

BABCOCK & BROWN RESIDENTIAL LAND PARTNERS

Babcock & Brown Residential Land Partners Limited · ABN 49 119 517 985
Babcock & Brown Residential Land Partners Services Limited · ABN 401 183 644
as responsible entity for Babcock & Brown Residential Land Partners Trust ARSN 119 613 848
Level 39 Chifley Tower · 2 Chifley Square · Sydney NSW 2000 Australia
T +61 2 9229 1800 · F +61 2 9231 5619



ASX Release

26 February 2007

ASX RELEASE

Attached is

- ASX Release;
- Appendix 4D;
- Consolidated Report, and;
- Trust Report,

relating to Babcock & Brown Residential Land Partners (BLP) financial results for the period ended 31 December 2006.

ENDS

For further information:

Michael Balkin
Managing Director
B&B Residential Land Partners
+61 2 9229 1800

Alison Carter
Investor Relations
B&B Residential Land Partners
+61 2 9229 1800

About Babcock & Brown Residential Land Partners

Babcock & Brown Residential Land Partners (BLP) is a listed vehicle managed by Babcock & Brown which invests in a diversified portfolio of quality residential land projects which are developed by a range of Australia's leading private developers.

BLP offers securityholders liquidity, geographic, project and product diversity, access to quality private developers, long term potential for growth and, importantly, the benefit of access to Babcock & Brown's considerable investment and structuring experience in the real estate sector.

For further details please see our website: www.bbresidentiallandpartners.com

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ASX Release

26 February 2007

BABCOCK & BROWN RESIDENTIAL LAND PARTNERS ANNOUNCES INTERIM RESULT FOR THE PERIOD ENDED 31 DECEMBER 2006 AND INCREASES FULL YEAR NET PROFIT GUIDANCE

Key highlights for period include:

- On track to exceed full year IPO net profit forecast
- 69 lots settled and an additional 103 lots exchanged (to settle pre 30 June 2007) equating to 77% of full year IPO forecast
- 83% of portfolio now re-zoned (56% at IPO)
- Acquisition of interests in 2 further projects in Victoria, adding approximately 1,800 lots (42%) to the initial BLP portfolio
- Appointment of Mark Salmon as National Development Manager
- Strong pipeline for future growth

Overview

Babcock & Brown Residential Land Partners (ASX: BLP) today announced an interim net profit before tax of \$0.7 million for the period ended 31 December 2006. BLP also announced an increase in full year net profit before tax guidance to \$1.4 million, up from the full year forecast of \$0.1 million in the Product Disclosure Statement (PDS) dated 6 June 2006. Guidance for full year net profit after tax increases to \$1.9 million, up from the full year PDS forecast of \$1.0 million.

This increase in guidance is due to the strong performance of several joint venture projects including Kalynda Chase in Townsville and the acquisition of interests in the Sandhurst and Sanctuary Lakes residential communities in Melbourne.

A fixed distribution per stapled security of 3.75¢ was paid to eligible securityholders on 23 February 2007. In accordance with the PDS, the distribution per stapled security is fixed at 7.5¢ for the year ended 30 June 2007. Based on the closing price of BLP on 23 February 2007 of \$0.94, this distribution produces an annualised yield of 8%.

Mr Michael Balkin, Managing Director of BLP, said "We are very pleased with the overall portfolio performance for the period ended 31 December 2006, which has enabled us to increase the full year net profit after tax guidance to \$1.9 million.

BLP's strategy is to build a portfolio of residential land developments which is diversified by geography, product type and development partner, and thereby capable of delivering value through market cycles. This result clearly demonstrates the benefit of the strategy. The strength in the North Queensland market in particular has more than compensated for the slow trading conditions across most New South Wales markets."

