

BABCOCK & BROWN RESIDENTIAL LAND PARTNERS



Babcock & Brown Residential Land Partners Limited · ABN 49 119 517 985
Babcock & Brown Residential Land Partners Services Limited · ABN 40 118 364 499
as responsible entity of the Babcock & Brown Residential Land Partners Trust · ARSN 119 613 848
Level 21 The Chifley Tower · 2 Chifley Square · Sydney NSW 2000 Australia
T +61 2 9229 1800 · F +61 2 9216 1752 · www.bbresidentiallandpartners.com

ASX Release

28 August 2009

FINANCIAL YEAR 2009 FULL YEAR RESULT

Key Points

- Underlying net loss after tax and before minority interests of \$1.9 million.
- Non-recurring non-cash adjustments of \$31.1 million, primarily reflect write-downs in inventory values, loan receivables, goodwill and foreign exchange movements.
- Statutory net loss after tax before minority interests of \$26.6 million.
- NTA of \$0.66 per stapled security as at 30 June 2009.
- Distributions continue to be suspended until further notice.
- Second half of FY2009 saw a significant increase in sales activity across Victoria and Western Australia with a mild improvement in NSW.
- Key focus for FY2010 is to continue to drive sales volumes across all operating projects as a means to significantly de-leverage the business and create greater visibility to underlying asset value.
- Documentation relating to the internalisation of the management agreement is expected to be finalised in the short term.
- New CEO appointed and the appointment of a core senior management team is well advanced.
- Rationalisation of operations will result in core management function being located in Melbourne.
- Conditions in debt markets remain challenging, however debt facilities are covenant compliant and financiers continue to be supportive.

Financial Result

Babcock & Brown Residential Land Partners (ASX: BLP) today announced an underlying net loss after tax and before minority interests of \$1.9 million for the twelve months to 30 June 2009 compared to an underlying net profit of \$9.3 million in the prior year. The result was impacted by a significant increase in financing charges and marketing costs.

A statutory net loss after tax and before minority interests of \$26.6 million was reported which included non recurring non cash adjustments after tax of \$24.7 million. The non cash adjustments taken pre tax were:

- \$21.1 million write down in the loan receivables portfolio;
- \$8.3 million provision for write down in inventory;
- \$0.8 million profit on the sale of BLP's interest in Ascot Chase in August 2008;
- \$1.7 million write down in goodwill associated with the acquisition of the BLP's 60% interest in PRM Property Group Pty Ltd; and
- \$0.8 million loss in foreign exchange movements.

Net tangible asset backing (NTA) at 30 June 2009 was \$0.66 per stapled security down from \$0.81 per stapled security for the previous corresponding period. The decline in NTA reflects the non cash write-downs and asset sales over the period.

Revenue from land settlements in FY2009 was \$29.3 million compared to \$31.5 million for FY2008. The key contributor to this result was the performance of BLP's consolidated projects in Victoria being \$17.4 million and Northern NSW being \$9.2 million.

The second half of FY2009 saw an improvement in sale and settlements activity contributing 65% of total settlement revenue that can be directly attributed to the enhanced First Home Owners Grant.

Preferred equity investments delivered interest income of \$18.2 million compared to \$12.6 million for the previous corresponding period, reflecting the full year impact of contributions from BLP's investments in New Zealand, in addition to higher interest from investments in Links Living, Pacific Dunes and Ascot Chase.

Corporate & Project Facilities

On 7 April 2009 BLP announced financial close on its restructured corporate loan facility with its corporate financier and its subordinated loan with Babcock & Brown International Pty Ltd. The expiry date on both of these facilities is 28 June 2010.

Initial discussions on the negotiation of the extension or refinancing of the corporate facility have commenced with BLP's corporate financier and although at a preliminary stage sentiment in these discussions has been positive. A key factor in this negotiation will be BLP's ability to demonstrate compliance to forecast cash flows over the period to 28 June 2010 together with evidence to support a positive cash flows over a new loan term.

BLP continues to successfully manage the extension or refinancing of its limited recourse project debt facilities across consolidated and non consolidated projects.

BLP is covenant compliant at both a corporate and project debt level and actively manages its debt facilities and covenant profile with its financiers.

The continuing viability of BLP and its ability to continue as a going concern is dependent on BLP being successful in extending or refinancing both the corporate facility and certain project facilities that are due to mature over the coming 12 months.

Internalisation of Management Agreement

On 11 June 2009 BLP announced that it had reached an in principle agreement with Babcock & Brown International Pty Ltd to either acquire or terminate the management rights over BLP for a nominal sum. Negotiation and documentation to record the commercial terms of the separation are expected to be complete in the short term. Transfer of key employees to BLP has already occurred and the transfer and establishment of the operational framework is proceeding.

Name Change

An important component of the internalisation process is the change of name to the stapled entity. The Board and management are proposing to seek approval at the 2009 Annual General Meeting to change the name of the stapled entity to RCL Group Limited and RCL Group Trust.

Outlook

BLP's focus over the last 12 months has been to stabilise the business during a particularly difficult economic and operating environment. Whilst this will continue to be the focus over the next 12 months significant progress has already been made.

Management is specifically focusing on de-leveraging the business by developing out the portfolio and introducing value adding initiatives. This strategy is being assisted by the enhanced First Home Buyers Grant which has enabled BLP to build a significant pipeline of presales. As at 30 June 2009, across the portfolio presales totalled \$157 million (comprising 742 lots), with both Victoria and Western Australia representing 80% by value and 80% by number. Since 30 June 2009 the presales pipeline has continued to build.

The value of presales at 30 June 2009 is across both consolidated and non consolidated projects and does not represent BLP's economic interest in the

presales pipeline. Most of the sales proceeds will be directed towards reduction of the consolidated and non consolidated project debt facilities.

With the normalisation of the Federal Governments First Home Buyers Grant on 1 January 2010 and against a back drop of rising unemployment and rising interest rates, market conditions for FY2010 will remain unpredictable and it is difficult for BLP to be provide guidance over this period.

Mr Wightman said “BLP will continue to focus on refining its strategy to compete and drive sales in this challenging environment with particular emphasis on partnering with counterparties who complement BLP’s business. In addition there will continue to be a focus on driving cost efficiency across the business and reducing income leakage to third parties.

The current market conditions have provided BLP with the opportunity to build a substantial book of presales, enabling de-leveraging of the business from the bottom up and this is seen as the most sensible strategy in the current environment and one that will drive value for securityholders. BLP’s preference is to pursue volume whilst these market conditions prevail rather than looking to lift prices given the continuing uncertainty within the global economy.”

It is anticipated that the completion of the sale of BLP’s remaining interest in Ascot Chase will occur in the early part of FY2010.

Mr Wright, Chairman of BLP said, “I would like to thank employees working for BLP, our partners and securityholders for their ongoing support in what has been an extremely challenging year for BLP. Directors believe that significant progress has been made to place BLP on a solid footing to move forward and we expect to have further announcements in this regard over the next few months. We will continue to keep securityholders updated as to activity levels and the position of BLP over the course of the year.”

Ends

Further Information:

David Wightman
Chief Executive Officer
+61 3 8319 4034

Stuart Pauly
Chief Financial Officer
+61 2 9229 1800

Consolidated Report of
Babcock & Brown Residential Land Partners Limited
and
Babcock & Brown Residential Land Partners Trust,
together,
Babcock & Brown Residential Land Partners,
Financial Report for the year ended 30 June 2009

**(Babcock & Brown Residential Land Partners Limited (“BBRLPL”) ABN 49 119 517 985)
(Babcock & Brown Residential Land Partners Trust (“BBRLPT”) ARSN 119 613 848)
together, Babcock & Brown Residential Land Partners (“BBRLP”)**

This report is provided to the Australian Securities Exchange (“ASX”) under ASX Listing Rule 4.3B.

Current Period: 1 July 2008 – 30 June 2009

Previous Corresponding Period: 1 July 2007 – 30 June 2008

Babcock & Brown Residential Land Partners (BBRLP) comprises Babcock & Brown Residential Land Partners Limited (BBRLPL) (ABN 49 119 517 985) and Babcock & Brown Residential Land Partners Trust (BBRLPT) (ARSN 119 613 848). Each share in BBRLPL is stapled to a unit in BBRLPT.

Babcock & Brown Residential Land Partners Services Limited (BBRLPS) (ABN 40 118 364 499) is the responsible entity of BBRLPT. BBRLPS is a subsidiary of the Babcock & Brown Limited Group.

Babcock & Brown Australian Real Estate Management Pty Ltd (BBAREM) (ACN 111 614 610) is the manager of each of BBRLPL and BBRLPS pursuant to respective management agreements. BBAREM is a wholly owned subsidiary of the Babcock & Brown Group (B&B).

Investments in BBRLP are not deposits with or other liabilities of Babcock & Brown or any entity in the Babcock & Brown Group, and are subject to investment risk including possible loss of income and capital invested. Neither BBRLPS nor any member of the Babcock & Brown Group (including B&B and BBAREM) guarantee the performance of BBRLP or its stapled securities or the payment of a particular rate of return on BBRLP stapled securities.

This report is not an offer or invitation for subscription or purchase of or a recommendation of stapled securities in BBRLP. It does not take into account the investment objectives, financial situation and particular needs of an investor. Before making an investment in BBRLP, an investor should consider whether such an investment is appropriate to their particular investment needs, objectives and financial circumstances and consult an investment adviser if necessary.

BBRLPS, as responsible entity of BBRLPT, and BBAREM, as the manager of each of BBRLPL and BBRLPS, are entitled to fees for so acting. B&B and its related corporations, together with their officers and Directors and officers and Directors of BBRLP, may hold stapled securities in BBRLP from time to time.

The combined and consolidated financial report for BBRLP has been prepared to enable BBRLPL and BBRLPS (as responsible entity of BBRLPT) to comply with their obligations under the Corporations Act, to ensure compliance with the ASX Listing Rules and to satisfy the requirements of the Australian accounting standards in relation to stapled structures. The responsibility for preparation of the combined and consolidated financial report and any financial information contained in this report rests solely with the Directors of BBRLPL and BBRLPS (as responsible entity of BBRLPT).

Appendix 4E Preliminary Financial Report

- **Details of the reporting period**

Current Period: 1 July 2008 – 30 June 2009

Previous Corresponding Period: 1 July 2007 – 30 June 2008

- **Results for announcement to the market**

			2009	2008
			\$A'000	\$A'000
Revenues from ordinary activities	Up 1.7%	To	50,057	49,220
Profit / (loss) from ordinary activities after tax	Down 447%	To	(26,605)	7,662
Net profit / (loss) for the period attributable to members after minority interests	Down 444%	To	(26,296)	7,644

Distributions	Amount per security	Franked amount per security
<i>Current Period:</i>		
Final distribution	Nil	N/A
Interim distribution	Nil	N/A
<i>Previous Corresponding Period:</i>		
Final distribution	4.125c	N/A
Interim distribution	4.125c	N/A

Record date for determining entitlements to the distribution NA

Provide a brief explanation of any of the figures reported above necessary to enable the figures to be understood:

Refer to associated ASX results announcement.

- **Statement of Financial Performance with notes**

Refer to the Income Statements in the attached financial statements.

- **Statement of Financial Position with notes**

Refer to the Balance Sheets in the attached financial statements.

- **Statement of Cash Flows with notes**

Refer to the Statements of Cash Flows in the attached financial statements.

- **Details of distributions**

On 18 December 2008, the Board announced to the market that it had elected to suspend payment of stapled security distributions until further notice.

Refer to the attached financial statements (Dividends and distributions) and the Director's report.

- **Details of distribution reinvestment plan**

BBRLP has established a Distribution Reinvestment Plan (DRP), under which distributions may be reinvested in new Babcock & Brown Residential Land Partners fully paid stapled securities. Securityholders registered on the BBRLP register, whose recorded address is in Australia or New Zealand, and who hold Securities on their own behalf or on behalf of another Australian or New Zealand resident, are eligible to participate in the DRP.

As part of the June 2008 distribution payment, a total of 1,107,825 stapled securities were issued under the DRP at \$0.26. No discount was applied to the daily volume weighted average market price traded on the ASX during the Pricing Period, as defined in the DRP Rules.

- **Statement of retained earnings showing movements**

Refer to Retained profits / (accumulated losses) in the attached financial statements.

- **Net tangible asset backing per unit**

	Current period	Previous corresponding period
* Net tangible asset backing per unit	\$0.66	\$0.81

* Under the listing rules NTA Backing must be determined by deducting from total tangible assets all claims on those assets ranking ahead of the ordinary securities (ie, all liabilities, preference shares, outside equity interests etc).

- **Control gained or lost over entities during the period**

Refer to the attached financial statements Note 1(b) Principles of consolidation and Note 31 Subsidiaries for information regarding BBRLP interests in subsidiaries.

- **Details of associates and joint venture entities**

Associates	Ownership Interest		Contribution to Net Profit	
	30 Jun 09	30 Jun 08	30 Jun 09	30 Jun 08
PRM Property Holdings PL	50%	50%	\$954,000	\$734,000
Ascot Chase Nominee PL ¹	75%	75%	-	-

¹. On 19 August 2008 the Company completed the sale of 25% of its interest in Ascot Chase Nominee Pty Limited, via a re-weighting of loan contributions between the two joint venture partners resulting in a 50 / 50 participation of each partner's revised interest in the underlying project. Whilst the Company did not sell its shares in Ascot Chase Nominee Pty Limited, control over this entity has been lost, and as a result the entity is no longer consolidated. Prior to this date, the operating results of this previously controlled entity were included in the consolidated income statement. After this date, the operating results of Ascot Chase Nominee Pty Limited have been equity accounted.

- **Other significant information**

Refer to attached Directors' report.

- **Accounting standards used by foreign entities**

N/A

- **Commentary on results**

Refer to associated ASX results announcement.

Earnings per unit:

	Current Period	Previous corresponding period
EPS	(14.95)c	4.37c

Returns to securityholders:

	Current Period \$A'000	Previous corresponding period \$A'000
Distributions	Nil	14,438

Significant features of operating performance and trends in operating performance:

Refer to associated ASX results announcement for commentary on the results for the year ended 30 June 2009

Segment results:

Refer to associated ASX results announcement for commentary on the results for the year ended 30 June 2009

Trends in performance:

N/A

Other factors:

N/A

Audit / review of accounts upon which this report is based

This report is based on accounts which have been audited, refer to the attached financial statements.

- **Qualification of audit / review**

N/A

BABCOCK & BROWN
RESIDENTIAL LAND PARTNERS (BBRLP)

Comprising Babcock & Brown Residential Land
Partners Limited and its controlled entities

ABN 49 119 517 985

Annual Financial Report
for the year ended 30 June 2009

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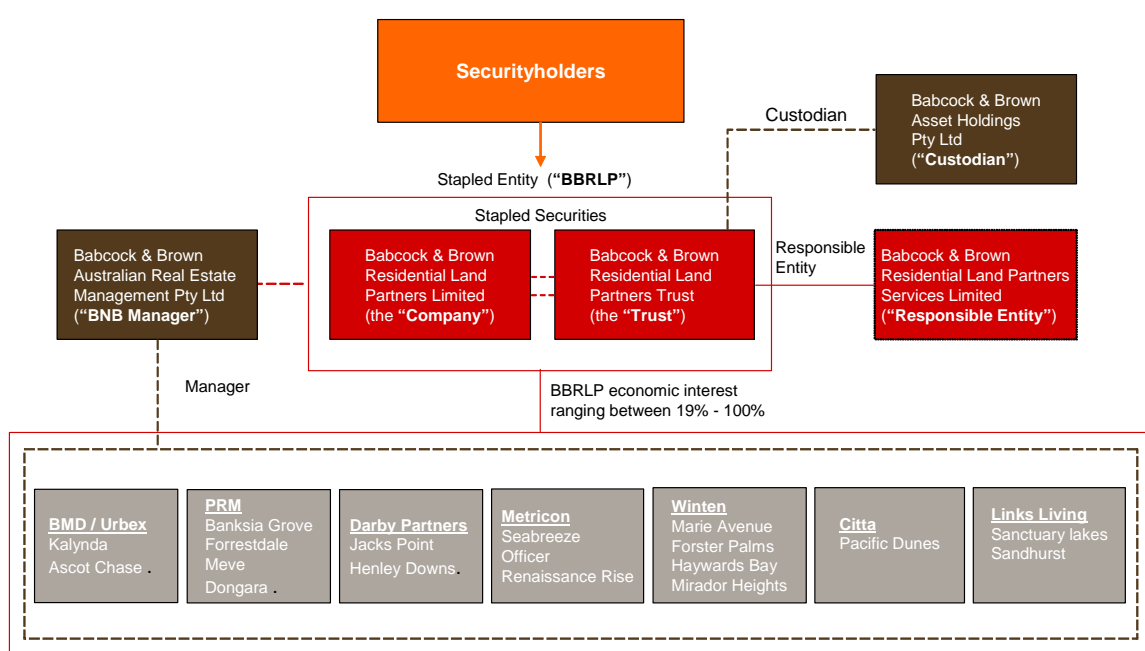
An Overview of the BBRLP Accounts

Babcock & Brown Residential Land Partners (“BBRLP” or the “Group”) consists of two entities:

- Babcock & Brown Residential Land Partners Limited (“BBRLPL”); and
- Babcock & Brown Residential Land Partners Trust (“BBRLPT”).

The issued securities in these entities have been stapled together and trade as one listed security on the Australian Securities Exchange (ASX code: BLP). The stapled security represents one share in BBRLPL and one unit in BBRLPT.

The following diagram provides an overview of BBRLP’s structure.



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

As BBRLPT is also considered a disclosing entity, separate financial statements for the BBRLPT Group for the year ended 30 June 2009 are prepared.

