
Earnings per share of the parent based on earnings attributable to the equity holders of the parent			
Basic earnings per share		(20.34)	(65.08)
Diluted earnings per share		(20.34)	(65.08)

4. Balance Sheet

(Listing Rule 4.3A 4)

	Note	Consolidated 2009 $'000	Consolidated 2008 $'000
Current assets			
Cash and cash equivalents		185,316	290,571
Trade and other receivables		159,192	340,783
Derivative financial instruments		18,439	26,244
Inventories		38,724	35,958
Other assets		34,125	71,752
		435,796	765,308
Non-current assets classified as held for sale		-	590,455
Total current assets		435,796	1,355,763
Non-current assets			
Cash and cash equivalents		54,499	139,357
Trade and other receivables		148,279	126,321
Investments accounted for using the equity method		46,550	49,025
Derivative financial instruments		99,996	323,292
Property, plant and equipment		2,134,643	2,531,415
Intangibles		2,028,114	2,331,444
Deferred tax assets		340,322	271,556
Other assets		22,423	21,731
Total non-current assets		4,874,826	5,794,141
Total assets		5,310,622	7,149,904
Current liabilities			
Trade and other payables		233,672	373,440
Current tax payables		(366)	12,486
Derivative financial instruments		127,887	12,612
Borrowings	C	2,956,434	592,276
Employee benefits		22,947	20,720
Provisions		100,361	57,495
		3,440,935	1,069,029
Borrowings directly associated with non-current assets held for sale		-	533,987
Total current liabilities		3,440,935	1,603,016
Non-current liabilities			
Borrowings	C	279,002	3,268,562
Deferred tax liabilities		324,328	446,222
Derivative financial instruments		8,950	10,642
Other payables		15,025	-
Employee benefits		47,896	14,859
Provisions		223,703	411,350
Total non-current liabilities		898,904	4,151,635
Total liabilities		4,339,839	5,754,651
Net assets		970,783	1,395,253

4. Balance Sheet (continued)

Equity holders of the Company – BBPL		
Contributed equity	656,218	656,218
Reserves	(123,586)	67,887
Retained profits/(accumulated losses)	(678,971)	(503,572)
	(146,339)	220,533
Equity holders of the Trust – BBPT (Minority interest)		
Contributed equity	1,115,713	1,115,713
Retained profits/(accumulated losses)	4,046	4,800
	1,119,759	1,120,513
Total equity holding of Stapled Security holders – BBP	973,420	1,341,046
Subsidiary company minority interests	(2,637)	54,207
Total equity	970,783	1,395,253

5. Cash Flows Statement

(Listing Rule 4.3A 5)

	Consolidated 2009 $'000	Consolidated 2008 $'000
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	1,621,286	1,823,908
Payments to suppliers and employees (inclusive of GST)	(1,398,081)	(1,462,114)
Interest received	27,853	30,617
Interest and other costs of finance paid (including interest paid to minority interests)	(236,961)	(213,001)
Dividends received	2,583	3,088
Income/withholding tax paid	(9,007)	(10,950)
Net cash inflow from operating activities	7,673	171,548
Cash flows from investing activities		
Payment for property, plant and equipment	(236,360)	(537,837)
Proceeds from sale of property, plant and equipment	-	17
Payment for purchase of subsidiaries (net of cash acquired from subsidiaries, inclusive of GST on transaction costs)	-	(1,932,663)
Proceeds from sale of subsidiaries	483,856	-
Net cash inflow/(outflow) from investing activities	247,496	(2,470,483)
Cash flows from financing activities		
Distributions paid to security holders	-	(142,513)
Distribution reinvestment	-	30,300
Proceeds from issue of securities (net of transaction costs paid)	-	54,057
Proceeds from borrowings	339,581	5,455,832
Repayment of borrowings	(637,415)	(2,980,176)
Loans repaid by related party	112	10,814
Loan establishment costs	(19,302)	(41,031)
Net cash inflow from financing activities	(317,024)	2,387,283
Net (decrease)/increase in cash and cash equivalents	(61,856)	88,348
Cash and cash equivalents at the beginning of the year	429,928	341,580
Effect of exchange rate changes on cash and cash equivalents	(273)	-
Less: Cash in entities deconsolidated /sold during the period	(127,984)	-
Cash and cash equivalents at the end of the year	239,815	429,928

Notes to Financial Statements

(Listing Rule 4.3A 3,4,5)

Note A – Situation update and key accounting treatments

Going concern

The financial information presented in this Appendix 4E disclosure has been prepared on the basis that Babcock & Brown Power (BBP) is a going concern. The Directors acknowledge that uncertainty remains over the ability of the Group to meet its funding requirements and the refinance of its borrowing obligations. If for any reason BBP was unable to operate as a going concern, there would be an associated impact on its ability to realise its assets at their recognised values, in particular, goodwill and other intangible assets.

The Directors regularly monitor and review the debt facilities and the progress on the negotiations of refinancing, the debt profile, debt servicing capacities and forecast cash flows which take into account the assumptions including but not limited to forward pricing of electricity and gas tariffs, fuel supply costs, gas shortfall positions, maintenance (both timing and cost) and capital expenditure.

After a detailed review of these factors, the Directors are of the opinion that the information in this Appendix 4E disclosure is correctly prepared on the basis that the Group is a going concern.