Operational highlights

The key operational achievements of BLP since 30 June 2006 include:

- Quality additions have been made to the development management team. Mark Salmon (ex-Stockland) has been recruited as the National Development Manager and three experienced state development managers have been appointed for NSW, Queensland and Victoria.
- The Ascot Chase development in Victoria, BLP's largest project by revenue, was re-zoned to Residential 1 in July 2006 in line with PDS expectations. This paves the way for the final planning and development phase.
- Re-zoning of the balance of the Kalynda Chase Estate, Townsville, was achieved. The Townsville market is very strong and this re-zoning will enable the sales momentum at Kalynda Chase to continue.
- The acquisition of interests in the Sandhurst and Sanctuary Lakes projects in Melbourne has added approximately 1,800 lots, or 42%, to the original portfolio.
- Project financing on 11 out of BLP's 12 projects is now complete.
- The Pacific Dunes development in Port Stephens was awarded the winner of the 2006 Urban Development Institute of Australia NSW Award for the best "Masterplanned Development - Residential Lifestyle Development - Greater and less than 1000 lots", underlining the quality of the assets within the BLP portfolio.

As a result of this activity, the portfolio has grown and been further diversified in the period ended 31 December 2006, as follows:

	31 December 2006	30 June 2006 (IPO)	% Change
No. of projects	12	10	+20%
No. of development partners	5	4	+25%
Total project yield on acquisition	6,032	4,241	+42%
% of portfolio zoned for residential use (by value)	83%	56%	+48%

Financial Highlights

The financial highlights are summarised as follows:

	Period ended 31 December 2006	Full year guidance to 30 June 2007	Full year PDS to 30 June 2007
Net profit before tax	\$0.7m	\$1.4m	\$0.1m
Net profit after tax	\$0.8m	\$1.9m	\$1.0m
Distribution per stapled security	3.75¢	7.5¢	7.5¢

During the period, BLP's share of settled lots and exchanged lots (due to settle pre 30 June 2007) across all projects was 69 and 103 respectively. This represents 77% of the IPO forecast for the year ended 30 June 2007. In addition, there were a further 41 exchanges due to settle in the financial year ended 30 June 2008.

BLP's share of revenue from all projects is \$26.0 million for the period, with \$10.2 million settled, and \$15.8 million unconditionally exchanged and due for settlement pre 30 June 2007. Of the \$10.2 million settled, \$3.0 million relates to consolidated projects (as reflected in the financial statements) with the balance in joint venture projects.

Profit margins on lot sales across the portfolio were, on average, in line with PDS forecasts.

Net tangible asset backing per stapled security was \$0.90 at 31 December 2006, following provision for the interim distribution of 3.75¢ per stapled security. Gearing was 40% at 31 December 2006 (25% at 30 June 2006), below the target gearing range of 50% to 65% of gross assets. BLP now has significant debt funding capacity of over \$75 million available to make value-accretive acquisitions.

Project Pipeline

On 25 January 2007, BLP announced that it had contracted to acquire a 100% freehold interest in 707 Princes Hwy, a future residential development site in Officer, Victoria. The property is located within the South-Eastern Metropolitan Growth Corridor of Victoria and adjoins BLP's existing development site at 625 Princes Hwy. The forecast lot yield of the combined site is expected to be approximately 875 allotments, increasing the portfolio by a further 8% to 6,541 lots. This is the third new project acquired since listing.

Mr Michael Balkin, Managing Director of BLP, said "BLP continues to be well placed to deliver strong returns to investors. We have significant gearing capacity to facilitate accretive acquisitions and a solid pipeline of projects currently under review.

BABCOCK & BROWN
RESIDENTIAL LAND PARTNERS

“The expertise of the in-house development management team, led by Mark Salmon, is proving to be a major asset which will facilitate delivery of the target returns on each project.”

ENDS

For further information:

Michael Balkin
Managing Director
B&B Residential Land Partners
+61 2 9229 1800

Alison Carter
Investor Relations
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About Babcock & Brown Residential Land Partners

Babcock & Brown Residential Land Partners (BLP) is a listed vehicle managed by Babcock & Brown which invests in a diversified portfolio of quality residential land projects which are developed by a range of Australia’s leading private developers.