Corporate Information

Directors

R. Wright	Chairman
M. Balkin	Managing Director (resigned 7 April 2009)
R. Gelski	Director
M Maxwell	Director
C. Langford	Director

Company Secretary

M. Hedges	
D. Richardson	(resigned 14 August 2009)

Registered Office

Level 21 The Chifley Tower
2 Chifley Square
Sydney NSW 2000

Security Registry

Link Market Services Limited
Level 12
680 George Street
Sydney NSW 2000

Babcock & Brown Residential Land Partners stapled securities are listed on the Australian Securities Exchange and trade under the code "BLP".

Auditors

PricewaterhouseCoopers
Darling Park Tower 2
201 Sussex Street
Sydney NSW 1171

Website address

www.bbresidentiallandpartners.com

Directors' Report

The Directors of Babcock & Brown Residential Land Partners Limited ("BBRLPL") submit the following report together with the consolidated annual financial report of Babcock & Brown Residential Land Partners ("BBRLP") for the financial year ending 30 June 2009.

Directors

The names of the Directors and Secretaries in office at any time during or since the end of the year and up to the date of this report are:

Name, independence status and special responsibilities	Qualifications and experience
<p>Robert Wright</p> <p><i>Independent Chairman</i></p> <p><i>Member of the Audit, Risk & Compliance Committee</i></p>	<p>Robert was appointed as a Director on 31 May 2006.</p> <p>Robert has over 30 years financial management experience, having held a number of chief financial officer positions, including finance director of David Jones Limited. Robert was the executive director of The Adelaide Steamship Company during the restructure of that Group from 1991 to 1995. He is currently the Chairman of Dexion Limited and SAI Global Limited and a director of Australian Pipeline Limited and Super Cheap Auto Group Limited.</p> <p>Robert holds a Bachelor of Commerce from the University of Canterbury and is a FCPA.</p>
<p>Michael Maxwell</p> <p><i>Non Executive Director</i></p> <p><i>Member of the Nomination, Governance & Remuneration Committee</i></p> <p><i>Member of the Audit, Risk & Compliance Committee</i></p>	<p>Michael was appointed as a Director on 3 May 2006.</p> <p>Until July 2006, Michael was the Global Head of Real Estate at Babcock & Brown and ceased employment with Babcock & Brown in October 2008. Prior to joining Babcock & Brown in January 1992, Michael was an executive director of the Australian subsidiary of international merchant bank, Morgan Grenfell. Michael was formerly a director for the responsible entity of the MTM Entertainment Trust and an independent director of the responsible entity of the Grand Hotel Group for the period April 2004 to January 2008.</p> <p>Michael holds a Bachelor of Economics and Bachelor of Laws from the University of Sydney.</p>

Name, independence status and special responsibilities	Qualifications and experience
<p>Michael Balkin</p> <p><i>Managing Director</i></p>	<p>Michael was appointed as a Director on 3 May 2006 and resigned on 7 April 2009.</p> <p>Michael joined Babcock & Brown in 1995 and has been a senior executive in the Real Estate Group where he has led the development of Babcock & Brown's Australian residential principal investment activities over the past six years. He has been responsible for investing in, and managing, a portfolio of equity risk and mezzanine investments in residential developments and has cultivated relationships with many of Babcock & Brown's core residential development partners. Michael left Babcock & Brown in June 2009.</p> <p>Michael holds a Bachelor of Science (Business Information Technology) from the University of New South Wales and a Graduate Diploma in Applied Finance and Investment.</p>
<p>Richard Gelski</p> <p><i>Independent non-executive Director</i></p> <p><i>Chairman of the Audit, Risk & Compliance Committee</i></p> <p><i>Member of the Nomination, Governance & Remuneration Committee</i></p>	<p>Richard was appointed as Director on 31 May 2006.</p> <p>Richard is a partner at Johnson Winter & Slattery, having joined them in 2004 after seven years with Blake Dawson Waldron. Richard has over 30 years experience in the areas of taxation, corporate and commercial law. From 1974 - 1981 he lectured in tax and corporate law at the University of New South Wales and was a practising barrister from 1981 - 1986. He has particular experience in corporate restructuring, cross border investment, tax effective financing, capital raising, mergers and acquisitions and property trust structures.</p> <p>Richard holds a Bachelor of Arts, Bachelor of Laws (First Class Honours) and University Medal from the University of Sydney and a Master of Laws from London University.</p>
<p>Chris Langford</p> <p><i>Independent non-executive Director</i></p>	<p>Chris was appointed as a Director on 31 May 2006.</p> <p>Chris has over 20 years experience in a range of roles within the property industry and brings significant knowledge to his role as an independent director. Having worked with Lend Lease and Mirvac on a variety of projects and property classes, Chris has a good understanding of the complex issues involved in the delivery of large scale projects. More recently, Chris was CEO of Mirvac Retail Projects until 2005, before forming Spyglass Property to focus on retail property development.</p> <p>Chris is also a commissioner of the Australian Football League and a director of NSW Cultural Management, the manager of Sydney Theatre.</p> <p>Chris holds a Bachelor of Architecture from the University of Melbourne.</p>

Name, independence status and special responsibilities	Qualifications and experience
<p>Melanie Hedges</p> <p><i>Company Secretary</i></p>	<p>Melanie was appointed Company Secretary on 3 May 2006.</p> <p>Melanie joined Babcock & Brown in October 2005 as Company Secretary for a number of the group's listed and unlisted specialised funds and is responsible for the company secretarial function and corporate governance for the boards and committees of these group entities. Prior to joining Babcock & Brown, Melanie was Joint Company Secretary from July 2005 and Assistant Company Secretary from 2002 of the Mirvac Group. Melanie is an Affiliate of Chartered Secretaries Australia.</p>
<p>David Richardson</p> <p><i>Alternate Company Secretary</i></p>	<p>David was appointed alternate Company Secretary to Melanie Hedges on 25 May 2006 and resigned on 14 August 2009.</p> <p>David joined Babcock & Brown in 2005 as Company Secretary for a number of the Specialised Funds and was responsible for the company secretarial function for the respective Boards and Committees, as well as the corporate governance requirements within those Funds. David is currently Company Secretary of Infigen Energy Limited (formerly Babcock & Brown Wind Partners Limited). Prior to joining Babcock & Brown, David was a Company Secretary within the AMP Group. David holds a Diploma of Law, Bachelor of Economics and a Graduate Diploma in Company Secretarial Practice. David is a Member of Chartered Secretaries Australia.</p>

Details regarding interests in securities held by Directors are disclosed in Note 28 on page 65 of the attached financial report.

Meetings of Directors

The number of Directors' meetings (including meetings of the committees) and the number of meetings attended by each of the Directors during the financial year were:

Director	BBRLPL Board		BBRLPSL Board		Audit, Risk & Compliance Committee		Nomination, Governance & Remuneration Committee	
	A	H	A	H	A	H	A	H
M Maxwell	19	19	18	18	4	4	1	1
M Balkin ¹	17	17	16	16	n/a	n/a	n/a	n/a
R Wright	19	19	18	18	4	4	1	1
R Gelski	19	19	18	18	4	4	1	1
C Langford	19	19	n/a	n/a	n/a	n/a	n/a	n/a

A - Number of meetings attended.

H - Number of meetings held during the year at the time the director held office.

n/a – Director not on board / committee

¹ Resigned 7 April 2009.

Principal Activities

The principal activity of the Group during the year consisted of residential land subdivision and property development in the geographical areas of Australia and New Zealand.

Dividends / distributions

There were no dividends or distributions declared during the year ended 30 June 2009 (2008: \$14.4 million). The June 2008 dividend / distribution was paid on 29 August 2008.

Environmental Regulation

BBRLP's operations are subject to environmental regulations under both Commonwealth and State legislation.

The Directors monitor compliance with environmental regulations. To the best of their knowledge the Directors are not aware of any significant breaches during the period covered by this report

Review of Operations and significant changes in the state of affairs

The Group recorded a net loss after tax of \$26,605,000 for the year ended 30 June 2009 (2008: profit: \$7,662,000).

The deteriorating global economic conditions in the first half of the financial year which saw a downturn in residential real estate markets across both Australia and New Zealand have shown signs of stabilising. The initial impact of the downturn was mainly felt in slower sales rates in the Group's controlled projects as well as those where the Group has a preferred equity position. The second half of the financial year has seen improved sales rates across projects in the portfolio, with the Victorian projects leading the way. The NSW regional markets also displayed initial signs of improvement over recent historical performance. The current period result reflects provisioning made at December and in June against both inventory and loans receivable to record these balances at their respective recoverable amounts.

Review of Operations and significant changes in the state of affairs (continued)

	Profit after income tax ("Statutory basis")		Profit after income tax ("Underlying profit")	
	30 Jun 2009	30 Jun 2008	30 Jun 2009	30 Jun 2008
	\$'000s	\$'000s	\$'000s	\$'000s
Net profit/(loss) before tax, realised gain on derivatives, and unrealised foreign exchange gain / (loss)	(34,860)	11,395	(4,519)	11,733
Unrealised foreign exchange loss	(2,081)	(1,985)	-	-
Realised gain on derivative financial instruments	1,245	-	-	-
Profit/(loss) before tax	(35,696)	9,410	(4,519)	11,733
Income tax (expense)/benefit	9,091	(1,748)	2,639	(2,445)
Net profit/(loss) after tax	(26,605)	7,662	(1,880)	9,288

The difference between "Statutory basis" and "Underlying profit" is represented by the items disclosed in Note 4 (b).

As at 30 June 2009, the Group has a deficiency of current liabilities over current assets of \$149,342,000. This deficiency is largely due to the classification of the corporate facility, the Babcock & Brown facility, and certain project facilities as current. This classification is required as these facilities expire within the next twelve months. The Group has also experienced deterioration in its underlying operational performance and cashflows relative to the prior year which has resulted in negative cashflow for the period.

The continuing viability of the Group and its ability to continue as a going concern and meet its debts as they fall due are dependent upon the Group being successful in the following:

- The ability of the Group to extend or refinance the existing corporate facility, which expires on 28 June 2010. Initial discussions have commenced with the Group's primary financier and although at a preliminary stage early sentiment has been positive. Its willingness to work with management was clearly demonstrated via the provision of the short term bridging facility as disclosed in Note 2 of the financial statements.
- The ability of the Group to extend or refinance certain project facilities due to mature over the coming 12 months. The Group's primary financier has acknowledged the need for the restructuring of certain project facilities, and have already demonstrated this via the relaxation of covenants around sales rates and loan to value ratios. This has arisen due to the current state of the residential property market with deteriorating asset values and a slow down in sales stemming from a lack of consumer confidence. The Group will require continued support from its financiers in relation to these issues. Indications are such that the Directors are of the opinion that this will be achieved and will enable the Group to continue to develop these assets with access to the appropriate debt funding as required.

The Directors have considered the impact of these matters and have concluded that the financial report should be prepared on a going concern basis. No adjustments have been made relating to the recoverability or classification of assets and liabilities that might be necessary should the consolidated entity not continue as a going concern.

Likely Developments & Expected Results of Operations

Disclosure of information regarding likely developments in the operations and business strategy of Babcock & Brown Residential Land Partners in future financial years, and the expected results of those operations and strategies, is likely to result in unreasonable prejudice to Babcock & Brown Residential Land Partners. Accordingly, this information has not been disclosed in this report.

Matters Subsequent to the End of the Year

BBRLP has reached agreement to sell the remaining 50% interest in the Ascot Chase project. It is anticipated that settlement will occur in the first quarter of financial year 2010. As such the receivable has been classified as current and a provision recorded to reflect the recoverable amount. As this settlement has taken longer than anticipated BBRLP has continued to fund the development cost at the project level. In order to provide this funding our corporate financier has approved a bridging facility totalling \$8,000,000 which is repayable upon settlement of the Ascot Chase project.

On 11 June 2009, BBRLP announced that it had reached an in principle agreement with Babcock & Brown International Pty Ltd (B&B) to either acquire or terminate the management rights for a nominal sum. Documentation is progressing to formally record the commercial terms of the separation.

David Wightman was appointed Chief Executive Officer from 3 July 2009 with finance, administration and operational personnel transferring employment effective 1 August 2009.

Since the end of the year, the Directors of the Company are not aware of any other matter or circumstance not otherwise dealt with in this report or the financial statements that has significantly or may significantly affect the operations of the Group, the results of those operations, or state of the Group's affairs in future financial years.

Indemnification of Officer and Auditors

BBRLP has agreed to indemnify its Directors and Officers against losses incurred in their role as Director or Secretary of BBRLP or its subsidiaries, subject to certain exclusions, including to the extent that such indemnity is prohibited by law. The agreement stipulates that BBRLP will meet the full amount of any liabilities incurred by the relevant officer in his/her capacity as an officer of the Company or any subsidiary (including reasonable legal fees). BBRLP has not been advised of any claims under any of these indemnities.

Since the date of commencement, BBRLP has not indemnified or made a relevant agreement for indemnifying against a liability any person who is or has been an auditor of BBRLP.

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

Proceedings on Behalf of the Company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of Babcock & Brown Residential Land Partners, or to intervene in any proceedings to which Babcock & Brown Residential Land Partners is a party, for the purpose of taking responsibility on behalf of Babcock & Brown Residential Land Partners for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of Babcock & Brown Residential Land Partners with leave of the Court under section 237 of the *Corporations Act 2001*.

Remuneration Report

Under the Corporations Act 2001 only disclosing entities that are companies are required to prepare a remuneration report. Accordingly, this report is only required to address remuneration disclosures applicable to BBRLPL (the Company), as BBRLPT (the Trust) is not an Australian listed company. Furthermore, the Responsible Entity (RE) of the Trust is not a subsidiary of BBRLP and is therefore also outside the scope of this report. Notwithstanding the above, this report addresses the remuneration of Babcock & Brown Residential Land Partners, not just BBRLPL.

The information provided in this remuneration report has been audited as required by section 308(3c) of the Corporations Act 2001. The remuneration report is set out on pages 17 to 21.

All staff who are employed full time in the management of BBRLP or whose employment from time to time relates to BBRLP are Babcock & Brown employees and were remunerated during the 2009 financial year in accordance with Babcock & Brown's remuneration policies.

Key Management Personnel

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

Robert Wright	Independent Chairman
Michael Balkin	Managing Director (resigned 7 April 2009)
Richard Gelski	Independent Non-executive Director
Chris Langford	Independent Non-executive Director
Michael Maxwell	Non-executive Director

David Wightman was appointed to the position of Chief Executive Officer on 3 July 2009. Base remuneration per service agreement is \$400,000. The short term and long term incentive components are yet to be finalised and will be done as part of the new group-wide incentive structure.

Details of fees paid to Directors are outlined in table one (1) below.

During the 2009 financial year BBRLP was assisted in the management of its affairs by the Manager, Babcock & Brown Australia Real Estate Management Pty Ltd (BBAREM). In accordance with the Management Agreement, the Manager provides management services, including identifying and recommending investment opportunities, managing BLP's investments and advising in respect of any exit from those investments.

Under the Management Agreement, BBAREM established a Dedicated Management Team comprising individuals performing the following functions; CEO, CFO and other accounting, tax and treasury personnel; operations management personnel; corporate counsel and company secretary; investor relations; and risk and compliance personnel.

Management Fees

The Management Agreements contain provisions outlining fees payable in exchange for the provision of services in planning, directing, and controlling the activities of BBRLP. The Management Agreements also require the Manager, as a primary obligation, to give priority to the interests of BBRLP and, consequently, the BBRLP Securityholders. The management fee structures specified in those agreements, as outlined below, remained in place until 31 December 2008, at which time the management fee structures were restated and amended. The impact of these fee changes are described below.

Management fee structure up to 31 December 2008

In exchange for the above services, the following fees are payable. These fee arrangements were fully disclosed to investors in the prospectus.

Manager's Expense fee: BBAREM is entitled to be reimbursed for amounts properly incurred in connection with the exercising its powers or the performing of its duties in the day-to-day operation and management of BBRLP's investments.

Base Management fee: A fee equal to 1% p.a. of the Net Investment Value (NIV) of BBRLP, where NIV is defined as;

- Average market capitalisation of BBRLP
- Plus sum of external debt of BBRLP (but not including debt of operating or project entities wholly owned by BBRLP)
- Plus sum of firm commitments to future investments by BBRLP
- Less uncommitted cash of BBRLP (including its wholly owned entities) but excluding cash of operating or project vehicles wholly owned by BBRLP
- Less the book value of any BBRLP assets which are not managed by a Babcock & Brown entity.

Performance Management fee: A fee equal to 20% of the percentage excess return of Stapled Securities over the S&P/ASX 300 Real Estate Accumulation Index (IRESS Code = K4040AI.ASX) for the preceding half year, multiplied by the BBRLP market capitalisation at the half year end. No fee is payable where if BBRLP's Stapled Security price is lower than the Stapled Security price at the end of the immediately preceding six month calculation period.

Custodian fee: A fee equal to 0.0125% p.a. of the assets of the Trust, for providing custody services to the Trust.

Asset Identification and Asset Facilitation fee: A fee equal to 1.0% of gross investment value of the asset, for finding and managing the acquisition of an investment.

Asset Due Diligence Facilitation fee: A fee equal to 0.4% of gross investment value of the asset, for due diligence on proposed investments.

Disposal fee: A fee equal to 1.0% of the gross sale value of a property sold for the sale of at least 25% of a development project. This fee does not apply to individual lot sales.

Debt Arrangement fee: A fee equal to 0.75% of total project costs funded, for the arrangement of a debt facility.

Management fee structure from 31 December 2008

On 6 April 2009, as part of the Group's restructure of its finance facilities, Babcock & Brown agreed to retrospectively amend its management fee structure at 31 December 2008. From 31 December 2008 Babcock & Brown has agreed to waive the right to the above fees arising from that date, and since that date has instead agreed to levy a substantially reduced charge. Whilst the fund continues to be managed by BBAREM, it has been agreed that the fee charged by Babcock & Brown now be calculated as a reimbursement of employees direct costs engaged in the management of BBRLP. BBAREM's management services continues to include the infrastructure necessary for BBRLP to carry on a business, including the use of business premises, IT software and support, and secretarial functions, in addition to employees assigned to BBRLP.