Current classification of BBP debt

Babcock & Brown Power (BBP) is currently in negotiations with its two major financiers with a view to restructuring its borrowing obligations. BBP has two primary external borrowing obligations one with members of the Babcock & Brown Group (B&B) and one with a syndicate of banks that have lent to a subsidiary, BBPF (“BBPF Syndicate”)

As at 30 June 2009, BBP had an outstanding borrowing obligation with B&B Group of $398.7m (excluding deferred borrowing costs). This debt matures in March 2010 and has been classified as a current obligation in the balance sheet. BBP is well advanced in detailed negotiations with the B&B Group with a view to restructuring the facilities prior to their payment dates with an expectation that those negotiations will successfully conclude by late September 2009.

The BBPF Syndicate Facility outstanding as at 30 June 2009 was $2,541m. As advised in BBP’s ASX release of 28 May 2009, management entered into negotiations with the BBPF Syndicate to restructure the facility. The banking syndicate has agreed to vary the covenants relating to Interest Coverage Ratios under the Syndicate Facility to 1.1 times for the June quarter, such that BBPF is not expected to be in default during the period of negotiation. Negotiations are progressing and BBPF reasonably expects to have a credit approved facility in late September 2009. Until the Facility is reset, the BBPF Syndicate has the effective right to accelerate the debt, on 30 days notice from 1 August 2009. BBP is therefore required under accounting standards to classify the liability to the BBPF Syndicate as current as at 30 June 2009, because at that date BBP did not have an unconditional right to defer settlement of the liability beyond the 12 month period to 30 June 2010.

As noted above, given the status of negotiations, BBP reasonably expects an agreement to restructure its facilities by the end of September with the resulting borrowing obligations being subsequently reclassified as non-current liabilities from that time.

Interest rate swaps – Current classification and hedge accounting implications

BBP holds a series of interest rate swaps (IRS) as economic hedges against the BBPF facility debt. Up to 30 June 2009, the majority of these IRS were hedge accounted.

Acceleration of the BBPF debt may result in an acceleration of the associated IRS agreements. The ability of the BBPF Syndicate to accelerate the underlying debt within the 12 months to 30 June 2010 and its classification as a current liability requires BBP to also classify its IRS obligations as current liabilities.

Establishing and maintaining a hedge accounting relationship requires that transactions being hedged be considered 'Highly Probable' (which is generally considered to require a degree of confidence in excess of 90%) in that the hedge relationship holds consistently over its originally designated life. Whilst BBP remains reasonably confident of a successful outcome in its negotiations with the BBPF Syndicate, as at 30 June 2009, BBP did not consider the 'Highly Probable' criteria to be satisfied as there was a risk that the arrangements would not extend to their original contracted maturities. As a consequence BBP decided to cease hedge accounting for the IRS as at 30 June 2009. The hedges are still considered effective from an economic perspective.

The impact of this decision has the following prospective implications for BBP. Changes in the fair value of IRS will be recognised directly in the profit and loss account from 1 July 2009. The balance held in reserves as at 30 June 2009 relating to IRS of $105m will be amortised from reserves into the profit and loss account over the remaining life of the IRS. The IRS have remaining lives of between five to 12 years. This will have a nil impact on BBP's cashflow.

Borrowing costs

BBP has written off $45.2m worth of deferred borrowing costs associated with the original establishment of the BBPF Syndicate facility. BBP anticipate that the restructured facility will be substantially modified such that in accordance with the requirements of AASB 139 *Financial Instruments: Recognition and Measurement* the original loan will be considered extinguished and a new liability created. It is BBP's policy to amortise borrowing costs over the life of the underlying loan. For accounting purposes, BBP expects the original BBPF Syndicated Facility to cease when the restructured facility reaches financial close in either late September or October. Borrowing costs associated with the original BBPF Syndicated facility have accordingly been written off. This will have a nil impact on BBP's cashflow.

Onerous contract provisions

An assessment of BBP's (in its subsidiary business, Alinta) commercial position in respect of gas purchase and supply arrangements with fixed and variable price counterparties was performed as at 30 June 2009 as part of a periodic contract performance assessment process.

Gas supply costs currently experienced and forecast in the West Australian market have resulted in a number of Alinta's contracted positions becoming increasingly onerous. Provision for onerous contracts in the Alinta business as at 30 June 2009 was $188.0m (2008: $100.2m). The significant portion of onerous contracts expire in the years to 2015. This will have nil impact on BBP's cashflow.

Note A – Situation update and key accounting treatments (continued)

Impairment assessment

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on management approved annual financial budgets and forecasts.

Generation CGU's with Long Term Power Purchase Agreements (PPAs)

Cash flow projections for the 19 year forecast period for generation assets with long term PPAs are in accordance with the contractual provisions of the PPA and gas supply agreements discounted using a pre-tax discount rate of 11.8% (2008: pre-tax rate 11.8%). This discount rate reflects the stable operating margins under these long term contracts. Cash flow projections beyond the 19 year period have been extrapolated using a steady 2 – 3% p.a. growth rate (2008: 2-3%) with terminal values that reflect the useful life of the assets.