BLP offers securityholders liquidity, geographic, project and product diversity, access to quality private developers, long term potential for growth and, importantly, the benefit of access to Babcock & Brown’s considerable investment and structuring experience in the real estate sector.

For further details please see our website: www.bbresidentiallandpartners.com

Consolidated Report of
Babcock & Brown Residential Land Partners Limited
and
Babcock & Brown Residential Land Partners Trust,
together
Babcock & Brown Residential Land Partners,
for the period from commencement of operations
3 May 2006 through 31 December 2006

February 2007

**(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 4.2A. This information should be read in conjunction with the BBRLP Prospectus and Product Disclosure Statement dated 6 June 2006.

BBRLPL was incorporated on 3 May 2006. The entity had no trading activities until 30 June 2006 upon listing on the ASX.

BBRLP submitted an application to ASIC for relief from the half yearly reporting requirements which was granted. Accordingly, the first reporting period for BBRLP is 31 December 2006.

Current Reporting Period: For the period from commencement of operations 3 May 2006 through 31 December 2006

Previous Corresponding Period: N/A

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.

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 BNB 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. BNB 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 4D

Results for Announcement to the Market
for the period from commencement of operations 3 May 2006
through 31 December 2006

\$A'000	
Revenues from ordinary activities	5,974
Change from previous corresponding period	N/A
Profit / (loss) from ordinary activities after tax attributable to members	787
Change from previous corresponding period	N/A
Net profit / (loss) for the period attributable to members	787
Change from previous corresponding period	N/A

Distributions	Amount per stapled security	Franked amount per stapled security
<i>Current Period:</i>		
Final distribution	N/A	N/A
Interim distribution	3.75¢	N/A
<i>Previous Corresponding Period:</i>		
Final distribution	N/A	N/A
Interim distribution	N/A	N/A
<i>Record date for determining entitlements to the interim distribution</i>	29 December 2006	
Refer to Directors' report for review of operations.		

Note: The movements in revenue and net profit are disclosed as not applicable as a result of the current reporting being the first reporting period of BBRLP since listing on the Australian Securities Exchange ("ASX") on 30 June 2006. BBRLP had no trading activities prior to listing on the ASX.

Details Relating to Distributions

Distribution		Date distribution paid /payable	Amount per stapled security ¢
Interim	FY 2007	23 February 2007	3.75
Final	FY 2007	N/A	N/A
			Period Ended 31 Dec 2006 \$'000
Interim Distribution			
Stapled securities			6,563
Total			6,563

Net Tangible Assets Per Stapled Security

	31 Dec 2006 \$	PDS \$
Net tangible assets per stapled security	0.90	0.94

Information on Audit or Review

This report is based on accounts to which one of the following applies.

- | | | | |
|--------------------------|--|-------------------------------------|---|
| <input type="checkbox"/> | The accounts have been audited. | <input checked="" type="checkbox"/> | The accounts have been subject to review. |
| <input type="checkbox"/> | The accounts are in the process of being audited or subject to review. | <input type="checkbox"/> | The accounts have not yet been audited or reviewed. |

Description of likely dispute or qualification if the accounts have not yet been audited or subject to review or are in the process of being audited or subjected to review.

Not applicable.

Description of dispute or qualification if the accounts have been audited or subjected to review.

None.