Staff Remuneration

During the year ended 30 June 2009, BBRLP did not employ its Company Secretary or any executives and therefore does not directly remunerate its executives. This is a consequence of the Management Agreements that have been entered into with Babcock & Brown Residential Land Partners Management Pty Ltd (the "Manager"), dated June 2006.

As BBRLP executives are employed by Babcock & Brown a number of these executives have been actively engaged in working both within BBRLP and Babcock & Brown and accordingly the remuneration arrangements reflect this dual role.

In July 2009 David Wightman became the first employee of BBRLP and as such the BBRLP Boards are considering a number of short and long term incentives and key performance indicators. This process is underway and details will be released once finalised.

Remuneration Policy

The Group aims to attract, retain and motivate highly-specialised and skilled employees who have the expertise to manage Babcock & Brown Residential Land Partners in the best interests of the securityholders of BBRLP.

Executives

The following persons were Executives of BBRLP during the financial year:

<i>Michael Balkin</i>	Chief Executive Officer (resigned 7 April 2009)
<i>David Wightman</i>	Chief Investment Officer (appointed CEO 3 July 2009)
<i>Stuart Pauly</i>	Chief Financial Officer
<i>Mark Salmon</i>	National Development Manager (resigned 6 July 2009)
<i>Steve Robertson</i>	General Manager, PRM Group

Short-term and long-term Incentives

Key executives of BBRLP were eligible for an award of short-term incentive remuneration during the year. All short term incentive remuneration provided to executives during the year ended 30 June 2009 was paid in cash. Long-term incentives were previously provided by way of equity- and cash-settled share-based payment awards. No share based compensation was granted to executives of BBRLP during the year.

In the prior year, share based payments included amounts attributable to the long term incentive plan options and bonus deferral rights ("share awards"). Both the options and bonus deferral rights entitled the participant to shares in Babcock & Brown Limited. For share awards issued during the year ended 30 June 2008, 50% were exercisable in August 2008 and the remaining 50% in February 2009. These share awards were automatically converted to shares in Babcock & Brown Limited on the exercise date.

Outstanding options granted to executives of BBRLP as at 30 June 2008 were subject to first exercise dates of 18 August 2011 and 25 August 2011 at exercise prices of \$12.95 and \$25.54 per option. During the current year the securities of Babcock & Brown Limited were suspended from quotation on the Australian Securities Exchange on 12 January 2009 and the listing of the ordinary shares was terminated on 18 June 2009. As a consequence, the share-based payment awards are no longer of any benefit to the recipients.

Table 1: Remuneration of Directors and Executives for the Year Ended 30 June 2009.

Details of the nature and amount of each element of the emoluments of the Directors and Executives of BBRLP's Consolidated Entity and Parent Company for the year ended 30 June 2009 are set out in the table below. Directors and Executives are remunerated by an entity related to the Manager of BBRLP.

	Year	Salary \$	Super- annuation \$	Long service leave	Short-term Incentives	Long-term Incentives (share based equity settled) ⁴	Termination benefits	Total \$
Directors								
Michael Maxwell	2009	68,808 ²	6,192	-	-	-	-	75,000
	2008	68,808 ²	6,192	-	-	-	-	75,000
Michael Balkin ¹	2009	- ³	-	-	-	-	-	-
	2008	- ³	-	-	-	-	-	-
Robert Wright	2009	115,844	10,426	-	-	-	-	126,270
	2008	77,983	7,019	-	-	-	-	85,002
Richard Gelski	2009	79,125	7,121	-	-	-	-	86,246
	2008	68,808	6,193	-	-	-	-	75,001
Chris Langford	2009	59,633	5,367	-	-	-	-	65,000
	2008	59,633	5,367	-	-	-	-	65,000
Key management personnel								
Michael Balkin	2009	348,409	13,745	-	-	-	466,540	828,694
	2008	450,000	-	-	-	-	-	450,000
David Wightman	2009	330,000	13,745	5,500	-	-	-	349,245
	2008	300,000	-	-	-	-	-	300,000
Stuart Pauly	2009	250,000	13,745	4,167	37,500	-	-	305,412
	2008	121,377	6,565	2,023	-	-	-	129,965
Mark Salmon	2009	275,000	13,745	4,583	-	-	-	293,328
	2008	262,500	13,129	4,375	240,280	75,057	-	595,341
Stephen Robertson	2009	290,577	13,745	6,074	-	-	-	310,396
	2008	102,466	6,565	1,582	-	-	-	110,613

¹ Mr M Balkin resigned on 7 April 2009.

² Mr M Maxwell was an employee of Babcock & Brown Australia Pty Limited and his role as a director of BBRLP was included in those employment arrangements. Mr Maxwell's employment with Babcock & Brown Australia Pty Limited concluded on 31 October 2008. Since 1 November 2008 Mr Maxwell has been a non executive director of BBRLP and of the fees for the current year Mr Maxwell received directly \$50,000 in this capacity.

³ Mr M Balkin's position as managing director was included as part of the dedicated management team provided by BBAREM under the Management Agreement. No separate director's fees were paid in relation to those services.

⁴ Short-term and long-term Incentives

Executives of BBRLP were eligible for an award of short-term incentive remuneration during the year. All short term incentive remuneration provided to executives during the year ended 30 June 2009 was paid in cash, available immediately to the executive. Long-term incentives were previously provided by way of equity- and cash-settled share-based payment awards. No share based compensation was granted to Executives of BBRLP during the year. In the prior year, share based payments included amounts attributable to the long term incentive plan options and bonus deferral rights ("share awards"). Both the options and bonus deferral rights entitled the participant to shares in Babcock & Brown Limited. For share awards issued during the year ended 30 June 2008, 50% were exercisable in August 2008 and the remaining 50% in February 2009. These share awards were automatically converted to shares in Babcock & Brown Limited on the exercise date.

Outstanding options granted to Executives of BBRLP as at 30 June 2008 were subject to first exercise dates of 18 August 2011 and 25 August 2011 at exercise prices of \$12.95 and \$25.54 per option. During the current year the securities of Babcock & Brown Limited were suspended from quotation on the Australian Securities Exchange on 12 January 2009 and the listing of the ordinary shares was terminated on 18 June 2009. As a consequence, the share-based payment awards are no longer of any benefit to the recipients.

NON-EXECUTIVE DIRECTORS

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

Directors

<i>Robert Wright</i>	Independent Chairman
<i>Michael Balkin</i>	Managing Director (resigned 7 April 2009)
<i>Richard Gelski</i>	Independent Non-executive Director
<i>Chris Langford</i>	Independent Non-executive Director
<i>Michael Maxwell</i>	Non-executive Director

Remuneration Policy and Structure

Independent non-executive Directors' individual fees, including committee fees, are determined by the BBRLP Boards within the aggregate amount approved by Securityholders. The current maximum aggregate amount which may be paid to all Non-Executive Directors is \$600,000 per annum. Babcock & Brown senior executives who are Directors of BBRLP are allocated the same amount of remuneration as the Independent Directors, however these senior executives do not directly receive any remuneration for their role as Director as these amounts are included as part of the fee paid to the Manager.

Independent and Non-Executive 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 payable to Independent and Non-Executive Directors during the year ended 30 June 2009 are set out below:

Board / Committee	\$
Chairman of BBRLP & BBRLPSL	125,000
Director of BBRLP	65,000
Director of BBRLPSL	10,000
Lead Independent/Audit, Risk & Compliance Chairman	10,000

Note: No additional fees are payable for membership of any board committees.

Non-Audit Services

Babcock & Brown Residential Land Partners Audit Independence and Provision of Non-Audit Services by the External Auditor Policy states that the external auditor may not provide non-audit services if the provision of such services would compromise or be perceived to compromise the independence of, or otherwise be in conflict with the role of the statutory auditor. Non-audit services which are or could be perceived to be in conflict include those where the auditor may be acting in the role of management or engagements where the auditor may ultimately be required to express an opinion on its own work.

Non-Audit Services (continued)

Specifically the policy:

- limits the non-audit services that may be provided;
- requires that audit and permitted non-audit services must be pre-approved by the Audit, Risk & Compliance Committee (ARCC), or pre-approved by the Chairman of the ARCC and notified to the ARCC; and
- requires the external auditor to not commence an engagement for the Group, until the Group has confirmed that the engagement has been pre-approved.

The ARCC has reviewed a summary of non-audit services provided by the external auditor for the year ended 30 June 2009, and has confirmed that the provision of non-audit services for 2009 is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. On advice from the ARCC, the Directors are satisfied that the auditor did not compromise the auditor's independence requirements of the *Corporation Act 2001*. The external auditor has confirmed to the ARCC that it has maintained its independence in accordance with their firm requirements, with the provisions of APES110 – Code of Ethics for Professional Accountants and with the applicable provisions of the *Corporations Act 2001*, for the year ended 30 June 2009.

Amounts paid or payable to the PricewaterhouseCoopers Australian firm for non-audit services provided during the year amounted to \$25,000 in relation to taxation services.

Auditor's Independence Declaration

The auditor's independence declaration is included on page 23.

Rounding of Amounts

The Company is of a kind referred to in ASIC Class Order 98 / 0100, issued by the Australian Securities & Investments Commission, relating to the "rounding off" of amounts in the Directors' Report. Amounts in the Directors' Report and Financial Report have been rounded off in accordance with this Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Auditor

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

Signed in accordance with a resolution of the Directors made pursuant to s.298 (2) of the *Corporations Act 2001*.



Robert Wright

On behalf of the Directors

Sydney, 28 August 2009

PricewaterhouseCoopers
ABN 52 780 433 757

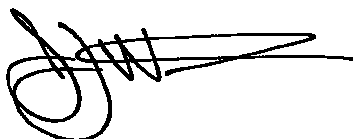
Darling Park Tower 2
201 Sussex Street
GPO BOX 2650
SYDNEY NSW 1171
DX 77 Sydney
Australia
Telephone +61 2 8266 0000
Facsimile +61 2 8266 9999
www.pwc.com/au

Auditor's Independence Declaration

As lead auditor for the audit of Babcock & Brown Residential Land Partners Limited 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 & Brown Residential Land Partners Limited and the entities it controlled during the period.



AJ Wilson
Partner

Sydney
28 August 2009

Consolidated Income Statements

For the year ended 30 June 2009

		Consolidated	Consolidated	Parent	Parent
		Year ended	Year ended	Year ended	Year ended
		30-Jun-09	30-Jun-08	30-Jun-09	30-Jun-08
		\$'000	\$'000	\$'000	\$'000
Revenue from continuing operations	Note 4	47,528	44,102	10,329	8,326
Other income	Note 4	2,529	5,118	81	-
Total income		50,057	49,220	10,410	8,326
Cost of sales		(39,957)	(26,873)	(1,139)	(275)
Management charges	Note 5	(3,789)	(4,905)	(3,463)	(4,290)
Marketing & other operating expenses	Note 5	(4,541)	(1,778)	(1,510)	(11)
Operating profit		1,770	15,664	4,298	3,750
Finance costs	Note 5	(14,792)	(5,003)	(17,201)	(7,057)
Impairment of loans receivable	Note 4	(21,101)	-	-	-
Impairment of goodwill	Note 4	(1,691)	-	-	-
Share of profit of equity accounted investments		954	734	-	-
Profit/(loss) before tax, realised gain on derivatives, and unrealised foreign exchange gain/(loss)		(34,860)	11,395	(12,903)	(3,307)
Realised gain on derivative financial instruments		1,245	-	1,245	-
Unrealised foreign exchange gain/(loss)		(2,081)	(1,985)	2,615	-
Profit/(loss) before tax		(35,696)	9,410	(9,043)	(3,307)
Income tax (expense)/benefit	Note 8	9,091	(1,748)	2,646	1,002
Net profit/(loss) after tax		(26,605)	7,662	(6,397)	(2,305)
Minority interest		309	(18)	-	-
Net profit/(loss) after tax attributable to members of the parent		(26,296)	7,644	(6,397)	(2,305)
Net profit after tax attributable to stapled security holders as:					
Equity holders of the parent		(18,568)	(2,565)	(6,397)	(2,305)
External minority interest		(309)	18	-	-
Equity holders of the other stapled entity (minority interest)		(7,728)	10,209	-	-
		(26,605)	7,662	(6,397)	(2,305)
Basic earnings / (loss) per security (cents)	Note 7	(14.95)	4.37	-	-
Diluted earnings / (loss) per security (cents)	Note 7	(14.95)	4.37	-	-

The above Income Statements should be read in conjunction with the accompanying notes.

Consolidated Balance Sheets

As at 30 June 2009

		Consolidated	Consolidated	Parent	Parent
		As at	As at	As at	As at
		30-Jun-09	30-Jun-08	30-Jun-09	30-Jun-08
		\$'000	\$'000	\$'000	\$'000
Current assets					
Cash	Note 9	1,009	1,211	1,097	672
Receivables	Note 10	15,492	4,272	105	123
Inventories	Note 11	50,063	72,981	1,905	1,193
Other financial assets at fair value	Note 12	-	1,220	-	-
Assets held for sale	Note 13	-	-	-	-
Other assets	Note 10	2,763	3,704	761	155
Total current assets		69,327	83,388	3,868	2,143
Non-current assets					
Loans receivable	Note 10	97,589	99,474	165,815	151,589
Inventories	Note 11	187,663	259,602	2,756	4,773
Equity accounted investments	Note 14	14,263	13,309	-	-
Other financial assets at fair value	Note 12	4,733	6,499	-	-
Deferred tax assets	Note 8	7,819	-	5,156	1,946
Property, plant and equipment	Note 16	176	197	-	-
Intangible assets	Note 17	1,848	3,539	-	-
Total non-current assets		314,091	382,620	173,727	158,308
Total assets		383,418	466,008	177,595	160,451
Current liabilities					
Trade and other payables	Note 18	9,877	9,380	8,467	5,245
Provisions	Note 19	160	28	105	-
Interest bearing liabilities	Note 20	205,844	36,193	121,220	7,593
Other financial liabilities	Note 21	2,788	914	2,745	873
Distribution payable	Note 6	-	7,219	-	-
Total current liabilities		218,669	53,734	132,537	13,711
Non-current liabilities					
Payables	Note 22	2,000	2,000	-	-
Provisions	Note 19	37	32	-	-
Borrowings	Note 20	7,673	19,234	58,136	49,161
Deferred tax liabilities	Note 8	-	1,828	-	-
Interest bearing liabilities	Note 20	36,369	242,840	-	100,339
Other financial liabilities	Note 21	34	77	-	-
Total non-current liabilities		46,113	266,011	58,136	149,500
Total liabilities		264,782	319,745	190,673	163,211
Net assets		118,636	146,263	(13,078)	(2,760)
Equity holders of the parent					
Contributed equity	Note 23	1,656	1,653	1,656	1,653
Reserves	Note 24	(1,921)	(611)	(1,921)	(611)
Retained earnings/ (accumulated losses)	Note 25	(28,453)	(9,621)	(12,813)	(3,802)
		(28,718)	(8,579)	(13,078)	(2,760)
Equity holders of the Other Stapled Entity					
Contributed equity	Note 23	162,448	162,163	-	-
Reserves	Note 24	-	-	-	-
Retained earnings/ (accumulated losses)	Note 25	(14,848)	(7,370)	-	-
		147,600	154,793	-	-
External minority interest		(246)	49	-	-
Total equity		118,636	146,263	(13,078)	(2,760)

The above Balance Sheets should be read in conjunction with the accompanying notes.

Consolidated Statements of Changes in Equity

For the year ended 30 June 2009

	Consolidated	Consolidated	Parent	Parent
	Year ended	Year ended	Year ended	Year ended
	30-Jun-09	30-Jun-08	30-Jun-09	30-Jun-08
	\$'000	\$'000	\$'000	\$'000
Total equity at the beginning of the year	146,263	153,642	(2,760)	5,425
Effect of changes in accounting for deferred tax asset	Note 36	-	-	(5,277)
Reallocation of prior period fx hedge to head entity	Note 36	-	(2,615)	-
Restated total equity at the beginning of the year	146,263	153,642	(5,375)	148
Net income and expenses recognised in equity:				
Changes in fair value of cash flow hedges	(1,310)	(611)	(1,310)	(611)
Profit/(loss) for the year	(26,605)	7,662	(6,397)	(2,305)
Total recognised income and expense for the year	(27,915)	7,051	(7,707)	(2,916)
Total recognised income and expenses for the period is attributable to :				
Equity holders of the Parent	(19,878)	(3,176)	(7,707)	(2,916)
External minority interest	(309)	18	-	-
Equity holders of the other Stapled Entity	(7,728)	10,209	-	-
	(27,915)	7,051	(7,707)	(2,916)
Transactions with equity holders in their capacity as equity holders:				
Distribution reinvestment plan	Note 23	288	-	4
Transaction costs		-	8	8
Dividends / distributions paid or provided for	Note 6	-	(14,438)	-
Total equity at end of the year	118,636	146,263	(13,078)	(2,760)

The above Statements of Changes in Equity should be read in conjunction with the accompanying notes.