Generation CGU's with Merchant Pool Price Exposure

Cash flow projections for the 19 year forecast period for generation assets with merchant pool price exposure are based on forward electricity prices forecast with reference to independent market sources. These have been discounted using a pre-tax discount rate of 12.2% (2008: pre-tax rate 12.9%). This discount rate reflects the higher margin volatility of these "Merchant CGUs" relative to the PPA CGUs. Cash flow projections beyond the 19 year period have been extrapolated using a steady 2-3% p.a. growth rate (2008: 2-3%) with terminal values that reflect the useful life of the assets.

Alinta

Cash flow projections for the five-year budget period forecast for the Alinta CGU includes reasonable market pricing reviews on electricity contracts and tiered tariff increases on the gas mass-market revenues. The cost of gas incorporates pricing in existing long-term contracts and management estimates of short term gas purchases, new contracts and price resets. These have been discounted using a pre-tax discount rate of 12.8% (2008: pre-tax rate 12.8%) reflecting the nature of the integrated retail business operating in the WA market (i.e. a bilateral gas market and a net pool electricity market model). Cash flow projections beyond the five year period have been extrapolated using a steady 2.5% p.a. growth rate (2008: 3%).

For the year ended 30 June 2009 an impairment charge of $50.0m has been recognised against the goodwill of the Alinta CGU. The Alinta business has been impacted by weakened demand arising from depressed economic conditions and resource price volatility in the Western Australian economy as flow on effects of the recessionary conditions experienced globally. Further, changes to recontracting assumptions in respect of a major customer of the Alinta Energy LPG business has negatively impacted the value in use calculations for the Alinta CGU.

Goodwill impaired in respect of Alinta has been recognised in the Energy Markets segment disclosed in Note E.

Value in use calculations performed to assess each CGU for impairment excluded the impacts of the Commonwealth Government proposed emissions trading scheme (refer to the section below Emissions Trading Scheme). Care should be taken when interpreting the sensitivities discussed above which gave rise to impairment as movements in one assumption may have an offsetting or compounding effect on other variables within BBP's valuation models.

Note A – Situation update and key accounting treatments (continued)

Emissions Trading Scheme

The Commonwealth Government's planned introduction of an emissions trading scheme (ETS) by 2011 is likely to have a significant impact on industry pricing structures, resulting in valuation changes to BBP's portfolio of generation assets. Price adjustment will be principally effected by requiring generators that produce carbon emissions to acquire emission permits. In respect of BBP this will mean higher costs for electricity generation for some of its assets. BBP generates electricity through both coal and gas fired plants. Higher wholesale prices for electricity may benefit BBP's gas fired generators. Coal fired generators will receive a higher cost impost under the proposed ETS. It is envisaged that the ETS will provide certain transitional assistance for businesses through an initial allocation of free carbon permits, which BBP expects to receive for its coal fired generators.

Under the proposed ETS, BBP will need to acquire carbon permits for its generators, the cost of which will be proportionately higher for its coal fired plants. BBP may not be able to pass through the full cost of all carbon permits to its customers which is likely to have a significant impact on its coal fired generators. This would require a reassessment of the useful economic life of those plants which has the potential to result in valuation impairments in respect of those assets.

With the proposed ETS having failed to pass both houses of the Commonwealth Parliament, uncertainty remains as to the final nature and timing of the planned ETS. As a result the impact on BBP, (taking into account mitigating actions) could not be confidently determined at this point in time.

Accordingly, for the purpose of the annual financial report BBP will exclude from its valuation assessments the impacts of the introduction of an ETS. Once there is sufficient certainty regarding the final arrangements under the ETS, BBP will reflect its impacts in its valuations. This may result in impairment to certain BBP assets.

Note B. Profit/(loss) from operations

	Consolidated 2009 $'000	2008 $'000
Revenue		
Revenue from the sale of energy products	1,408,005	1,456,940
Revenue from lease of plant and equipment	3,211	3,641
Other revenue	122,961	66,839
	1,534,177	1,527,420
Other income		
Release of onerous contracts	148,681	-
Financing Income		
Dividend income		
Related parties (i)	8,465	-
Bank deposits	20,408	34,035
	28,873	34,035
(Loss)/profit before income tax has been arrived at after charging the following expenses:		
Operating expenses:		
Operating costs	1,184,837	1,028,386
Corporate and administrative costs	47,699	46,141
Employee benefit expenses		
Salaries and wages	119,433	94,191
Defined benefit plan	3,359	2,552
	1,355,328	1,171,270
Management charges:		
Base fees	-	14,381
Manager expense amount	4,332	6,700
Custodian fee	196	93
Responsible Entity fees	606	558
	5,134	21,732
Impairment loss		
Intangibles (ii)	56,700	410,000
Property, plant and equipment	-	42,000
	56,700	452,000
Incentive fee (fair value movement)	-	(23,400)

Note B. Profit/(loss) from operations (continued)

	Consolidated 2009 $,000	2008 $,000
Depreciation and amortisation		
Depreciation of property, plant and equipment	120,483	117,082
Amortisation of intangible assets	55,378	35,773
Amortisation of other assets	752	-
	176,613	152,855
Finance costs:		
Interest expense – External 3rd parties	268,067	215,271
Interest expense – related parties	47,277	8
Less: Interest expense capitalised	(23,907)	(9,044)
Other finance charges – External 3rd parties	11	72
Unwinding of discount on provisions	7,571	14,149
Other borrowing costs	41,289	3,704
Borrowing costs written off	45,214	12,250
	385,522	236,410
Transitional costs		
Compliance	-	8,975
Other transitional costs	617	6,944
	617	15,919
Derivative movement		
Fair value gains/(losses) on interest rate derivative taken to profit & loss	(1,372)	1,922
Fair value (loss)/gain on Redbank PPHA derivative (iii)	(37,523)	82,789
Fair value (loss)/gain on other electricity derivatives	(30,010)	(9,325)
	(68,905)	75,386

(i) During the year BBP Holdings Pty Ltd, a subsidiary of BBP received a dividend from ERM prior to its disposal on 18 December 2008.