Consolidated Cash Flow Statements

For the year ended 30 June 2009

	Consolidated	Consolidated	Parent	Parent
	Year ended	Year ended	Year ended	Year ended
	30-Jun-09	30-Jun-08	30-Jun-09	30-Jun-08
	\$'000	\$'000	\$'000	\$'000
Cash flows from operating activities				
Cash receipts in the course of operations	34,335	34,150	17	-
Cash payments in the course of operations	(27,129)	(129,857)	(2,505)	(2,915)
Interest received	157	239	71	66
Interest paid	(15,094)	(10,489)	(10,062)	(3,844)
Distribution from joint ventures and associates	-	932	-	-
Net cash (outflow) from operating activities Note 33	(7,731)	(105,025)	(12,479)	(6,693)
Cash flows from investing activities				
Loans Receivable - funding	(16,769)	(43,925)	(5,251)	(83,039)
Loans Receivable - payments received	13,724	-	-	-
Payments for purchase of property, plant and equipment	(4)	-	-	-
Payments for purchase of subsidiary and associates	-	(16,013)	-	(16,013)
Cash in entities deconsolidated	(306)	-	-	-
Net cash (outflow)/inflow from investing activities	(3,355)	(59,938)	(5,251)	(99,052)
Cash flows from financing activities				
Proceeds from borrowings	38,988	197,430	18,155	100,487
Repayment of borrowings	(23,273)	(25,873)	-	-
Dividends & distributions paid	(6,931)	(13,781)	-	-
Vendor loans repaid / (provided)	2,100	(452)	-	-
Net cash inflow from financing activities	10,884	157,324	18,155	100,487
Net increase in cash assets held	(202)	(7,639)	425	(5,258)
Cash and cash equivalents at the beginning of the year	1,211	8,850	672	5,930
Cash and cash equivalents at the end of the year Note 9	1,009	1,211	1,097	672
Non-cash financing and investing activities Note 34	(288)	-	-	-

The above Cash Flow Statements should be read in conjunction with the accompanying notes.

Note 1. Summary of Significant Accounting Policies

Babcock & Brown Residential Land Partners ("BBRLP" or the "Group") was established for the purpose of joint quotation of Babcock & Brown Residential Land Partners Limited and its controlled entities ("BBRLPL" or the "Company") and Babcock & Brown Residential Land Partners Trust and its controlled entities ("BBRLPT" or the "Trust") on the Australian Securities Exchange. Both the Company and the Trust were incorporated/formed and are domiciled in Australia.

The shares of BBRLPL and the units in BBRLPT are combined and issued as stapled securities in Babcock & Brown Residential Land Partners ("BBRLP" 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 principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied, unless otherwise stated.

a) Basis of preparation

This general purpose financial report has been prepared in accordance with the Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*.

Compliance with IFRS

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

Historical cost convention

These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain assets and liabilities (including derivative financial instruments) which have been measured at fair value through profit and loss.

The financial report is presented in Australian dollars.

Going concern basis of preparation

As at 30 June 2009, the Group has a deficiency of current liabilities over current assets of \$149,342,000. This deficiency is largely due to the classification of the corporate facility, the Babcock & Brown facility, and certain project facilities as current. This classification is required as these facilities expire within the next twelve months. The Group has also experienced deterioration in its underlying operational performance and cashflows relative to the prior year which has resulted in negative cashflow for the period.

The continuing viability of the Group and its ability to continue as a going concern and meet its debts as they fall due are dependent upon the Group being successful in the following:

- The ability of the Group to extend or refinance the existing corporate facility, which expires on 28 June 2010. Initial discussions have commenced with the Group's primary financier and although at a preliminary stage early sentiment has been positive. Its willingness to work with management was clearly demonstrated via the provision of the short term bridging facility as disclosed in Note 2 of the financial statements.
- The ability of the Group to extend or refinance certain project facilities due to mature over the coming 12 months. The Group's primary financier has acknowledged the need for the restructuring of certain project facilities, and have already demonstrated this via the relaxation of covenants around sales rates and loan to value ratios. This has arisen due to the current state of the residential property market with deteriorating asset values and a slow down in sales stemming from a lack of consumer confidence. The Group will require continued support from its financiers in relation to these issues. Indications are such that the Directors are of the opinion that this will be achieved and will enable the Group to continue to develop these assets with access to the appropriate debt funding as required.

Note 1: Summary of Significant Accounting Policies (continued)

Going concern basis of preparation (continued)

As a result of these matters, there is significant uncertainty whether the Group will continue as a going concern and therefore, whether it will realise its assets and settle its liabilities and commitments in the normal course of business and at the amounts stated in the financial statements. However the Directors believe that the group will be successful in the above matters and accordingly, have prepared the financial statements on a going concern basis. Therefore the Directors are of the opinion that no asset is likely to be realised for an amount less than the amount at which it is recorded in the financial statements at 30 June 2009. Accordingly, no adjustments have been made to the financial statements relating to the recoverability and classification of the asset carrying amounts or the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

b) Principles of consolidation

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

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Babcock & Brown Residential Land Partners Limited ("BBRLPL") (deemed "parent entity") as at 30 June 2009. BBRLPL and its subsidiaries together with Babcock & Brown Residential Land Partners Trust ("BBRLPT") and its subsidiaries are together referred to in this financial report as the Group.

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

Subsidiaries are fully consolidated from the date on which control is transferred to the Group, and up to the date on which control ceases.

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

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

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

Investments in subsidiaries are accounted for at cost in the individual financial statements of Babcock & Brown Residential Partners Limited.

c) Segment reporting

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

Note 1: Summary of Significant Accounting Policies (continued)**d) Revenue recognition**

Revenue is measured at the fair value of consideration received or receivable. Amounts disclosed as revenues are net of trade allowances, amounts collected on behalf of third parties and net of the amount of goods and services tax ("GST") levied.

Revenue is recognised for the major business activities as follows:

Property development sales

Revenue from residential land sales is recognised in the income statement upon settlement and after contractual obligations are complete.

Vendor-financed sales are recognised net of any discounted amounts arising on the measurement of vendor financing arrangements.

Interest income

Interest income is recognised in the income statement as it accrues using the effective interest method.

Dividends/Distributions

Revenue from dividends/distributions from controlled entities and other investments are recognised in the income statement on the date the entity's right to receive payment is established, being the date when they are declared by those entities. Dividends/distributions received out of pre-acquisition reserves are eliminated against the carrying amount of the investment and not recognised in revenue.

e) Income tax

The income tax expense or revenue for the period is the tax payable on the current year's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Tax consolidation legislation

Babcock & Brown Residential Land Partners Limited and its wholly owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, Babcock & Brown Residential Land Partners Limited, and the controlled entities in the tax consolidated group account for their current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Babcock & Brown Residential Land Partners Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidation group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group. Details about the tax funding agreement are disclosed in Note 8.

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

Note 1: Summary of Significant Accounting Policies (continued)**f) Impairment of assets**

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that the carrying amount may not be recoverable. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Non-financial assets other than goodwill that suffered impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

h) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for in the parent entity financial statements using the cost method and in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition (refer to Note 26).

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in the parent entity's income statement, while in the consolidated financial statements they reduce the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

i) Inventories*(i) Land held for resale/capitalisation of borrowing costs*

Land held for resale is stated at the lower of cost and net realisable value. Cost is assigned by specific identification and includes the cost of acquisition, and development and borrowing costs during development. When development is completed borrowing costs and other holding charges are expensed as incurred.

Borrowing costs included in the cost of land held for resale are those costs that would have been avoided if the expenditure on the acquisition and development of the land had not been made. Borrowing costs incurred while active development is interrupted for extended periods are recognised as expenses.

j) Investments and other financial assets**Classification**

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, or loans and receivables. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

(i) Financial assets at fair value through profit or loss

Other investments, excluding investment in subsidiaries, are designated as assets held at fair value. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets and non current assets.

(ii) 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 are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in receivables (Note 10) in the balance sheet.

Note 1: Summary of Significant Accounting Policies (continued)**j) Investments and other financial assets (continued)****Recognition and derecognition**

Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Subsequent measurement

Loans and receivables are carried at amortised cost less impairment using the effective interest method.

Financial assets at fair value through profit and loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within other income or other expenses in the period in which they arise.

Dividend income from financial assets at fair value through profit and loss is recognised in the income statement as part of revenue from continuing operations when the Group's right to receive payment is established.

Details on how the fair value of financial instruments is determined are disclosed in Note 2.

Impairment

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. For financial assets where management's estimate of expected future cashflows is less than the original estimated future cashflows, this is considered objective evidence that an impairment may have been incurred. If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is then reduced either directly or through use of an allowance account. The amount of the loss is recognised in profit or loss.

k) Payables

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

l) Provisions

A provision is recognised when a present legal, equitable or constructive obligation exists as a result of a past event, the amount of which can be reliably estimated and it is probable that a future sacrifice of economic benefits will be required to settle the obligation, the timing or amount of which is uncertain.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Dividends and Distributions

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

m) Interest bearing loans and borrowings

All loans and notes payable are initially recorded at the fair value of the consideration received, net of transaction costs. After initial recognition, interest-bearing loans and borrowings are stated at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the borrowings using the effective interest rate method. Amounts classified as borrowings represent interest bearing loans provided by minority interest partners, whilst interest bearing liabilities represent interest bearing debt funding from external parties.

Note 1: Summary of Significant Accounting Policies (continued)**n) Borrowing costs**

Borrowing costs are interest and other costs incurred by an entity in connection with the borrowing of funds. Borrowing costs are expensed as incurred except to the extent that they are directly attributable to the acquisition, construction or production of a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. In these circumstances, borrowing costs are capitalised to the costs of the asset. Capitalisation of borrowing costs shall be suspended during extended periods in which active development is interrupted. Where funds are borrowed specifically for the acquisition or construction of a qualifying asset, the amount of borrowing costs capitalised are those incurred in relation to that borrowing. To the extent that funds are borrowed generally, the amount of borrowing costs capitalised is calculated by applying a capitalisation rate to the expenditures on that asset.

o) Contributed equity

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

p) Goods and services tax

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

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

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

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

q) Earnings per security

Basic earnings per security are calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than ordinary securities), divided by the weighted average number of ordinary securities, adjusted for any bonus element.

Diluted earnings per security is calculated as net profit attributable to equity holders of the parent, adjusted for:

- costs of servicing equity (other than ordinary securities);
- the after tax effect of distributions and interest associated with dilutive potential ordinary distributions which have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary securities;
- divided by the weighted average number of ordinary securities and dilutive potential ordinary securities, adjusted for any bonus element.

r) Rounding of amounts

The Company is of the kind referred to in Class Order 98/0100 (as amended), 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 to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

Note 1: Summary of Significant Accounting Policies (continued)

s) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2009 reporting periods. The Directors' assessment of the impact of these new standards (to the extent relevant to the Trust) and interpretations is set below:

- i. **AASB 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8 (effective from 1 January 2009)** AASB 8 requires the adoption of a 'management approach' to reporting on financial performance. Segments will be reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker. The Group will adopt AASB 8 from 1 July 2009. Application of these standards will not affect any of the amounts recognised in the financial statements, but will affect the segment disclosures provided in Note 3.
- ii. **Revised AASB 123 Borrowing Costs and AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123 (effective from 1 January 2009)** The revised AASB 123 has removed the option to expense all borrowing costs and – when adopted – will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. There will be no impact on the financial report of the Group, as the Group already capitalises borrowing costs relating to qualifying assets.
- iii. **Revised AASB 101 Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101 (effective from 1 January 2009)** The revised AASB 101 requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not effect any of the amounts recognised in the financial statements. If an entity has made any prior period adjustments or has reclassified items in the financial statements, it will need to disclose a third balance sheet, this one being as at the beginning of the comparative period. The Group will apply the revised standard from 1 July 2009.
- iv. **Revised AASB 3 Business Combinations, AASB 127 Consolidated and Separate Financial Statements and AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 (effective 1 July 2009)** The revised AASB 3 continues to apply the acquisition method to business combinations, but with some significant changes. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently remeasured through the income statement. There is a choice on an acquisition by acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs must be expensed.

The revised AASB 127 requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value, and a gain or loss is recognised in profit or loss.

The Group will apply the revised standards prospectively to all business combinations and transactions with non-controlling interests from 1 July 2009.

- v. **AASB 2008-6 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (effective 1 July 2009).** The amendments to AASB 5 *Discontinued Operations* and AASB 1 *First-Time Adoption of Australian-Equivalents to International Financial Reporting Standards* are part of the IASB's annual improvements project published in May 2008. They clarify that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control. The Group will apply the amendments prospectively to all partial disposals of subsidiaries from 1 July 2009.

Note 1: Summary of Significant Accounting Policies (continued)**s) New accounting standards and interpretations (continued)**

- vi. **AASB 2008-7 Amendments to Australian Accounting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (effective 1 July 2009).** In July 2008, the AASB approved amendments to AASB 1 *First-time Adoption of International Financial Reporting Standards* and AASB 127 *Consolidated and Separate Financial Statements*. The Group will apply the revised rules prospectively from 1 July 2009. After that date, all dividends received from investments in subsidiaries, jointly controlled entities or associates will be recognised as revenue, even if they are paid out of pre-acquisition profits, but the investments may need to be tested for impairment as a result of the dividend payment. Under the Group's current policy, these dividends are deducted from the cost of the investment. Furthermore, when a new intermediate parent is created in internal reorganisations it will measure its investment in subsidiaries at the carrying value of the net assets of the subsidiary rather than the subsidiary's fair value.
- vii. **AASB Interpretation 15 Agreements for the Construction of Real Estate (effective 1 January 2009)** AASB-I 15 clarifies whether AASB 118 *Revenue* or AASB 111 *Construction Contracts* should be applied to particular transactions. The Group intends to apply the interpretation from 1 July 2009. It has reviewed its current agreements for the sale of real estate in light of the new guidance and concluded that there would be no change to the accounting for these agreements if AASB-I 15 was adopted in the current financial year. Consequently, it does not expect to make any adjustment on the initial application of AASB-I 15.
- viii. **AASB Interpretation 17 Distribution of Non-cash Assets to Owners and AASB 2008-13 Amendments to Australian Accounting Standards arising from AASB Interpretation 17** AASB-I 17 applies to situations where an entity pays dividends by distributing non-cash assets to its shareholders. These distributions will need to be measured at fair value and the entity will need to recognise the difference between the fair value and the carrying value of the distributed assets in the income statement on distribution. The interpretation further clarifies when a liability for the dividend must be recognised and that it is also measured at fair value. The Group will apply the interpretation prospectively from 1 July 2009.

Note 1: Summary of Significant Accounting Policies (continued)**t) Critical accounting estimates and judgements**

The Group makes estimates and assumptions concerning the future. Estimates and assumptions that have that may materially affect financial results or the financial position in future periods include the following:

Inventories

Inventories are stated at the lower of cost or net realisable value, which have been determined using forecast feasibility estimates. These frequent feasibility estimates require the application of estimations around sales volume rates, selling prices and financing costs over the life of each project.

The basis for which inventory is carried in the financial statements is disclosed in Note 1(i), whilst the carrying values of inventory are disclosed in Note 11.

Estimated impairment of intangible assets

The Group tests whether there is any impairment of intangible assets annually, in accordance with the accounting policy stated in note 1(f). The recoverable amounts of cash generating units have been determined based on value in use calculations. These calculations require the use of assumptions, including forecast cash flows and a discount factor.

Refer to Note 17 for further disclosure on the assumptions used to test impairment.

Estimated impairment of loans receivable

The Group assesses at each balance date whether there is objective evidence that any of the loans receivable are impaired in accordance with the accounting policy stated in note 1(j). This requires the use estimates and assumptions surrounding the forecast feasibility estimates of the underlying projects to which these loans relate.

Refer to Note 10 for further disclosure on the assumptions used to test impairment.

Income tax

In addition the Group has recognised deferred tax assets relating to carry forward tax losses. Refer to Note 8 for further disclosure.

u) Employee benefits*(i) Wages and salaries, annual leave and sick leave*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after reporting date are discounted to present value.

Note 1: Summary of Significant Accounting Policies (continued)

v) Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Depreciation is calculated using the straight-line method to allocate an asset's cost or re-valued amount, net of their residual values, over its estimated useful life, as follows:

- Office Equipment	7-15 years
- Office Equipment – Finance Lease	4-20 years
- Fitout – Finance Lease	10-20 years
- Capitalised Software	3 years
- Computer Equipment	1-3 years
- Officer Furniture	8-15 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(f)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

w) Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- i) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges), or
- ii) hedges of the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges)

The Group documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative financial instruments used for hedging purposes are disclosed in Note 12. Movements in the hedging reserve in shareholders' equity are shown in Note 24. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

(i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The gain or loss relating to the effective portion of interest rate collars hedging fixed rate borrowings is recognised in the income statement within finance costs, together with changes in the fair value of the hedged fixed rate borrowings attributable to interest rate risk. The gain or loss relating to the ineffective portion is recognised in the income statement within other income or other expenses.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedge item for which the effective interest method is used is amortised to profit or loss over the period to maturity using a recalculated effective interest rate.

Note 1: Summary of Significant Accounting Policies (continued)**w) Derivatives and hedging activities (continued)****(ii) Cash flow hedge**

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

Amounts accumulated in equity are recycled to the income statement in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate collars hedging variable rate borrowings is recognised in the income statement within 'unrealised foreign exchange gain / (loss)'. The gain or loss relating to the effective portion of forward foreign exchange contracts hedging future cashflows on foreign loan receivables is recognised in the income statement within 'unrealised foreign exchange gain / (loss)'.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

x) Foreign currency translation*i) Functional and presentation currency*

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

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation. Translation differences on financial assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss.

y) Business combinations

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

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as an intangible asset (refer to Note 17). If the cost of acquisition is less than the Group's share of the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

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

Note 2. Financial risk management

The Group's and Parent entity's activities are exposed to a variety of financial risks: market risk (including currency risk, interest rate risk, and equity price risk), credit risk and liquidity risk.

This note presents information about the Group's and Parent entity's exposure to each of the above risks, the Group's and Parent entity's objectives, policies and processes for measuring and managing risk and the Group's and Parent entity's management of capital. Further quantitative disclosures are included throughout this financial report.

The Group's and Parent entity's principal financial instruments subject to financial risk include cash, receivables, derivative financial instruments, other financial assets at fair value, payables, distributions payable, and interest bearing debt.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established the Audit, Risk & Compliance Committee (AR&C Committee), which is responsible for identifying, managing and monitoring the key risks to the business. The AR&C Committee meets regularly and reports to the Board of Directors on its activities.

The responsibility for operational risk management has been delegated by the Board to the Chief Financial Officer (CFO). Specifically, the Board has established a Treasury Policy which focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The policy contains principles for overall risk management and policies covering specific areas including the mitigation of foreign exchange, interest rate, credit and liquidity risks.