(ii) As outlined in note A, an impairment charge of $50.0m has been recognised against the goodwill of the Alinta CGU. An impairment charge of $6.7m has also been recognised against software development assets held in BBP's service company.

(iii) Fair value loss on electricity derivative relates to the Redbank PPHA
The Redbank non cash derivative movement reported in the accounts represents an assessment of the present value of the difference between the Energy Australia contract (Redbank PPHA) value and the projected value of the gross revenue Redbank could potentially achieve if they sold electricity on market over the theoretical whole of remaining life of the contract. The prices utilised for this calculation were based on projected future average pool prices to the year 2023.
This exercise is carried out on a semi-annual basis for accounting purposes only and has no impact on the operations or cash flows of the business. Any further increase in the assessment of pool prices from the projected future average pool prices used from balance sheet date will result in a non cash fluctuation in the income statement to the extent they have not been already recorded.
At no time can and will this derivative instrument calculation impact the cash position or underlying profits generated by the operations of BBP.

Note C. Borrowings

	Consolidated 2009 $'000	2008 $'000
Current		
Secured		
Bank loans		
BBPL Syndicated Facility Agreement (i)	-	94,947
BBPH Syndicated Facility Agreement (ii)	-	352,593
Redbank Credit Facility Agreement (iii)	13,961	13,849
BBPF Syndicated Facility Agreement (iv)	2,541,477	-
Other loans	3,392	3,387
Total secured current borrowings	2,558,830	464,776
Unsecured		
Babcock & Brown Group Facility – Related party (v)	397,604	127,500
Total unsecured current borrowings	397,604	127,500
Total current borrowings	2,956,434	592,276
Non-current		
Secured		
At amortised cost		
Bank loans		
BBPF Syndicated Facility Agreement (iv)	-	2,365,591
Redbank Credit Facility Agreement (iii)	231,758	242,021
Kwinana Construction Facility (vi)	-	336,400
Neerabup Construction Facility (vii)	-	112,965
Other loans	2,894	11,308
Total secured non-current borrowings	234,652	3,068,285
Unsecured		
At amortised cost		
- Related parties (viii)	44,350	200,277
Total unsecured non-current borrowings	44,350	200,277
Total non-current borrowings	279,002	3,268,562

(i) Corporate facility – BBP Limited Bridge Loan. This facility was repaid in September 2008.

(ii) Corporate facility – BBP Holdings Facility. This facility was repaid in March 2009.

(iii) Bank loan – Redbank Credit Facility Agreement. This facility consists of two tranches. Tranche 1, expiring in 2018 has $52.9 million outstanding as at 30 June 2009 (30 June 2008: $56.9 million). Tranche 2 expiring in 2023 had $189.1 million outstanding as at 30 June 2009 (30 June 2008: $194.4 million). In addition there is a working capital facility that is drawn to $3.7 million. The effective average interest rate was 8.04% as at 30 June 2009 (both tranches as at 30 June 2008 were 8.04%).

Note C. Borrowings (continued)

(iv) Corporate facility – BBPF Syndicated Facility Agreement. This facility currently consists of four tranches:
Tranche A: $1,600 million
Tranche B: $960 million
Working Capital: $60 million revolving letter of credit facilities
Letter of Credit: $80 million revolving Working Capital facility

The amount outstanding as at 30 June 2009 was $2,531.5, million for Tranche A & B (30 June 2008: $2,424.9 million), and $10 million for Working Capital (30 June 2008: $2 million). The facility also includes $37.9 million for Letters of Credit (30 June 2008: $54.7 million). The effective interest rate on the debt as at 30 June 2009 was 8.45% (30 June 2008: 8.25%).

NOTE: As outlined in note A above and previously announced to the market, BBP is currently in negotiations with the BBPF Syndicated Facility members to renegotiate the terms of this facility. . BBP expect the renegotiations to be successfully completed by the end of September 2009. However, as advised by BBP in its ASX release of 28 May 2009, should such negotiations fail the loan may be accelerated.

(v) Unsecured Related Party Loan (current) – BBP Limited Facility. These facilities from Babcock & Brown Group are currently due to mature on 31 March 2010. Principal outstanding as at 30 June 2009 was $397.6 million (net of deferred borrowing costs). The effective interest rate as at 30 June 2009 was 11.8%. As noted in Note A BBP is currently in negotiations with the Babcock & Brown Group with a view to restructuring this facility prior to the payment dates with an expectation that these negotiations will be successfully completed by late September 2009. Should these negotiations fail, the loan may be accelerated.

(vi) Construction facility - Kwinana construction facility converted to a term facility upon project completion and was divested as part of the sale of the Kwinana power station in March 2009.