The Group may use derivative financial instruments such as foreign exchange contracts and interest rate derivatives to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes, not as trading or other speculative instruments.

The Group uses different methods to measure the different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and foreign exchange risks and cashflow forecasting for liquidity risk.

There have been no significant changes in the types of financial risks since the prior year, however the Group has removed the Treasury Function and Treasury Management Committee with the responsibility of Treasury management now delegated to the CFO.

a) Market Risk

Market risk refers to the potential for changes in the value of the Group's and Parent entity's financial instruments or revenue streams from changes in market prices. There are various types of market risks to which the Group is exposed including those associated with interest rates, currency rates and equity market prices.

i) Interest rate risk

Interest rate risk refers to the potential fluctuations in the fair value or future cash flows of a financial instrument because of changes in market interest rates.

The Group's and Parent entity's main interest rate risk arises from borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group has adjusted its interest rate policy due to its ability to enter transactions as a result of credit limitations occurring both globally and especially within real estate markets in Australia. Now, group policy is to maintain up to 50% of borrowings at a fixed rate for a period up to 5 years. Previously, the Group's policy was to maintain between 25% to 75% of the Group's borrowings at a fixed rate including its share of borrowings from associates for the next 3 years, and between 0% to 50% from 4 to 7 years.

The Group manages its cash flow interest rate risk by using fixed rate debt, or interest rate swaps and other hedging techniques to fix interest rates. Interest rate swaps and collars have the economic effect of converting variable rate borrowings from floating rates to fixed rates. Under the interest rate swaps or collars the Group agrees with other parties to exchange, at specified intervals (mainly quarterly), the difference between fixed contract rates and floating rate interest amounts calculated by reference to agreed notional principal amounts. The Group is willing to forgo the potential economic benefit that could result in a falling interest rate environment to protect its downside risks and improve the predictability of cash flows generated from assets by fixing rates.

Note 2: Financial risk management (continued)
i) Interest rate risk (continued)

An interest rate swap was entered into on 13 June 2008 for a notional amount of \$50 million which matured on 30 June 2009. After maturity of the interest rate swap an interest rate collar commenced for an additional 18 months. The hedges in place cover approximately 50% (2008: 50%) of the floating rate corporate debt facility and 20% (2008: 20%) of total floating rate borrowings. These borrowings have an average term to expiry of 0.8 years (2008: 2.5 years).

The contract requires settlement of net interest payables quarterly. The settlement dates coincide with the dates on which interest is payable on the underlying debt. The contracts are settled on a net basis. The fair value of the interest rate collar at 30 June 2009 is disclosed in Note 21: Other Financial Liabilities, and is included within the hedge reserve (2009: \$2,744,685, 2008: \$264,761).

The gain or loss from re-measuring the instruments at fair value is deferred in equity in the hedging reserve, to the extent the hedge is effective, and recycled into profit and loss when the hedged interest expense is recognised. There is no ineffective portion to these hedges recognised in the Income Statements for the year ended 30 June 2009 (2008: nil).

The Group's exposure to interest rate risk and its profile by maturity is set out below:

Consolidated 30 June 2009	Weighted Average interest rate (%pa)	Floating interest rate \$'000	Fixed interest rate			Non-interest bearing \$'000	Total \$'000
			Less than 1 year \$'000	1-5 years \$'000	More than 5 years \$'000		
Financial assets							
Cash and Cash Equivalents	3.00	1,009	-	-	-	-	1,009
Receivables	6.00	-	15,058	-	-	434	15,492
Other assets		-	-	-	-	2,763	2,763
Loans receivable - fixed	17.06	-	-	52,173	66,517	-	118,690
Other financial assets		-	-	-	-	4,733	4,733
Total financial assets		1,009	15,058	52,173	66,517	7,930	142,687
Financial liabilities							
Trade and other payables		-	-	-	-	11,877	11,877
Borrowings - fixed	6.00	-	-	3,805	-	3,868	7,673
Interest bearing debt	7.94	224,173	22,906	-	-	-	247,079
Other financial liabilities		2,745	-	-	-	-	2,745
Total financial liabilities		226,918	22,906	3,805	-	15,745	269,374
Total net financial assets / liabilities		(225,909)	(7,848)	48,368	66,517	(7,815)	(126,687)
Net increase / (decrease) in exposure from interest rate collar (notional principal)		50,000	-	-	-	-	50,000
Net exposure		(175,909)	(7,848)	48,368	66,517	(7,815)	(76,687)

Note 2: Financial risk management (continued)*i) Interest rate risk (continued)*

Consolidated 30 June 2008	Weighted Average interest rate (%pa)	Floating interest rate \$'000	Fixed interest rate			Non-interest bearing \$'000	Total \$'000
			Less than 1 year \$'000	1-5 years \$'000	More than 5 years \$'000		
Financial assets							
Cash and Cash Equivalents	7.36%	1,211	-	-	-	-	1,211
Receivables		-	-	-	-	4,272	4,272
Other assets		-	-	-	-	3,259	3,259
Loans receivable - fixed	16.90%	-	-	46,500	52,974	-	99,474
Other financial assets		-	-	-	-	5,105	5,105
Total financial assets		1,211	-	46,500	52,974	12,636	113,321
Financial liabilities							
Trade and other payables		-	-	-	-	11,380	11,380
Borrowings - fixed	5.63%	-	-	18,062	-	1,172	19,234
Interest bearing debt	9.68%	271,436	-	7,596	-	-	279,032
Other financial liabilities		873	-	-	-	-	873
Total financial liabilities		272,309	-	25,658	-	12,552	310,519
Total net financial assets / liabilities		(271,098)	-	20,842	52,974	84	(197,198)
Net increase / (decrease) in exposure from interest rate collar (notional principal)		50,000	-	-	-	-	50,000
Net exposure		(221,098)	-	20,842	52,974	84	(147,198)

The Parent entity's exposure to interest rate risk and its profile by maturity is set out below:

Parent 30 June 2009	Weighted Average interest rate (%pa)	Floating interest rate \$'000	Fixed interest rate			Non-interest bearing \$'000	Total \$'000
			Less than 1 year \$'000	1-5 years \$'000	More than 5 years \$'000		
Financial assets							
Cash and Cash Equivalents	3.00	1,097	-	-	-	-	1,097
Receivables		-	-	-	-	105	105
Other assets		-	-	-	-	761	761
Loans receivable - fixed	11.39	-	-	128,027	37,788	-	165,815
Total financial assets		1,097	-	128,027	37,788	866	167,778
Financial liabilities							
Trade and other payables		-	-	-	-	8,467	8,467
Borrowings - fixed	6.24	-	-	58,136	-	-	58,136
Interest bearing debt	9.31	104,031	22,056	-	-	-	126,087
Total financial liabilities		104,031	22,056	58,136	-	8,467	192,690
Net exposure		(102,934)	(22,056)	69,891	37,788	(7,601)	(24,912)

Note 2: Financial risk management (continued)*i) Interest rate risk (continued)*

Parent 30 June 2008	Weighted Average interest rate (%pa)	Floating interest rate \$'000	Fixed interest rate			Non-interest bearing \$'000	Total \$'000
			Less than 1 year \$'000	1-5 years \$'000	More than 5 years \$'000		
Financial assets							
Cash and Cash Equivalents	7.36%	672	-	-	-	-	672
Receivables		-	-	-	-	123	123
Other assets		-	-	-	-	118	118
Loans receivable - fixed	11.55%	-	-	113,800	37,788	-	151,588
Total financial assets		672	-	113,800	37,788	241	152,501
Financial liabilities							
Trade and other payables		-	-	-	-	5,245	5,245
Borrowings - fixed	6.24%	-	-	49,161	-	-	49,161
Interest bearing debt	10.37%	100,336	-	7,596	-	-	107,932
Total financial liabilities		100,336	-	56,757	-	5,245	162,338
Net exposure		(99,664)	-	57,043	37,788	(5,004)	(9,837)

The majority of the Group's interest rate risk arises from external borrowings. However, other sources of interest rate risk for the Group may include:

- Interest bearing investments
- Vendor financing
- Creditors' accounts offering a discount; and
- Debtors' accounts on which discounts are offered.

The primary objectives of interest rate risk management are to ensure that:

- only the net interest exposure (i.e. the repricing of financial assets is offset against the repricing of financial liabilities) is managed in a manner consistent with the underlying assets being funded, related cash flows and any influences on net revenue determination;
- the Group is not exposed to interest rate movements which could adversely impact on its ability to meet its financial obligations as they fall due;
- earnings and distributions per share/unit are not adversely affected;
- volatility of debt servicing costs, because of possible movements in interest rates, is managed within acceptable parameters, and
- all borrowing covenants under the terms of the Group's borrowing facilities, including interest cover ratios, are complied with.

Having regard to the above constraints and targets, the Group's and Parent entity's objective in managing interest rate risk is to minimise interest expense whilst ensuring that an appropriate level of flexibility exists to accommodate potential changes in funding requirements and movements in market interest rates.

To achieve this, the Group's interest cost will be comprised of a mix of fixed and floating debt (where fixed is defined as a rate fixed with an original maturity of 12 months or longer). Fixed rate debt is achieved either through fixed rate debt funding or through the use of financial derivative instruments approved by the Board.

Note 2: Financial risk management (continued)

i) Interest rate risk (continued)

Interest rate risk is measured by the effect of interest rate movements on the total portfolio of:

- current and forecast debt; and
- interest rate hedging transactions.

The method to be used by BLP to measure interest rate risk is as follows:

1. Identify outstanding and forecast debt levels by individual currency;
2. Identify amount of debt that is fixed (including hedges) and amount that is floating;
3. Estimate the market range of interest rates over the forecast period;
4. Use range of likely interest rate scenarios plus borrowing margins to determine a range of likely interest expense outcomes and its impact on earnings/distribution.

Summarised sensitivity analysis on profit and equity

The sensitivity measure that is regularly reported to the ARCC and the Board is the impact that a 50 basis point movement in interest rates across each of the relevant currencies would have on the interest expense before capitalisation but after any hedges in place. This measure is illustrated below:

	2009 Australian Dollar	2008 Australian Dollar
	\$'000	\$'000
\$ impact of a 50 bps increase	(866)	(1,101)
\$ impact of a 50 bps decrease	866	1,101

ii) Currency risk

The Group's principal activity is investing in interests in Australian and New Zealand real estate, and as a result the Group is exposed to currency risk with respect to movements in the AUD/NZD exchange rate.

Transaction risk and translation risk are the two main risks associated with currency movements.

Translation risk is the risk that the net tangible assets of the Group will fluctuate as a result of relative movements in the value of the Australian dollar as foreign assets or liabilities are converted into Australian dollars.

Transaction risk is the risk that profits generated offshore and intended to be repatriated to Australia will vary in Australian dollar terms due to movements in the value of the Australian dollar against the currency in which they are earned / incurred.

Transaction risk is measured using sensitivity analysis and cash flow forecasting. Because of the substantial component of foreign denominated investment and earnings, future earnings growth is particularly exposed to changes in exchange rates. The Group monitors the extent to which AUD funds will be required to meet anticipated foreign currency expenditures and investments and when the timing and amount of such expenditures are reasonably certain of being ascertained will seek to hedge the foreign currency exposure. Hedging of exposures relating to these investments is undertaken to reduce the potential for exchange rate movements to impact on future investment returns for periods of up to 3 years.

It is recognized that long term changes in currency rates are a factor in offshore investments and that hedging can reduce volatility over a relatively short time horizon. Hedging reduces the impact of exchange rate movements and provides greater certainty on the Group's foreign cashflows from its overseas investments for the medium term.

Note 2: Financial risk management (continued)

ii) Currency risk (continued)

As at the reporting date, the translated Australian Dollar amount of New Zealand dollar loans receivable was:

	\$'000
2009 Australian Dollar carrying amount	44,195
2008 Australian Dollar carrying amount	37,338

Hedges

In the prior year, the Group entered into several Forward Foreign Exchange Contracts to hedge the cashflows for the New Zealand projects based on the above. Subsequently, in December 2008, these contracts were closed out. In accordance with the policy outlined above, it was determined that there was no longer certainty surrounding underlying short term cash flows relating to the New Zealand projects.

At 30 June 2008 details of outstanding balances were:

2008

Buy/(Sell) Australian Dollar Maturity			
	Company(sells) NZD '000	Company buys NZD '000	Average Exchange rate
Less than 1 year	(14,330)	-	1.14080
1 – 5 years	(17,800)	6,900	1.14792

Summarised sensitivity analysis on profit and equity

The sensitivity measure that is regularly reported to the ARCC and the Board is the impact that a 10% movement in the relevant base currency rates, net of any currency hedges would have on profit and equity. This is illustrated below.

	2009 Australian Dollars		2008 Australian Dollars	
	Profit or Loss	Equity	Profit or Loss	Equity
	\$'000	\$'000	\$'000	\$'000
Increase in the New Zealand Dollar by 10%	3,627	-	545	1,137
Decrease in the New Zealand Dollar by 10%	(4,433)	-	(445)	(1,610)

During the year all foreign currency hedges were closed out and gains and losses transferred to the Income Statement. Therefore at the balance date there is no direct impact to the cashflow hedge reserve from foreign currency risk.

iii) Market Equity price risk

The Group is exposed to price risk through its investment in the Kalynda Chase project, classified as a financial asset at fair value through the profit or loss.

Management continuously monitors and reviews the performance of this project and are provided with detailed project models which forecast the cashflow distributions and the internal rate of return (IRR) of the project.

The investment management policy, whereby each project is closely monitored on an ongoing basis, ensures that management is in the best possible position to identify potential concerns early allowing management to act quickly. Sensitivity analysis has not been provided on the performance of this asset as its performance is in line with forecast. Any potential impact to its carrying value is considered to be immaterial to the results of the Group.

Note 2: Financial risk management (continued)

b) Credit Risk

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

The Group's concentration of credit risk and measures in place to mitigate this risk are as follows.

- Cash and derivative financial instruments are held with authorised counterparties which are subject to annual review under the Treasury Policy of the Group.
- Loans and receivables comprise project loans to three property developments in Australia and one property development in New Zealand. Repayment of these loans are subject to the underlying performance of the residential land development project to which they relate. The Group has policies in place to ensure that sales of inventory are made under settlement procedures to ensure title is not released until the cash is received, securing the ability of the project loan to be repaid. There is not considered to be any significant concentration of credit risk relating to receivables other than the project loans identified.
- Other financial assets include an equity interest in an Australian property development.

	Consolidated		Parent	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Financial Assets				
Cash and other cash equivalents	1,009	1,211	1,097	672
Receivables	15,492	4,272	105	123
Loans receivable	118,690	99,474	165,815	151,588
Other assets	2,763	3,259	761	118
Other financial assets	4,733	5,105	-	-
	142,687	113,321	167,778	152,501

Where entities have a right of set-off and intend to settle on a net basis under netting arrangements, this set-off has been recognised in the financial statements on a net basis.

Receivables

Included within receivables are amounts owing from the ATO for GST refunds and interest free loans provided to vendors during the building of their new homes. Credit risk to vendors is mitigated by retaining title to land lots contracted for sale until such time as full settlement of proceeds have been received.

Loans receivable & other financial assets

In certain instances, the Group's investment in a residential land project is structured as a loan receivable with an interest coupon return underpinned by the performance of the underlying residential land development project.

Management seeks to mitigate credit risk of loan receivables and other financial assets through:

- the asset selection process,
- the structuring of investments to minimise credit risk,
- security in the form of a second ranking charge over the underlying residential property asset,
- and active ongoing monitoring of the group's investment.

A significant element of the monitoring involves conducting due diligence in respect of servicers, originators and managers of the Group's investments including regular project committee meetings through the life cycle of the underlying development project.

Management also conducts the following ongoing monitoring of the Group's investments through the following procedures:

- reviewing monthly investment reports detailing cashflows and the Group's project status in respect of each investment;
- monitoring and analysing performance metrics such as IRR's derived from internal and external discounted forecast models for each project;
- analysing macroeconomic factors to gauge possible effects on the performance of the Group's investments; and
- regular meetings and discussions with counter parties regarding investment performance and broader market performance conditions with industry participants.

Note 2: Financial risk management (continued)

Derivative financial instruments

The Group is also exposed to credit risk arising from transactions in forward foreign exchange contracts and interest rate collars and options. For credit purposes, there is only a credit risk where the contracting entity is liable to pay us in the event of a closeout. The Treasury Policy outlines the counterparty credit risk management policy, including limits around the amount of credit exposure to any financial institution. Derivative counterparties and cash transactions are limited to financial institutions that meet minimum credit rating criteria which is updated from time to time and approved by the Board. At 30 June 2009 the only derivative financial instrument the Group had in place was an interest rate collar, which it had contracted with the Group's major lender.

c) Liquidity Risk

Liquidity risk refers to the potential that the Group will encounter difficulty in meeting obligations associated with financial liabilities.

Prudent liquidity risk management is carried out by maintaining sufficient cash including working capital and other reserves. The Group monitors current and future cashflows to manage its short and long term liquidity.

The tables below set out the Group's liabilities as at 30 June 2009 and 30 June 2008 into the relevant maturity groupings based on the remaining period at balance sheet to the contractual maturity date. The amounts disclosed in the tables below are the contractual undiscounted cash flows, including the capitalisation of interest where appropriate.

2009 Consolidated	Up to 1 month \$'000	1 to 12 months \$'000	1 to 5 years \$'000	Over 5 years \$'000	Total \$'000
Trade and other payables	-	9,877	2,000	-	11,877
<u>Interest bearing liabilities:</u>					
Corporate facility	267	136,295	-	-	136,562
Project facilities	619	87,214	36,393	-	124,226
Borrowings	-	-	9,235	-	9,235
Interest collar payable	-	2,745	-	-	2,745
Total	886	236,131	47,628	-	284,645

2008 Consolidated	Up to 1 month \$'000	1 to 12 months \$'000	1 to 5 years \$'000	Over 5 years \$'000	Total \$'000
Trade and other payables	-	9,358	2,000	-	11,358
<u>Interest bearing liabilities:</u>					
Corporate facility	63	18,415	110,777	-	129,255
Project facilities	863	37,062	163,684	-	201,609
Distribution payable	-	7,219	-	-	7,219
Borrowings	-	-	22,546	2,003	24,549
Forward foreign exchange contracts	-	11	20	-	31
Total	926	72,065	299,027	2,003	374,021

Note 2: Financial risk management (continued)

The tables set out the Company's liabilities as at 30 June 2009 and 30 June 2008 into the relevant maturity groupings based on the remaining period at balance sheet to the contractual maturity date. The amounts disclosed in the tables below are the contractual undiscounted cash flows, including the capitalisation of interest where appropriate.

2009 Parent	Up to 1 month	1 to 12 months	1 to 5 years	Over 5 years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Trade and other payables	-	8,467	-	-	8,467
<u>Interest bearing liabilities:</u>					
Corporate facility	257	135,336	-	-	135,593
Borrowings	-	-	78,631	-	78,631
Total	257	143,803	78,631	-	222,691

2008 Parent	Up to 1 month	1 to 12 months	1 to 5 years	Over 5 years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Trade and other payables	-	5,246	-	-	5,246
<u>Interest bearing liabilities:</u>					
Corporate facility	63	18,415	110,777	-	129,255
Borrowings	-	-	65,000	1,577	66,577
Total	63	23,661	175,777	1,577	201,078

The Group does not expect all of the above to be payable at the earliest possible date. The main liquidity risk is the ability to repay its interest bearing liabilities. Management remains confident that the Group will be able to renew or put in place new debt facilities. New debt facilities may be at a higher or lower cost reflecting the market conditions at that time. The interest bearing liabilities are effectively secured by all the assets of the Group. The project facilities are non-recourse, being limited to security held over individual land assets. The terms and conditions relating to the security are normal terms and conditions.

An element of liquidity risk is refinancing risk. Refinancing risk is the risk that unfavourable interest rate and credit market conditions result in an unacceptable increase in the Group's credit margins and interest cost or that new debt funding cannot be obtained upon maturity. Refinancing risk arises when the Group is required to obtain debt to fund existing and new debt positions.

The Group is exposed to refinancing risk from the availability of finance as well as the interest rate and credit margins at which finance is available. The Group manages this risk by reviewing potential transactions to understand the impact on debt requirements.

On 7 April 2009, BLP announced to the market that it had completed and signed documentation for the restructuring of loan facilities with its corporate financier and with Babcock & Brown Limited Group. The corporate facility has been converted from an evergreen facility to a terminating facility expiring 28 June 2010. Covenants on that facility, including interest coverage and debt to asset ratio have been suspended till 31 December 2009. A primary covenant test, being compliance with specific tolerance levels of an Agreed Cashflow Forecast have instead been introduced. The Babcock & Brown facility has now been extended to 28 June 2010 from 14 December 2008, and is now subordinated to the corporate facility.

As of 30 June 2009 BBRLP had not completed the sale of the remaining 50% interest in the Ascot Chase project. The longer than anticipated time taken to settle this transaction resulted in BBRLP contributing additional capital to fund project construction. In order to fund the additional project contribution BBRLP obtained approval from its corporate financier for a bridging facility totalling \$8,000,000. As at 30 June 2009 \$3,969,000 remained undrawn. This facility will be repaid in full out of the settlement proceeds on completion expected in the first quarter of fiscal 2010.

Note 2: Financial risk management (continued)**d) Capital risk management**

The Group maintains a prudent policy of managing its capital structure with the objective to safeguard the Group's ability to continue as a going concern, to increase the returns for Security holders and to maintain an optimal capital structure which achieves the lowest cost of capital.

An objective of capital risk management is also to ensure that the Group continues to comply with its loan covenants.

The funding structure of the Group consists of interest bearing debt, as listed in Note 20, and equity as listed in Note 23.

In order to achieve the optimal capital structure, the Board may use any of these strategies: amend the distributions policy of the Group; issue new securities through a private or public placement, activate or suspend the Distribution Reinvestment Program (DRP); issue securities under a Security Purchase Plan (SPP); or conduct an on-market buyback of securities.

On 29 August 2008, the entity issued 1,107,825 units under the dividend reinvestment plan for the final June 2008 distribution.

The Group has a policy to maintain gearing within a target range of 60% to 65%. The Group may temporarily go above or below the gearing range depending on circumstances.

The Group's gearing ratio did not exceed 65% during the year and as at the 30 June 2009 it is 64% (30 June 2008: 63%)

Neither the Group nor the Company is subject to externally imposed capital requirements.

e) Fair Values of assets and liabilities

A number of the Group's accounting policies and disclosures require the determination of fair value for both financial and non financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the Notes to the Financial Statements specific to that asset or liability.

i) Valuation approach

The fair value of financial assets and liabilities are determined on the following bases:

Derivative Contracts

The fair value of interest rate collars and interest rate options is calculated as the present value of the estimated future cashflows. The fair value of forward exchange contracts is determined using forward exchange market rates. This value is then discounted back to the balance sheet date.

Cash and cash equivalents

The carrying amount represents fair value because of their short-term to maturity.

Receivable, other assets, trade and other payables

The carrying amount represents fair value due to their short-term to maturity.

Loans receivable, interest-bearing liabilities and borrowings

All loans and notes payable are initially recorded at fair value of the consideration received, net of transaction costs. After initial recognition, interest bearing loans and borrowings are stated at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the borrowing using the effective interest rate method.

In certain instances, the Group's investment in a residential land project is structured as a loan receivable with an interest coupon return underpinned by the performance of the underlying residential land development project.

Management continually monitor the internal rate of return of all the development projects that loans have been provided too, to ensure that the carrying value of the loans approximate their fair value.

Financial Assets at Fair Value Through the Profit and Loss

For investments where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows or the underlying net asset base of the investment/security.

Note 3. Segment Information

The Group operates solely in the business of property development in the geographical areas of Australia and New Zealand.

	Revenue from external customers		Total assets	
	Year ended	Year ended	As at	As at
	30-Jun-09	30-Jun-08	30-Jun-09	30-Jun-08
	\$'000	\$'000	\$'000	\$'000
Australia	43,734	43,489	341,651	423,900
New Zealand	6,323	5,731	41,767	42,108
Total	50,057	49,220	383,418	466,008

Note 4. Revenue and significant items

(a) Revenue and other income	Consolidated	Consolidated	Parent	Parent
	Year ended	Year ended	Year ended	Year ended
	30-Jun-09	30-Jun-08	30-Jun-09	30-Jun-08
	\$'000	\$'000	\$'000	\$'000

Revenue from continuing operations

Revenue from the sale of land	29,354	31,481	-	-
Interest Income	18,174	12,621	10,329	8,326
Total	47,528	44,102	10,329	8,326

Other income

Fee income	-	1,582	-	-
Asset facilitation fee	-	440	-	-
Project management fee	1,516	740	-	-
Other revenue	121	1,649	81	-
Profit on sale of investment in Ascot Chase	758	-	-	-
Fair value gains on other financial assets at fair value through profit & loss	134	707	-	-
Total	2529	5,118	81	-

(b) Significant items ¹	Consolidated	Consolidated	Parent	Parent
	Year ended	Year ended	Year ended	Year ended
	30-Jun-09	30-Jun-08	30-Jun-09	30-Jun-08
	\$'000	\$'000	\$'000	\$'000

Profit on sale of investment in Ascot Chase	Note 26	758	-	-
Impairment of loans receivable		(21,101)	-	-
Writedown of inventory		(8,307)	(338)	-
Impairment of goodwill		(1,691)	-	-
Total significant items		(30,341)	(338)	-

¹ Significant items are material adjustments to the income statement which by virtue of size or nature should be drawn to the user's attention.

Note 5. Expenses

	Consolidated	Consolidated	Parent	Parent
	Year ended	Year ended	Year ended	Year ended
	30-Jun-09	30-Jun-08	30-Jun-09	30-Jun-08
	\$'000	\$'000	\$'000	\$'000
Management charges	Note 30			
Base Management Fee	584	752	578	732
Manager Expense Fee	1,909	3,558	1,909	3,558
Responsible Entity Fee	320	580	-	-
Custodian Fee	(1)	15	-	-
Asset Management Fee	976	-	976	-
Total management expenses	3,789	4,905	3,463	4,290
Finance costs				
Interest and finance charges	33,384	22,392	20,183	9,869
Amount capitalised	(18,592)	(17,389)	(2,982)	(2,812)
Total finance costs	14,792	5,003	17,201	7,057
Operating expenses				
Marketing and other	3,381	1,183	1,475	11
Employee entitlements	1,135	569	35	-
Depreciation	25	26	-	-
Total operating expenses	4,541	1,778	1,510	11

Note 6. Dividends and distributions

There were no distributions paid or payable for the year ended 30 June 2009. On 18 December 2008, the Board announced to the market that it had elected to suspend payment of stapled security distributions until further notice.

Distributions recognised in the year 2008 by the Group are detailed below:

2008	Cents per security	Total amounts	Date of payment	Tax deferred
		\$'000		%
Interim distribution:	4.125 c	7,219	29 February 2008	49
Final distribution:	4.12 c	7,219	29 August 2008	45
Total	8.25 c	14,438		

Note 7. Earnings per security

	Consolidated	Consolidated
	Year ended	Year ended
	30 Jun 2009	30 Jun 2008
Net profit/(loss) after tax attributable to security holders (\$'000)	(26,296)	7,644
Time weighted average number of securities for basic and diluted earnings per security ('000)	175,926	175,000
Basic earnings per stapled security for net profit attributable to stapled security holders (cents per stapled security)	(14.95) c	4.37 c
Diluted earnings per stapled security for net profit attributable to stapled security holders (cents per stapled security)	(14.95) c	4.37 c

Note 8. Income tax

	Consolidated	Consolidated	Parent	Parent
	Year ended	Year ended	Year ended	Year ended
	30-Jun-09	30-Jun-08	30-Jun-09	30-Jun-08
	\$'000	\$'000	\$'000	\$'000
(a) Income tax expense / (benefit)				
Income tax comprises:				
Current tax benefit	(8,522)	-	(2,639)	-
Deferred tax expense / (benefit)	(45)	1,748	278	(1,002)
Under / (over) provided in prior years	(524)	-	(285)	-
Income tax expense / (benefit)	(9,091)	1,748	(2,646)	(1,002)
Deferred income tax expense included in income tax (revenue) / expense comprises:				
Decrease / (increase) in deferred tax assets	(4,625)	(1,658)	329	(1,479)
Increase / (decrease) in equity	-	266	-	365
(Decrease) / increase in deferred tax liabilities	4,580	3,140	(51)	112
	(45)	1,748	278	(1,002)
(b) Numerical reconciliation of income tax / (benefit) expense to prima facie tax payable				
(Loss)/profit from continuing operations before income tax expense	(35,696)	9,410	(9,043)	(3,307)
Income tax expense calculated at 30%	(10,709)	2,823	(2,713)	(992)
Tax effect of amounts which are not deductible / (taxable) in calculating taxable income:				
Non-assessable income	(10,054)	(9,342)	-	(10)
Non-deductible expenses	9,479	11,397	352	-
Trust net loss / (income) not assessable	2,210	(3,128)	-	-
Impairment of goodwill	507	-	-	-
Under / (over) provided in prior years	(524)	-	(285)	-
Income tax expense / (benefit)	(9,091)	1,748	(2,646)	(1,002)
(c) Amounts recognised directly in equity				
The following current and deferred amounts were not recognised in net profit or loss but charged directly to equity during the period:				
Net deferred tax	(561)	(266)	(561)	(365)
(d) Tax losses				
Unused tax losses - a deferred tax asset has been recognised	49,567	19,430	14,983	6,140
Potential tax benefit at 30%	14,870	5,829	4,495	1,842

As at 30 June 2009 the Group had carry forward tax losses of \$49.6 million. This tax loss arises as a result of the available tax deduction up front for the Group's share of development costs incurred at the project level, whilst under Australian Accounting Standards these costs are capitalised and expensed as lots are sold. As projects continue through their respective lifecycles there will come a point when this timing difference is expected to reverse and a taxable income will be generated.

Forecast life of project cashflow modelling for the Group, indicate that it is probable that future taxable profit will be available against which unused tax losses can be utilised. These forecasts assume that the Group will continue as a going concern and realise its assets in the ordinary course of business. If this was not to occur the recoverability of this deferred tax asset would need to be reassessed.

Note 8: Income tax (continued)

(e) Recognised deferred tax assets and deferred tax liabilities

Deferred tax assets				
Tax losses	14,870	5,829	4,495	2,108
Provision for diminution	5,021	-	-	-
NZD denominated loans	1,318	1,379	-	-
Hedge funding liability	823	166	823	-
Other	56	215	49	25
Gross Deferred tax assets	22,088	7,589	5,367	2,133
Deferred tax liabilities				
Deductible development costs	8,890	8,458	-	-
Development fee revenue	4,630	-	-	-
Other	749	153	211	187
Foreign exchange gain arising on hedge assets	-	806	-	-
Gross deferred tax liabilities	14,269	9,417	211	187
Net deferred tax asset / (liability)	7,819	(1,828)	5,156	1,946
Balance at the beginning of the financial period	(1,828)	(346)	1,946	5,856
Reversal of deferred tax asset on losses – refer Note 36	-	-	-	(5,277)
Restated balance at the beginning of the financial period	(1,828)	(346)	1,946	579
Credited / (charged) to the Income Statement	45	(1,748)	(278)	1,002
Credited to equity	561	266	561	365
Deferred tax asset relating to current year tax losses	8,517	-	2,642	-
Deferred tax asset relating to under / (over) provision in prior year	524	-	285	-
Balance at the end of the financial period	7,819	(1,828)	5,156	1,946

Tax consolidation legislation

Babcock & Brown Residential Land Partners Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. The accounting policy in relation to this legislation is set out in Note 1(e).

On adoption of the tax consolidation legislation, the entities in the tax consolidated Group entered into a tax sharing agreement which, in the opinion of the Directors, is effective to exclude joint and several liability of the wholly-owned entities in the case of a default by the head entity, Babcock & Brown Residential Land Partners Limited.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate Babcock & Brown Residential Land Partners Limited for any current tax payable assumed and are compensated by Babcock & Brown Residential Land Partners Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are automatically transferred to Babcock & Brown Residential Land Partners Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts that would have been recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax installments. The funding amounts are recognised as current intercompany receivables or payables.

Note 9. Cash & cash equivalents

	Consolidated	Consolidated	Parent	Parent
	As at	As at	As at	As at
	30-Jun-09	30-Jun-08	30-Jun-09	30-Jun-08
	\$'000	\$'000	\$'000	\$'000
Cash at bank and on hand	1,009	1,211	1,097	672

Cash at bank earns interest at floating rates based on daily bank deposit rates. There are no restrictions on the use of cash.

Note 10. Receivables

	Consolidated	Consolidated	Parent	Parent
	As at	As at	As at	As at
	30-Jun-09	30-Jun-08	30-Jun-09	30-Jun-08
	\$'000	\$'000	\$'000	\$'000
Current				
Receivables				
GST receivable	434	2,172	105	123
Vendor finance loan	-	2,100	-	-
Loans receivable	15,058	-	-	-
	15,492	4,272	105	123
Other Assets				
Prepayments	404	445	-	37
Deposits & other receivables	2,359	3,259	761	118
	2,763	3,704	761	155
Non-current				
Loans Receivable				
Loans to related parties	Note 30	-	165,815	151,589
Loans receivable (b) (c)		118,690	-	-
Provision for impairment (a)		(21,101)	-	-
		97,589	165,815	151,589

The fair values of receivables approximate their carrying values. The Group's and Parent's maximum credit exposure for receivables is the carrying value.

(a) Impaired receivables - The provision for diminution on loans receivable reflect a deterioration in the internal rate of return on underlying development projects to which these loans relate discounted at their original effective interest rate, indicating a difference between the carrying value of the loans and the present value of estimated future cash flows to repay those loans.

(b) Included in loans receivable is an amount of \$44,194,746 relating to the Group's preferred equity investment in certain New Zealand developments. Project financing for these developments is with a party other than the Group's primary financier and is due to mature in October 2009. Discussions regarding extension of these facilities are progressing well and a positive outcome has been assumed in our recoverability assessment. These facilities are off-balance sheet with project recourse only.

(c) Integral to the recoverable amount of the New Zealand loans receivable is an assumption that certain sections of land within the development footprint will be rezoned to allow future residential subdivision.

Note 10: Receivables (continued)

Movements in the provision for impairment are as follows:

	Consolidated	Consolidated	Parent	Parent
	As at	As at	As at	As at
	30-Jun-09	30-Jun-08	30-Jun-09	30-Jun-08
	\$'000	\$'000	\$'000	\$'000
Provision at the beginning of the year	-	-	-	-
Impairment raised during the year	(21,101)	-	-	-
Provision at the end of the year	(21,101)	-	-	-

At 30 June 2009, no loans receivable were past due.

Note 11. Inventories

	Consolidated	Consolidated	Parent	Parent
	As at	As at	As at	As at
	30-Jun-09	30-Jun-08	30-Jun-09	30-Jun-08
	\$'000	\$'000	\$'000	\$'000
Current				
Land held for resale				
- cost of acquisition	31,436	56,726	-	-
- writedown of inventory	(6,809)	(338)	-	-
- development costs	19,267	13,002	-	-
- asset facilitation fees	913	972	464	502
- capitalised finance costs	5,256	2,619	1,441	691
	50,063	72,981	1,905	1,193
Non current assets				
Land held for resale				
- cost of acquisition	162,171	212,534	-	-
- writedown of inventory	(1,498)	-	-	-
- development costs	4,866	18,989	-	-
- asset facilitation fees	3,651	3,885	1,857	2,009
- capitalised finance costs	18,473	24,194	899	2,764
	187,663	259,602	2,756	4,773

Inventory expense

Inventories recognised as expense during the year ended 30 June 2009 amounted to \$39,957,000 (2008: \$26,873,000).