(vii) Construction and Equity Bridge facilities - Construction and Equity Bridge facilities - Neerabup construction facility continued to be drawn down to finance construction activity until BBP divested its 50% equity ownership interest in February 2009.

(viii) Unsecured Related Party Loan (current) – Loan payable to Babcock & Brown Infrastructure (BBI). The loan is to be repaid by 2017. The loan has an effective interest rate of 11.3%.

Note D. Changes in the composition of the consolidated Group

(a) Disposal of business

The results of the disposed operations within the year to 30 June 2009 are presented below.

	Uranquinty $'000	Ecogen $'000	Tamar $'000	ERM $'000	Kwinana $'000	Neerabup $'000	Total $'000
Revenue	-	20,472	-	-	7,322	-	**27,794**
Expenses	-	(19,508)	(1,796)	-	(8,683)	-	**(29,987)**
Profit before income tax	-	964	(1,796)	-	(1,361)	-	**(2,193)**
Income tax (expense)/income	-	1,422	(11,141)	-	292	-	**(9,427)**
Profit after income tax of disposed operations	**-**	**2,386**	**(12,937)**	**-**	**(1,069)**	**-**	**(11,620)**

Note D. Changes in the composition of the consolidated Group (continued)

The following is a summary of the details of operations disposed of during the year to 30 June 2009.

	Uranquinty $'000	Ecogen $'000	Tamar $'000	ERM $'000	Kwinana $'000	Neerabup $'000	Total $'000
Net consideration received or receivable	168,121	79,000	100,000	21,197	58,150	1,672	**428,140**
Selling cost	(3,301)	(30)	(2,365)	-	(613)	(960)	**(7,269)**
Net disposal consideration	164,820	78,970	97,635	21,197	57,537	712	**420,871**
Carry amount of net assets sold	64,047	78,224	98,547	21,703	60,089	4,144	**326,754**
Gain/(loss) on disposal before tax	**100,773**	**746**	**(912)**	**(506)**	**(2,552)**	**(3,432)**	**94,117**

There were no disposals for the year to 30 June 2008.

Disposed Operations

Uranquinty

On 4 July 2008 BBP sold its 100% interest in NewGen Power Uranquinty Pty Ltd ("Uranquinty") for a net consideration of $168 million to Origin. Uranquinty is a 640MW power station near Wagga Wagga in South Western NSW. Uranquinty was under construction at the date of sale. The net proceeds were used to repay part of the outstanding BBP Holdings' (BBPH) corporate debt facility. In addition, the Uranquinty construction debt facility of $510 million (of which $404 million was drawn at date of sale) was assumed by Origin.

Ecogen

On 17 July 2008 BBP sold its 72.61% equity stake in Ecogen Holdings Pty Ltd ("EcoGen") for a net consideration of $79 million to Industry Funds Management (IFM). Ecogen is a 959 MW Ecogen power generation business in Victoria. The net proceeds were used to repay part of the BBPH corporate debt facility. In addition, the Ecogen debt facility of $130 million was assumed by IFM.

Tamar

On 18 August 2008 BBP sold its 100% interest in Alinta Energy Tamar Valley Pty Ltd ("Tamar") for $100 million net consideration to Aurora Energy. At the date of sale Tamar was under construction. The net proceeds from sale were used to repay part of the Babcock & Brown Power Limited (BBPL) corporate debt facility. In addition, the sale resulted in the release of onerous contracts within Alinta AEATM valued at $81 million.

ERM

On 18 December 2008 BBP sold its 40% stake in ERM Power Investments Pty Ltd ("ERMPI"). ERMPI was a 50% stakeholder in the NewGen Kwinana Partnership of which BBP Kwinana Power (a subsidiary owned 100% by the BBP Group) owned the remaining 50%. The 40% stake was sold for $21 million consideration. The proceeds of the sale were used to repay part of the outstanding BBPH corporate debt facility.

Note D. Changes in the composition of the consolidated Group (continued)

Kwinana

On 19 March 2009 BBP sold its remaining interest in the NewGen Kwinana Partnership (Kwinana) via a 100% sale of its interest in BBP Kwinana Power Pty Ltd for a consideration of $58 million which was used to repay the BBPH corporate debt facility. Construction on the 320MW CCGT power station was completed in November 2008.

Neerabup

On 24 February 2009 BBP sold its 100% interest in BBP Neerabup Power Pty Ltd and its 50% stake in NewGen Power Neerabup Pty Ltd (Neerabup) for a consideration of $45 million to ANZ Specialist Asset Management Limited. The sale resulted in the release of a $43.4 million letter of credit provided to BBP by BB Securities Pty Ltd resulting in net consideration of $1.7 million.