Write downs of inventories to net realisable value recognised as an expense during the year ended 30 June 2009 amounted to \$8,307,224 (2008 \$338,139). The expense has been included in Cost of Sales in the Income Statement.

Note 12. Other Financial Assets at Fair Value through Profit or Loss

	Consolidated	Consolidated	Parent	Parent
	As at	As at	As at	As at
	30-Jun-09	30-Jun-08	30-Jun-09	30-Jun-08
	\$'000	\$'000	\$	\$
Current				
Derivative financial instrument	-	1,220	-	-
Non Current				
Derivative financial instrument	-	1,394	-	-
Other financial assets at fair value	4,733	5,105	-	-
	4,733	6,499	-	-
Shares in subsidiaries	-	-	120	120

(a) Other financial assets at fair value through profit or loss

Changes in fair values of other financial assets at fair value are recorded as other income in the income statement (Note 4).

(b) Share in subsidiaries

Represents the parent entity's nominal interest in the landowner entities at cost.

Note 13. Assets Held for Sale

On 19 August 2008, BBRLP completed the sale of 25% of its interest in the Ascot Chase project to the BMD Group. This resulted in the Ascot Chase project becoming a 50/50 joint venture between BBRLP and the BMD Group.

BBRLP has reached agreement to sell its remaining 50% equity stake in the Ascot Chase property. It is anticipated that this sale will be concluded in the early part of the 2010 financial year.

Ascot Chase disposal group assets and liabilities	Consolidated
	As at
	30-Jun-09
	\$ '000
Cash	675
Inventory	91,439
Other assets	1,701
Total assets	93,815
Interest bearing liabilities	57,310
Shareholder loans	36,505
Total liabilities	93,815
Net assets of disposal group	-

Note 14. Equity Accounted Investments

	Consolidated	Consolidated	Parent	Parent
	As at	As at	As at	As at
	30-Jun-09	30-Jun-08	30-Jun-09	30-Jun-08
	\$'000	\$'000	\$'000	\$'000
Equity accounted investments				
Investment in PRM Holdings Pty Ltd ¹	14,263	13,309	-	-
	14,263	13,309	-	-

¹ Ownership interest 50%**Note 15. Investments accounted for using the equity method**

	Consolidated	Consolidated	Parent	Parent
	As at	As at	As at	As at
	30-Jun-09	30-Jun-08	30-Jun-09	30-Jun-08
	\$'000	\$'000	\$'000	\$'000
Financial position				
Total assets	4,763	3,403	-	-
Total liabilities	1,319	1,867	-	-
Net assets	3,444	1,536	-	-
Group's share of net assets	1,722	768	-	-
Financial performance				
Total revenue	1,915	1,890	-	-
Total profit for the year	1,909	1,468	-	-
Group's share of associate's profit	954	734	-	-

Note 16. Property, Plant and Equipment

Consolidated							
	Office Equipment	Finance Lease Equipment	Leased Fitout	Capitalised Software	Computer Equipment	Office Furniture	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cost or deemed cost							
Balance as at 1 July 2008	5	46	161	17	9	38	276
Additions	1	-	-	1	2	-	4
Disposals	-	-	-	-	-	-	-
Transfers	-	-	-	5	(5)	-	-
Balance as at 30 June 2009	6	46	161	23	6	38	280
Depreciation & impairment losses							
Balance as at 1 July 2008	1	26	31	17	-	4	79
Additions	1	5	11	3	2	3	25
Disposals	-	-	-	-	-	-	-
Acquisition of subsidiary	-	-	-	-	-	-	-
Balance as at 30 June 2009	2	31	42	20	2	7	104
Carrying amounts							
At 1 July 2008	4	20	130	-	9	34	197
At 30 June 2009	4	15	119	3	4	31	176

	Office Equipment	Finance Lease Equipment	Leased Fitout	Capitalised Software	Computer Equipment	Office Furniture	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cost or deemed cost							
Balance as at 1 July 2007	-	-	-	-	-	-	-
Additions	-	-	-	3	-	3	6
Disposals	-	-	-	-	(3)	-	(3)
Acquisition of subsidiary	5	46	161	14	12	35	273
Balance as at 30 June 2008	5	46	161	17	9	38	276
Depreciation & impairment losses							
Balance as at 1 July 2007	-	-	-	-	-	-	-
Additions	1	6	10	6	-	3	26
Disposals	-	-	-	(1)	-	-	(1)
Acquisition of subsidiary	-	20	21	12	-	1	54
Balance as at 30 June 2008	1	26	31	17	-	4	79
Carrying amounts							
At 1 July 2007	-	-	-	-	-	-	-
At 30 June 2008	4	20	130	-	9	34	197

Note 17. Intangible assets

	Consolidated	Consolidated	Parent	Parent
	As at	As at	As at	As at
	30-Jun-09	30-Jun-08	30-Jun-09	30-Jun-08
	\$'000	\$'000	\$	\$
Intangible assets				
Goodwill	3,539	3,539	-	-
Provision for impairment of goodwill *	(1,691)	-	-	-
	1,848	3,539	-	-

* During the financial year, the Group assessed the recoverable amount of goodwill and determined that goodwill associated with the Group's acquisition of the 60% interest in PRM Property Group Pty Ltd was impaired by \$1,691,000, due to the portfolio of the asset under management changing, and the development lifecycle extending. The recoverable amount was assessed by reference to 'value in use' for the cash generating units. A discount factor of 15% was applied.

Note 18. Trade and other payables

	Consolidated	Consolidated	Parent	Parent
	As at	As at	As at	As at
	30-Jun-09	30-Jun-08	30-Jun-09	30-Jun-08
	\$'000	\$'000	\$	\$
Current				
Trade payables	657	1,028	154	-
Other liabilities	645	1,389	317	113
Accrued facilitation fees	6,000	-	6,000	-
Accrued acquisition fees	-	1,638	-	1,638
Accrued management fees	1,024	2,862	1,024	2,862
Accrued facility fees	-	570	-	570
Deferred land payments	500	500	-	-
GST payable	79	1,393	-	62
Accrued interest	972	-	972	-
	9,877	9,380	8,467	5,245

Note 19. Provisions

	Consolidated	Consolidated	Parent	Parent
	As at	As at	As at	As at
	30-Jun-09	30-Jun-08	30-Jun-09	30-Jun-08
	\$'000	\$'000	\$	\$
Current				
Employee provisions	55	28	-	-
Other provisions	105	-	105	-
Non-Current				
Long service leave provisions	37	32	-	-

Note 20. Interest bearing liabilities and borrowings

	Consolidated	Consolidated	Parent	Parent
	As at	As at	As at	As at
	30-Jun-09	30-Jun-08	30-Jun-09	30-Jun-08
	\$'000	\$'000	\$'000	\$'000
Current				
Corporate facility	104,031	-	104,031	-
Less: deferred finance costs	(3,245)	-	(3,245)	-
BNB facility - unsecured	22,906	7,593	22,056	7,593
Less: deferred finance costs	(1,622)	-	(1,622)	-
Project facilities	83,774	28,600	-	-
	205,844	36,193	121,220	7,593
Non-Current				
Unsecured loans	7,673	19,234	58,136	49,161
Corporate facility	-	100,339	-	100,339
Project facilities	36,369	142,501	-	-
	36,369	242,840	-	100,339

The fair value of borrowings at balance date are as per the above schedule.

The fair value of borrowings is based upon market prices where a market exists or by discounting the expected future cash flows by the current interest rates for liabilities with similar risk profiles.

(a) Total secured liabilities

The total secured liabilities (current and non-current) are as follows:

	2009	2008
Interest bearing liabilities	224,174	271,440

(b) Assets pledged as security

The Project facilities are secured by first ranking registered mortgages over the Group's freehold land held as inventory secured project by project, with a carrying value of \$237,726,000 (refer to Note 11).

At any time all money that the borrower is liable to pay to the financier in relation to the Corporate facility is secured by a fixed & floating charge over the assets of the Group.

(c) Unsecured loans

The unsecured loans will be repaid the earlier of 10 years or completion of the project and bear interest at 6% per annum. The debt repayment profile at the project level stipulates that 3rd party project debt has priority over unsecured loans. Accordingly, unsecured loans are classified as non-current.

(d) Interest bearing liabilities

The interest bearing liabilities are an Australian dollar facility subject to variable interest rates and are repayable over the next 3 years. The effective interest rates vary between 4.80% and 10.53%.

Note 20: Interest bearing liabilities and borrowings (continued)**(e) Financing arrangements**

Unrestricted access was available at balance date to the following lines of credit:

	Total \$'000	Unused \$'000
Corporate facilities	108,000	3,969
BNB facility - unsecured	22,906	-
Project facilities	163,870	42,116

Note 21. Other financial liabilities

	Consolidated As at 30-Jun-09 \$'000	Consolidated As at 30-Jun-08 \$'000	Parent As at 30-Jun-09 \$'000	Parent As at 30-Jun-08 \$'000
Current				
Other financial liabilities				
Derivative financial instrument	2,745	873	2,745	873
Finance lease liability	43	41	-	-
	2,788	914	2,745	873
Non-Current				
Other financial liabilities				
Finance lease liability	34	77	-	-
	34	77	-	-

Note 22. Payables

	Consolidated As at 30-Jun-09 \$'000	Consolidated As at 30-Jun-08 \$'000	Parent As at 30-Jun-09 \$'000	Parent As at 30-Jun-08 \$'000
Non-current				
Deferred land payments	2,000	2,000	-	-

The deferred land payments will be repaid when target hurdles are reached which will not be achieved within the next 12 month period.

Note 23. Contributed equity

	Consolidated	Consolidated	Consolidated	Consolidated
	Year ended	Year ended	Year ended	Year ended
	30-Jun-09	30-Jun-08	30-Jun-09	30-Jun-08
	No. of units	No. of units	\$'000	\$'000
Fully paid units				
Opening balance	175,000,000	175,000,000	163,816	163,808
Distribution reinvestment plan	1,107,825	-	288	8
Closing balance	176,107,825	175,000,000	164,104	163,816

	Parent	Parent	Parent	Parent
	Year ended	Year ended	Year ended	Year ended
	30-Jun-09	30-Jun-08	30-Jun-09	30-Jun-08
	No. of units	No. of units	\$'000	\$'000
Fully paid units				
Opening balance	175,000,000	175,000,000	1,653	1,645
Distribution reinvestment plan	1,107,825	-	3	8
Closing balance	176,107,825	175,000,000	1,656	1,653

(i) Distribution reinvestment plan

On 29 August 2008, the entity issued 1,107,825 units under the distribution reinvestment plan.

Note 24. Cash flow hedge reserve

	Consolidated	Consolidated	Parent	Parent
	As at	As at	As at	As at
	30-Jun-09	30-Jun-08	30-Jun-09	30-Jun-08
	\$'000	\$'000	\$'000	\$'000
Changes in fair value of cash flow hedges				
Balance as at 30 June 2008	(611)	-	(611)	-
Loss on cash flow hedge	(1,310)	(611)	(1,310)	(611)
Balance as at 30 June 2009	(1,921)	(611)	(1,921)	(611)

The cashflow hedge reserve comprises the effective portion of the cumulative net change in the fair value of cashflow hedging instruments related to hedge transactions that have not yet occurred.

Note 25. Retained profits / (accumulated losses)

	Consolidated	Consolidated	Parent	Parent
	As at	As at	As at	As at
	30-Jun-09	30-Jun-08	30-Jun-09	30-Jun-08
	\$'000	\$'000	\$'000	\$'000
Movements in retained profits / (accumulated losses)				
Balance as at beginning of financial year	(16,942)	(10,166)	(3,802)	3,780
Reversal of deferred tax asset on losses – refer Note 36	-	-	-	(5,277)
Balance as at beginning of financial year	(16,942)	(10,166)	(3,802)	(1,497)
Profit/(loss) for the year	(26,605)	7,662	(6,397)	(2,305)
Distributions provided for or paid	-	(14,438)	-	-
Reallocation of prior period foreign exchange hedge to parent entity	-	-	(2,614)	-
Balance as at 30 June 2009	(43,547)	(16,942)	(12,813)	(3,802)
Retained profits / (accumulated losses) attributable to stapled security holders as:				
Equity holders of the parent	(28,453)	(9,621)	(12,813)	(3,802)
Minority interest	(246)	49	-	-
Equity holders of the other stapled entities	(14,848)	(7,370)	-	-
	(43,547)	(16,942)	(12,813)	(3,802)

Note 26. Disposal of Subsidiaries

On 19 August 2008, BBRLP completed the sale of 25% of its interest in the Ascot Chase project to the BMD Group. This resulted in the Ascot Chase project becoming a 50/50 joint venture between BBRLP and the BMD Group. BBRLP has reached agreement to sell its remaining 50% equity stake in the Ascot Chase property. It is anticipated that this sale will be concluded in the early part of the 2010 financial year.

Note 27. Acquisition of Subsidiaries

In the prior year, on 24 December 2007, the Consolidated Entity acquired a 60% interest in PRM Property Group Pty Ltd, a development management business for consideration of \$3,438,000. In the six months to 30 June 2008, the subsidiary contributed profit before tax of approximately \$146,000.

The acquisition had the following effect on the Consolidated Entity's assets and liabilities on acquisitions.

	Pre-acquisition Carrying Amounts	Fair Value Adjustments	Provisional Value on Acquisition
	(\$'000)	(\$'000)	(\$'000)
Current assets			
Cash	29	-	29
Receivables	242	-	242
Other assets	49	-	24
Total current assets	320	-	320
Non-current assets			
Other assets	218	-	218
Deferred tax assets	4	-	4
Total non-current assets	222	-	222
Total assets	542	-	542
Current liabilities			
Trade and other payables	91	-	91
Total current liabilities	91	-	91
Non-current liabilities			
Borrowings	640	-	640
Deferred tax liabilities	(21)	-	(21)
Total non-current liabilities	619	-	619
Total liabilities	710	-	710
Net assets	(168)	-	(168)
Net assets acquired at 60%	(101)	-	(101)
Goodwill on acquisition	3,539	-	3,539
Net cash outflow	(3,438)	-	(3,438)

Pre-acquisition carrying assets were determined based on applicable AASBs immediately before the acquisition. The values of assets, liabilities and contingent liabilities recognised on acquisition are their estimated fair values.

In addition the Consolidated Entity also acquired a 50% equity investment in PRM Property Holdings Pty Ltd for a total consideration of \$12.8m which is recognised on an equity accounted basis as at 30 June 2008.

Disclosure of the revenue and profit or loss of the combined entity if the acquisition was effected at the beginning of the period as at 1 July 2007 is impracticable because upon acquisition there was a restructure of the funding profile changing the return profile of the business subsequently.

Note 28. Key management personnel disclosures

(a) Directors

The following persons were Directors of Babcock & Brown Residential Land Partners Limited during the financial year:

M. Maxwell	Director
M. Balkin	Managing Director (resigned 7 April 2009)
R. Gelski	Director
R. Wright	Chairman
C Langford	Director

(b) Other key management personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, during the financial year:

M. Balkin	Chief Executive Officer (CEO) (resigned 7 April 2009)
D. Wightman	Chief Investment Officer (appointed CEO 3 July 2009)
S. Pauly	Chief Financial Officer
M. Salmon	National Development Manager (resigned 6 July 2009)
S. Robertson	General Manager, PRM Group

(c) Key management personnel unit holdings in BLP stapled securities

	Balance 30 June 2008	Change during the year	Other changes during the year	Balance 30 June 2009
Parent entity Directors				
Directors				
M. Maxwell	4,000,000	-	-	4,000,000
M. Balkin	800,000	-	(800,000) ¹	-
R. Gelski	200,000	31,732	-	231,732
C. Langford	105,000	-	-	105,000
R. Wright	200,000	31,732	-	231,732
Total	5,305,000	63,474	(800,000)	4,568,464
Key management personnel				
D. Wightman	300,000	-	-	300,000
M. Salmon	100,000	-	-	100,000
Total	400,000	-	-	400,000

¹ Other changes during the year indicate the resignation of Michael Balkin, and not an actual disposal of securities.

Note 28. Key management personnel disclosures (continued)**(c) Key management personnel unit holdings in BLP stapled securities (continued)**

Parent entity Directors	Balance 30 June 2007	Change during the year	Other changes during the year	Balance 30 June 2008
Directors				
M. Maxwell	4,000,000	-	-	4,000,000
M. Balkin	650,000	150,000	-	800,000
R. Gelski	100,000	100,000	-	200,000
C. Langford	40,000	65,000	-	105,000
R. Wright	100,000	100,000	-	200,000
Total	4,890,000	415,000	-	5,305,000
Key management personnel				
D. Wightman	440,000	(140,000)	-	300,000
M. Salmon	50,000	50,000	-	100,000
T. Milicevic	50,000	-	(50,000)	-
M. Hedges	-	-	-	-
Total	540,000	(90,000)	(50,000)	400,000

(d) Key management personnel compensation

	Year	Salary \$	Super- annuation \$	Long service leave	Short-term Incentives	Long-term Incentives (share based equity settled) ⁴	Termination benefits	Total \$
Directors								
Michael Maxwell	2009	68,808 ²	6,192	-	-	-	-	75,000
	2008	68,808 ²	6,192	-	-	-	-	75,000
Michael Balkin ¹	2009	- ³	-	-	-	-	-	-
	2008	- ³	-	-	-	-	-	-
Robert Wright	2009	115,844	10,426	-	-	-	-	126,270
	2008	77,983	7,019	-	-	-	-	85,002
Richard Gelski	2009	79,125	7,121	-	-	-	-	86,246
	2008	68,808	6,193	-	-	-	-	75,001
Chris Langford	2009	59,633	5,367	-	-	-	-	65,000
	2008	59,633	5,367	-	-	-	-	65,000
Key management personnel								
Michael Balkin	2009	348,409	13,745	-	-	-	466,540	828,694
	2008	450,000	-	-	-	-	-	450,000
David Wightman	2009	330,000	13,745	5,500	-	-	-	349,245
	2008	300,000	-	-	-	-	-	300,000
Stuart Pauly	2009	250,000	13,745	4,167	37,500	-	-	305,412
	2008	121,377	6,565	2,023	-	-	-	129,965
Mark Salmon	2009	275,000	13,745	4,583	-	-	-	293,328
	2008	262,500	13,129	4,375	240,280	75,057	-	595,341
Stephen Robertson	2009	290,577	13,745	6,074	-	-	-	310,396
	2008	102,466	6,565	1,582	-	-	-	110,613

¹ Mr M Balkin resigned on 7 April 2009.

² Mr M Maxwell was an employee of Babcock & Brown Australia Pty Limited and his role as a director of BBRLP was included in those employment arrangements. Mr Maxwell's employment with Babcock & Brown Australia Pty Limited concluded on 31 October 2008. Since 1 November 2008 Mr Maxwell has been a non executive director of BBRLP and of the fees for the current year Mr Maxwell received directly \$50,000 in this capacity.

³ Mr M Balkin's position as managing director was included as part of the dedicated management team provided by BBAREM under the Management Agreement. No separate director's fees were paid in relation to those services.

4 Short-term and long-term Incentives

Executives of BBRLP were eligible for an award of short-term incentive remuneration during the year. All short term incentive remuneration provided to executives during the year ended 30 June 2009 was paid in cash, available immediately to the executive. Long-term incentives were previously provided by way of equity- and cash-settled share-based payment awards. No share based compensation was granted to Executives of BBRLP during the year.

In the prior year, share based payments included amounts attributable to the long term incentive plan options and bonus deferral rights ("share awards"). Both the options and bonus deferral rights entitled the participant to shares in Babcock & Brown Limited. For share awards issued during the year ended 30 June 2008, 50% were exercisable in August 2008 and the remaining 50% in February 2009. These share awards were automatically converted to shares in Babcock & Brown Limited on the exercise date.

Outstanding options granted to Executives of BBRLP as at 30 June 2008 were subject to first exercise dates of 18 August 2011 and 25 August 2011 at exercise prices of \$12.95 and \$25.54 per option. During the current year the securities of Babcock & Brown Limited were suspended from quotation on the Australian Securities Exchange on 12 January 2009 and the listing of the ordinary shares was terminated on 18 June 2009. As a consequence, the share-based payment awards are no longer of any benefit to the recipients.

Note 29. Remuneration of auditors

	Consolidated	Consolidated	Parent	Parent
	Year ended	Year ended	Year ended	Year ended
	30-Jun-09	30-Jun-08	30-Jun-09	30-Jun-08
	\$	\$	\$	\$
During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:				
Audit services				
PricewaterhouseCoopers Australian firm				
Audit and review of financial reports	602,000	372,000	602,000	372,000
Non-audit services				
PricewaterhouseCoopers Australian firm				
Other services	25,000	-	25,000	-
Total auditors remuneration	627,000	372,000	627,000	372,000

As part of the Group's management services agreement Babcock & Brown Australian Real Estate Management Pty Limited pays all audit related fees on behalf of the Group.

Note 30. Related party disclosures**(a) Parent entities**

The parent entity within the Group is Babcock & Brown Residential Land Partners Limited (ABN 49 119 517 985).

(b) Subsidiaries

Interest in subsidiaries are set out in Note 31.

(c) Key management personnel

Disclosures relating to key management personnel are set out in Note 28.

(d) Transactions with related parties**(i) Fees**

The profit before income tax includes management and other fees paid and payable to Babcock & Brown Australian Real Estate Management Limited and Babcock & Brown Group.

Until 31 December 2008 management fees were calculated in accordance with the terms disclosed in the BBRLP Prospectus and Product Disclosure Statement dated 6 June 2006 and amended by Securityholder approval received on 1 November 2007. On 6 April 2009, as part of the Group's restructure of its finance facilities, and in satisfaction of a facilitation fee amounting to \$2,000,000, Babcock & Brown agreed to retrospectively amend its management fee structure at 31 December 2008. From 31 December 2008 Babcock & Brown has agreed to waive the right to fees arising from that date, and since that date has instead agreed to levy a substantially reduced charge. Whilst the fund continues to be managed by BBAREM, it has been agreed that the fee charged by Babcock & Brown now be based on a different calculation reflecting the direct costs for employees engaged in the management of the fund, which continues to include the infrastructure necessary for BBRLP to carry on a business, including the use of business premises, IT software and support, and secretarial functions.

The fees incurred during the year include:

Note 30 Related party disclosures (continued)

	Consolidated	Consolidated	Parent	Parent
	Year ended	Year ended	Year ended	Year ended
	30-Jun-09	30-Jun-08	30-Jun-09	30-Jun-08
	\$	\$	\$	\$
Managers Expense Fee	1,909,000	3,558,000	1,554,000	3,558,000
Base Management Fee	1,560,000	752,000	1,909,000	732,000
Asset facilitation Fee	51,000	1,995,000	51,000	233,000
Responsible Entity Fee	320,000	580,000	-	-
Custodian Fee	(1,000)	15,000	-	-
Facilitation Fee	2,000,000	-	2,000,000	-
(ii) Loans to/from related parties				
Loans from related parties				
Beginning of the year	7,596,000	-	7,596,000	-
Loans advanced from B&B facility - unsecured	14,000,000	7,460,000	13,178,000	7,460,000
Interest charged	1,761,000	136,000	1,733,000	136,000
Interest received	(451,000)	-	(451,000)	-
End of year	22,906,000	7,596,000	22,056,000	7,596,000
Loans to related parties				
Beginning of the year	-	-	151,588,000	58,527,000
Loans advanced to related parties	-	-	23,888,000	96,829,000
Loan repayment received from related parties	-	-	(19,447,000)	(12,027,000)
Interest charged	-	-	10,286,000	8,259,000
End of year	-	-	165,815,000	151,588,000
(iii) Amounts owing to related parties				
Facilitation Fee	2,000,000	-	2,000,000	-
Managers Expense Fee	529,000	2,568,000	529,000	2,568,000
Base Management Fee	-	298,000	-	294,000
Asset facilitation Fee	-	2,209,000	-	2,209,000
Responsible Entity Fee	-	432,000	-	-
Custodian Fee	8,000	8,000	-	-

Compliance plan audit fees amounting to \$17,000 for the year ended 30 June 2009 were paid and or are payable by Babcock & Brown to a non PricewaterhouseCoopers audit firm.

Note 30 Related party disclosures (continued)

(vi) Loans to or from related parties

Loans to or from related parties were made on normal commercial terms and conditions and at market rates.

(v) Other related party transactions

During the prior year the Group acquired from Babcock & Brown Group its 20% shareholding in PRM Property Holding Pty Limited on normal commercial terms.

(e) Related entity's holding of units

As at 30 June 2009, the Babcock & Brown Group and its associates held 21,596,800 units (12.3%) in the Group

Note 31. Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1 (b):

Name of Entity	Country of incorporation	Ownership 2009	Ownership 2008
Parent entity			
Babcock & Brown Residential Land Partners Limited	Australia		
Other stapled entity			
Babcock & Brown Residential Land Partners Trust	Australia		
Subsidiaries of the Group			
BBRLPL Taree Pty Limited	Australia	100%	100%
BBRLPL Forster Pty Limited	Australia	100%	100%
BBRLPL Haywards Bay Pty Limited	Australia	100%	100%
Babcock & Brown Residential Land Partners Finance Pty Limited	Australia	100%	100%
BBRLPL Mirador Heights Pty Limited	Australia	100%	100%
BBRLPL Pacific Dunes Pty Limited	Australia	100%	100%
BBRLPL Kalynda Pty Limited	Australia	100%	100%
BBRLPL Ascot Chase Pty Limited	Australia	100%	100%
BBRLPL Links Pty Limited	Australia	100%	100%
BBRLPL Queenstown Pty Limited	Australia	100%	100%
BBRLPL Coburg Pty Limited	Australia	100%	100%
BBRLPL Officer Pty Limited	Australia	100%	100%
BBRLPL Seabreeze Pty Limited	Australia	100%	100%
BBRLPL Mernda Pty Limited	Australia	100%	100%
BBRLPL Mernda No. 2 Pty Limited	Australia	100%	100%

Note 31 Subsidiaries (continued)			
BBRLPL Officer 707 Pty Limited	Australia	100%	100%
BBRLPL Ripley Valley Pty Limited	Australia	100%	100%
BBRLPL PRM Pty Limited	Australia	100%	100%
PRM Property Group Pty Limited	Australia	60%	60%
Taree (Marie Avenue) Nominee Pty Limited	Australia	92%	92%
Forster (Southern Parkway) Nominee Pty Limited	Australia	92%	92%
Haywards Bay Nominee Pty Limited	Australia	92%	92%
Mirador Heights Nominee Pty Limited	Australia	92%	92%
Ascot Chase Nominee Pty Limited ¹	Australia	75%	75%
BBRLPT Pacific Dunes Pty Limited	Australia	100%	100%
BBRLPT URB Pty Limited	Australia	100%	100%
BBRLPT WPG Pty Limited	Australia	100%	100%
BBRLPT MET Pty Limited	Australia	100%	100%
BBRLP Pacific Dunes Trust	Australia	100%	100%
BBRLP Kalynda Trust	Australia	100%	100%
BBRLP Ascot Chase Trust	Australia	100%	100%
BBRLP Taree Trust	Australia	100%	100%
BBRLP Haywards Bay Trust	Australia	100%	100%
BBRLP Mirador Heights Trust	Australia	100%	100%
BBRLP Forster Trust	Australia	100%	100%
BBRLP Officer Trust	Australia	100%	100%
BBRLP Seabreeze Trust	Australia	100%	100%
BBRLP Mernda Trust	Australia	100%	100%
Mernda Land Trust ²	Australia	42%	42%

¹: On 19 August 2008 the Company completed the sale of 25% of its interest in Ascot Chase Nominee Pty Limited, via a re-weighting of loan contributions between the two joint venture partners resulting in a 50 / 50 participation of each partner's revised interest in the underlying project. Whilst the Company did not sell its shares in Ascot Chase Nominee Pty Limited, control over this entity has been lost, and as a result the entity is no longer consolidated. Prior to this date, the operating results of this previously controlled entity were included in the consolidated income statement. After this date, the operating results of Ascot Chase Nominee Pty Limited have been equity accounted.

²: Whilst the Group holds less than 50% of the shares in this entity, the Group has the power to govern the financial and operating policies of this entity through its 60% majority of the project control group.

Note 32. Events subsequent to balance date

BBRLP has reached agreement to sell the remaining 50% interest in the Ascot Chase project. It is anticipated that settlement will occur in the first quarter of financial year 2010. As such the receivable has been classified as current and a provision recorded to reflect the recoverable amount. As this settlement has taken longer than anticipated BBRLP has continued to fund the development cost at the project level. In order to provide this funding our corporate financier has approved a bridging facility totalling \$8,000,000 which is repayable upon settlement of the Ascot Chase project.

On 11 June 2009, BBRLP announced that it had reached an in principle agreement with Babcock & Brown International Pty Ltd to either acquire or terminate the management rights for a nominal sum. Documentation is progressing to formally record the commercial terms of the separation.

David Wightman was appointed Chief Executive Officer from 3 July 2009 with finance, administration and operational personnel transferring employment effective 1 August 2009.

Note 33. Cash Flow Statement Reconciliation

	Consolidated	Consolidated	Parent	Parent
	Year ended	Year ended	Year ended	Year ended
	30-Jun-09	30-Jun-08	30-Jun-09	30-Jun-08
	\$'000	\$'000	\$'000	\$'000
Reconciliation of net profit after tax to net cash flows from operations				
Net profit/(loss) before tax	(35,696)	9,410	(9,043)	(3,307)
Add/(Deduct) non cash items:				
Realised gain on derivative financial instruments	(1,245)	-	(1,245)	-
Unrealised foreign exchange gain / (loss)	2,081	1,985	(2,615)	-
Related Party Interest	-	-	2,842	(5,047)
Impairment of goodwill	1,691	-	-	-
Impairment of receivables	21,101	-	-	-
Writedown of inventory	8,307	-	-	-
Depreciation	26	-	-	-
Share of profit of equity accounted investment	(954)	-	-	-
Fair value gain on financial assets	-	1,327	-	-
Changes in assets and liabilities				
(Increase)/decrease in other receivables	(9,140)	(1,598)	18	(154)
(Increase)/decrease in loan receivables	-	(14,178)	-	-
(Increase)/decrease in other financial asset at fair value	1,766	(820)	-	-
(Increase)/decrease in land and development costs	9,958	(104,854)	(3,819)	(1,966)
(Increase)/decrease in other assets	940	(1,018)	(606)	(16)
(Decrease)/increase in trade and other payables	(106)	4,721	3,222	3,797
(Decrease)/increase in provisions	83	-	105	-
(Decrease)/increase in other financial liabilities	1,831	-	1,872	-
(Decrease)/increase in tax effected balances	(8,374)	-	(3,210)	-
Net cash (outflow) from operating activities	(7,731)	(105,025)	(12,479)	(6,693)

Note 34. Non-cash financing and investing activities

	Consolidated	Consolidated	Parent	Parent
	Year ended	Year ended	Year ended	Year ended
	30-Jun-09	30-Jun-08	30-Jun-09	30-Jun-08
	\$'000	\$'000	\$'000	\$'000
Securities issued under the Distribution Reinvestment Plan	(288)	-	(4)	-

Note 35. Contingent assets and liabilities

There are no outstanding contingent assets and liabilities as at 30 June 2009 and 30 June 2008.

Note 36. Restatement in the Parent company's comparatives

As at the 30 June 2007 the deferred tax asset disclosed in the parent company was overstated by \$5.27m being the recognition of the group tax losses given as an income tax benefit to the parent company. This error had the effect of overstating the income tax benefit of \$5.27m in the income statement and correspondingly the retained profits as at the 30 June 2007.

This error eliminated on consolidation and did not impact the financial statement of the consolidated entity.

The error has been corrected by restating each of the affected financial statement line items for the prior year. The impact of this correction has reduced both retained earnings and net assets of the parent company from \$5.43m previously reported to a restated \$0.14m.

As at 30 June 2008, a derivative financial instrument and the related hedge reserve movement were incorrectly recognised in a subsidiary of the consolidated entity rather than the parent. This incorrect recognition of the financial instrument had the effect of understating the total assets of the parent by \$2.6m, understating the reserves of the parent by \$2.6m as at 30 June 2008 and had no impact on the Parent net profit after tax for the year ended 30 June 2008. There was no impact on the net assets of the consolidated entity as at 30 June 2008. The parent entity financial statements have been corrected by restating each of the affected financial statement line items for the prior year.

Directors' Declaration on the Consolidated Financial Report of Babcock & Brown Residential Land Partners ("BBRLP")

Except for the matters referred to at Note 1, in the opinion of the Directors of Babcock & Brown Residential Land Partners Limited ("BBRLPL"),

- a) the consolidated financial statements and notes for Babcock & Brown Residential Land Partners (as defined in Note 1) as set out on pages 24 to 73 are in accordance with the *Corporations Act 2001*, including:
 - i. complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
 - ii. giving a true and fair view of the consolidated financial position of BBRLP as at 30 June 2009 and of its performance, as represented by the results of its operations and its cash flows, for the year ended on that date; and
- b) there are reasonable grounds to believe that the Company will be able to pay its respective debts as and when they become due and payable.
- c) the audited remuneration disclosures set out on pages 17 to 21 of the director's report comply with Accounting Standards AASB 124 *Related Party Disclosures* and the *Corporations Regulations 2001*.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

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

On behalf of the Directors:



Director
Sydney, 28 August 2009

Independent auditor's report to the members of Babcock & Brown Residential Land Partners Limited

Report on the financial report

We have audited the accompanying financial report of Babcock & Brown Residential Land Partners Limited (the "Company"), which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both Babcock & Brown Residential Land Partners Limited and Babcock & Brown Residential Land Partners Group (the "Consolidated Entity"). The consolidated entity comprises the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal 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.

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*.

**Independent auditor's report to the members of
Babcock & Brown Residential Land Partners Limited (continued)**

Auditor's opinion

In our opinion:

- (a) the financial report of Babcock & Brown Residential Land Partners Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2009 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Significant uncertainty regarding going concern

Without qualifying our opinion, we draw attention to Note 1 in the financial report. Note 1 comments on the ability of the Group to continue as a going concern being dependent on certain matters, including the successful renegotiation of existing borrowing facilities with external financiers and unsecured current obligations to Babcock & Brown Limited that are due to mature within 12 months of the signature of the accounts. Accordingly, there is a significant uncertainty whether the Group will continue as a going concern and therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Report on the Remuneration Report

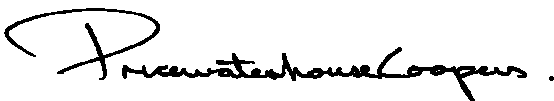
We have audited the Remuneration Report included in pages 17 to 21 of the directors' report for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the Remuneration Report of Babcock & Brown Residential Land Partners Limited for the year ended 30 June 2009, complies with section 300A of the *Corporations Act 2001*.

Matters relating to the electronic presentation of the audited financial report

This auditor's report relates to the financial report and remuneration report of Babcock & Brown Residential Land Partners Limited (the "Company") for the year ended 30 June 2009 included on Babcock & Brown Residential Land Partners Limited web site. The Company's directors are responsible for the integrity of the Babcock & Brown Residential Land Partners Limited web site. We have not been engaged to report on the integrity of this web site. The auditor's report refers only to the financial report and remuneration report named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements or the remuneration report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report and remuneration report to confirm the information included in the audited financial report and remuneration report presented on this web site.



PricewaterhouseCoopers



AJ Wilson
Partner

Sydney
28 August 2009