Note E. Segment information

Primary reporting format – business segments

(Listing Rule 4.3A 14.4)

(i) Year ended 30 June 2009

Results	Generation Revenue $'000	Energy Markets $'000	Inter segment Revenue $'000	Intra Segment Revenue $'000	Corporate & Unallocated $'000	Total Revenue $'000	EBITDA $'000	Profit Before Tax $'000
Generation	719,584	74,383	13,317	3,402	-	810,686	315,013	216,877
Energy Markets		833,602	-	23,939	-	857,541	60,136	(60,559)
Corporate		-	7,318	-	(141,368)	(134,050)	(44,686)	(394,612)
Unallocated & Eliminations	-	-		-	-	-	(4,677)	(4,677)
Associates	-	-	-	-	-	-	(559)	(559)
Total	719,584	907,985	20,635	27,341	(141,368)	1,534,177	325,227	(243,530)

Other	Depreciation & Amortisation $'000	CAPEX (Maintenance) $'000	CAPEX (Construction) $'000	Share of Associate Profit $'000	Assets $'000	Liabilities $'000	Investment Accounting in Associates $'000
Generation	(104,462)	(15,973)	(201,678)	-	2,889,906	(1,734,355)	-
Energy Markets	(50,667)	(12,958)	(5,751)	-	1,755,760	(1,819,450)	-
Corporate	(21,484)	(34)	-	-	664,956	(786,034)	-
Unallocated & Eliminations	-	-	-	-			-
Associates	-	-	-	(559)	-	-	46,550
Total	(176,613)	(28,965)	(207,429)	(559)	5,310,622	(4,339,839)	46,550

(b) Primary reporting format – business segments (continued)

(ii) Year ended 30 June 2008

Results	Generation Revenue $'000	Energy Markets $'000	Inter segment Revenue $'000	Intra Segment Revenue $'000	Corporate & Unallocated $'000	Total Revenue $'000	EBITDA $'000	Profit Before Tax $'000
Generation	819,778	38,612	9,838	1,552	123	869,903	241,412	106,745
Energy Markets	12,166	657,727	7,953	19,687	9,679	707,212	125,282	3,990
Corporate	-	-	-	-	3,275	3,275	(28,476)	(727,003)
Unallocated & Eliminations	-	-	-	-	(52,970)	(52,970)	(12,204)	228,829
Power Projects	-	-	-	-	-	-	(920)	275
Associates	-	-	-	-	-	-	5,915	3,134
Total	831,944	696,339	17,791	21,239	(39,893)	1,527,420	331,009	(384,030)

Other	Depreciation & Amortisation $'000	CAPEX (Maintenance) $'000	CAPEX (Construction) $'000	Share of Associate Profit $'000	Assets $'000	Liabilities $'000	Investment Accounting in Associates $'000
Generation	(112,949)	(160,533)	(292,393)	-	4,106,745	(3,113,289)	-
Energy Markets	(37,813)	-	(84,502)	-	1,705,893	(1,728,631)	-
Corporate	(88)	(409)	-	-	11,840,125	(10,754,596)	-
Unallocated & Eliminations	-	-	-	816	(10,556,833)	9,846,777	-
Power Projects	-	-	-	-	-	-	-
Associates	(2,005)	-	-	5,099	53,974	(4,912)	49,025
Total	(152,855)	(160,942)	(376,895)	5,915	7,149,904	(5,754,651)	49,025

Secondary reporting format – geographical segments

(i) Year ended 30 June 2009

	SWIS/NWIS $'000	NEM $'000	Subtotal $'000	Unallocated and Eliminations $'000	Consolidated $'000
Segment revenue	836,317	705,290	1,541,607	(7,430)	1,534,177
Segment assets	2,654,793	2,436,521	5,091,314	219,308	5,310,622
Capital Expenditure	(176,917)	(59,443)	(236,360)	-	(236,360)

(ii) Year ended 30 June 2008

	SWIS/NWIS $'000	NEM $'000	Subtotal $'000	Unallocated and Eliminations $'000	Consolidated $'000
Segment revenue	676,114	852,169	1,528,283	(863)	1,527,420
Segment assets	2,762,422	3,103,588	5,866,010	1,283,894	7,149,904
Capital Expenditure	(212,908)	(324,519)	(537,427)	(410)	(537,837)

6. Details of distributions
(Listing Rule 4.3A 6)

	Record Date	Payment Date
2009 Interim Distribution	N/A	N/A
2009 Final Distribution	N/A	N/A

As previously announced on 21 October 2008, the Board of Directors of BBP have suspended distributions until it has adequately strengthened its capital structure. Accordingly no distribution for the year ended 30 June 2009 will be paid. In the prior year a distribution of 13 cents was paid in March 2008.

7. Details of distribution reinvestment plan
(Listing Rule 4.3A 7)

There will be no distributions paid by BBP for the year to 30 June 2009. As a consequence there is no reinvestment plan at this point in time.

8. Statement of retained earnings showing movements

(Listing Rule 4.3A 8)

	Consolidated	
	2009	**2008**
	$'000	**$'000**
Balance at beginning of financial year	(498,772)	(74,843)
Prior period adjustments	(4,078)	-
Net (loss) / profit attributable to stapled security holders	(147,731)	(425,977)
Movement in Retirement Benefit Obligation	(24,345)	2,048
Balance at end of financial year	(674,926)	(498,772)
Attributable to:		
Equity holders of the Company – BBPL	(678,971)	(503,572)
Equity holders of the Trust - BBPT	4,045	4,800
	(674,926)	(498,772)

9. Net tangible asset backing per security

(Listing Rule 4.3A 9)

	Current Period	**Previous Period**
Net tangible assets backing per stapled security	($1.48)	($1.05)
Net assets backing per stapled security	$1.34	$1.92

At 30 June 2009, BBP had negative net tangible assets per security of $1.48 (2008: ($1.05)). The large negative net tangible asset value is attributable to the acquisition of the Alinta business completed in December 2007. The nature and value of the retail energy business is in its brand position as the pre-eminent West Australian gas retailer and its customer base (both existing and potential future growth). As such the business has a smaller fixed asset base and relies on efficient and effective working capital management as a key component of profitability. This business is inherently different to the power generation business as it relies on its branding and customer base to produce cash flows as compared to the operation of tangible assets (such as power plants) that characterise the power generation business.

The increase in the negative net tangible asset ratio from the previous period to the current period is mostly attributable to the asset sales outlined in point 10 below which were predominantly power generation assets, which had the effect of increasing the proportion of the Alinta businesses assets (intangible of nature) within the BBP portfolio of total assets.

While the acquired intangibles and goodwill of the retail business represent future economic value to the Group, they are deducted for the purposes of calculating net tangible assets per security.

Net assets per security at 30 June 2009 was $1.34 (30 June 2008: $1.92)

10. Control gained or lost over entities during the period

(Listing Rule 4.3A 10)

10.1 Name of entity (or group of entities) over which control was lost	10.2 Date control was lost
BBP Uranquinty Power Pty Ltd	4 July 2008
EcoGen Holdings Pty Ltd	17 July 2008
EcoHoldings Pty Ltd	17 July 2008
EcoGen Investments Pty Ltd	17 July 2008
EcoGen Energy Pty Ltd	17 July 2008
EcoGen Power Pty Ltd	17 July 2008
Alinta Energy Tamar Valley Pty Ltd	18 August 2008
BBP Kwinana Power Pty Ltd	19 March 2009
Babcock & Brown Kwinana Pty Ltd	19 March 2009
BBP Neerabup Power Pty Ltd	24 February 2009
Newgen Power Neerabup Pty Ltd	24 February 2009

10.3 Consolidated profit (loss) after tax from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) since the beginning of the current period up to when control was ceased	**A$'000** ($11,620)
10.4 Profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) disposed for the whole of the previous corresponding period	**A$'000** ($27,113)

11. Details of associates and joint venture entities

(Listing Rule 4.3A 11)

11.1 Name of entity (or group of entities) over which significant influence was gained ERM Power Investments Pty Ltd ERM Kwinana Holding Pty Ltd ERM Kwinana Power Pty Ltd	11.2 Date significant influence ceased. 18 December 2008 18 December 2008 18 December 2008
11.3 Percentage holding in the partnership	40%
11.4 Consolidated profit after tax from ordinary activities and extraordinary items after tax of the associate (or group of entities) since the date in the current period.	**($000)** Nil Trading Profit Loss on Sale $356
11.5 Profit (loss) from ordinary activities and extraordinary items after tax of the associate (or group of entities) for the whole of the previous corresponding period	**($000)** $816

12. Other significant information

(Listing Rule 4.3A 12)

All significant information in respect of BBP has been presented in Note A on page 6 of this release.

13. Accounting standards used by foreign entities

(Listing Rule 4.3A 13)

Not applicable

14. Commentary on results

(Listing Rule 4.3A 14)

Key Points relating to the 12 months ended 30 June 2009

- EBITDA of $325.2m before accounting adjustments*
- Gearing (net debt to net debt plus equity) 75.5%
- B&B debt facilities extended to March 2010 and BBPH debt facility fully repaid
- Uranquinty and Tamar Valley Power Stations sold
- Sale of interests in Neerabup, Kwinana and Ecogen Power Stations
- Flinders Osborne Trading (FOT) contracts novated to Origin for a nominal consideration
- Sale of Alinta EATM
- NWS Arbitration subpoena process commenced
- Signed two year 105MW Olympic Dam contract with BHP
- No distributions in FY09 as part of ongoing capital management program
- BBP anticipate providing earnings guidance at its AGM in November

* EBITDA before accounting adjustments excludes the impact of asset sales, impairment losses fair value movements in derivatives, interest, depreciation and amortisation.

<u>Overview</u>

Consolidated EBITDA for the twelve months to 30 June 2009 was $325.2m (June 2008: $331.0m). The operations of BBP have been structured to reflect an integrated energy company, with a weighting towards electricity generation. The following results are presented in a manner that is consistent with how BBP has been managed to 30 June 2009.

The group comprises the operating power stations which are managed on a regional basis. The Energy Markets group comprises fuel management, portfolio development and the retail and trading businesses which are managed on a total energy portfolio basis. Both groups are supported by the BBP Services Group with these costs allocated and absorbed by the relevant business.

<u>Power Generation</u>

Power Generation delivered EBITDA of $315million in FY09.

Flinders generation performance for the year was heavily impacted by forced outages rendering the plant unavailable to take advantage of a number of peak price periods over the summer months. Market prices over the year were broadly below expectations; and production was below budgeted levels. A series of unplanned outages at both Northern and Playford resulted in total output for the year being lower than expected.

Braemar generation performance was impacted by price variance. Very low demand in Queensland for most of FY09 resulted in wholesale prices averaging well below expectations. Average prices were around 36% lower than the previous year. The inflexible nature of existing gas supply contracts limited BBP's ability to effectively manage lower pool prices.

14. Commentary on results (continued)

In FY09 BBP divested a number of power generation assets as part of an ongoing capital management program. Sales over the year included:

- NewGen Power Uranquinty sold for net consideration of $168million
- 72.6% equity interest in the Ecogen power generation business (Newport and Jeeralang Power Stations) sold to Ecogen co-shareholder Industry Funds Management ("IFM") for net consideration of $79 million;
- Tamar Valley Power Station project sold to the State of Tasmania for net consideration of $100m;
- Interest in Neerabup Power Station sold to ANZ Infrastructure Services Limited, resulting in the return of a $43.3 million letter of credit which was drawn under a facility provided by Babcock & Brown;
- Sale of BBP's 40% of ERM Power Investments for net consideration of $21.2million; and
- Interest in Kwinana Power Station sold to ERM Power Pty Ltd for net consideration of $58.1 million.

WA Power business comprising Newman Power Station and Port Hedland Power Station performed in line with budget. In FY09 the business commenced expansion of Newman Power Station with the installation of a new Rolls Royce Trent turbine, with $20m capital expenditure budgeted for completion in FY10.

Cawse Power station performed below budget as the owner of the nickel mine that it services placed the operations into care and maintenance.

Energy markets and support costs are allocated to each of the power generating businesses on a direct cost base or, for more general support costs on a prescribed allocation methodology.

<u>Energy Markets</u>

Energy Markets delivered EBITDA of $60.1 million in FY09.

The key components of this business comprise Alinta Gas Retail, Alinta Integrated Electricity Retail and the LPG partnership with Wesfarmers.

A number of factors had an adverse effect on the performance of the Energy Markets segment in FY09, most notably the Varanus Island gas disruption in Western Australia and weak economic conditions. Varanus Island represents 40-50% of Alinta's peak demand gas supply, and has been in *force majeure* throughout FY09. Some replacement supply was obtained, but at a higher cost.

The Alinta Retail gas business experienced low demand resulting in weaker than expected performance for FY09. Consumption in the residential and SME sectors was lower than expected due to mild weather, offset by tariff increases in both sectors. Commercial and industrial customer volumes were down significantly due to the ongoing impact of Varanus Island and the impact of the global economic downturn. Further, due to lower than expected Saudi Contract Prices, Alinta LPG performed below budget.

Throughout FY09, the Alinta Electricity business experienced weaker than expected industrial demand which resulted in downward pressure on prices, which was exacerbated by higher churn than expected in the Commercial and Industrial segment. Weakened demand resulted in generation output sales into the WA Balancing Market and STEM rather than to Alinta's customers. Subsequent low prices experienced in the balancing market further impacted performance.

14. Commentary on results (continued)

In January 2009, BBP announced the sale of Alinta EATM Pty Ltd to Aurora Energy Pty Ltd, realising proceeds of $15m. AEATM was a participant in the wholesale gas market which sources gas principally from the Gippsland Basin in Victoria to supply a range of wholesale energy market participants on the eastern seaboard. The sale of AEATM and FOT will improve BBP's cash flow going forward.

In June 2009, BBP novated to Origin Energy Limited Flinders Osborne Trading (FOT) contracts for a nominal consideration.

Corporate Costs and Management Changes

Corporate costs represent centralised functions relating to the group that are not directly attributable to any business segment. BBP will shortly terminate, by agreement, the Management Agreement with B&B. The group has effectively been under internal management since December 2008. The nature of Corporate Costs have therefore changed during the year. In 2008 these costs were predominantly fee based charges to the Manager. For the 2009 year the Manager did not charge a Base fee and the corporate costs were representative of Management Expense Account Fees for 6 months, transitional services fees paid to the Manager and direct costs incurred by the Company following the internalisation of management. Corporate costs cover legal costs, rent, communication and the salaries and on costs for corporate personnel. It is expected that overall corporate costs will be reduced from the internalisation of the management of the group going forward.

Capital and Balance Sheet

Equity: As at 30 June 2009 there were 726,328,872 BBP stapled securities on issue.

Debt :
Over $1.4Bn was repaid or transferred in FY 2009 through a combination of asset sales and business cash flows. This reduced the levels of debt within BBP group to debt at the BBP level, debt at the BBPF sub group level and limited recourse project financing secured against Oakey and Redbank power stations respectively.

As noted in Note A, BBP debts to both the BBPF Banking Syndicate and the B&B Group are current in the accounts as at 30 June 2009 because there is not a unilateral right to deny payment in the period to 30 June 2010. As also noted, detailed and progressed negotiations have occurred which lead BBP to reasonably believe that the debts will be restructured to provide a longer term capital base for BBP –with credit approvals expected by 30 September 2009.

The BBPF Bank Facility is in equity lock up and this is expected to remain in place subsequent to the restructure of the BBPF Bank Facility.

Outlook

BBP's performance has been impacted by demand and pricing issues in each of its market segments. The company expects market conditions to progressively improve over the medium term. However, until the outcome of the debt restructure is clear and BBP has the opportunity to determine the impact of earnings and cash flow stability measures it has taken, it would be premature to provide earnings guidance to the market. However the success of the negotiation of the refinance of Facilities and the management of its gas position and the outcome of the arbitration could affect future performance.

Distributions from the BBPF sub group to the parent, BBPL are not expected in the medium term due to being in equity lock up. Accordingly, BBPL will not have the capacity to make distributions to security holders over the medium term.

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

(Listing Rule 4.3A 15)

This report is based on accounts which are in the process of being audited and due to be released no later than 30 September 2009.

16. Qualification of audit / review

(Listing Rule 4.3A 16)

Not applicable.