**BABCOCK & BROWN
RESIDENTIAL LAND PARTNERS (BBRLP)**

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

ABN 49 119 517 985

**Interim Financial Report
for the period from commencement of operations
3 May 2006 through 31 December 2006**

Contents

An Overview of the BBRLP Accounts	7
Corporate Information	8
Directors' Report	9
Auditor's Independence Declaration	14
Consolidated Income Statement	15
Consolidated Balance Sheet	16
Consolidated Statement of Changes in Equity	17
Consolidated Cash Flow Statement	18
Notes to the Consolidated Financial Statements	19
Directors' Declaration on the Consolidated Financial Report	33
Independent Auditor's Review Report	34

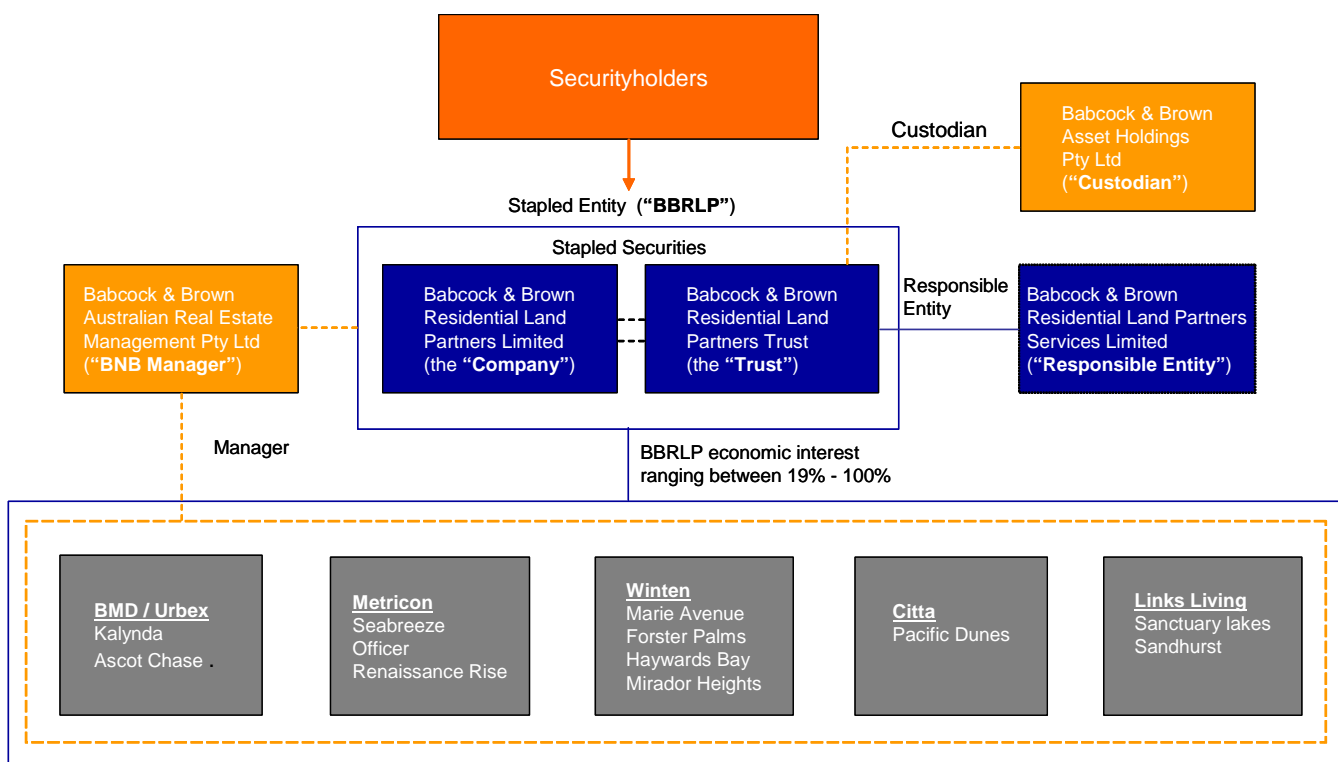
An Overview of the BBRLP Accounts

Babcock & Brown Residential Land Partners (“BBRLP” or the “Consolidated Entity”) 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 consolidated group at 31 December 2006 are prepared.

Corporate Information

Directors

M. Maxwell	Chairman
M. Balkin	Managing Director
R. Gelski	Director
R. Wright	Director
C. Langford	Director

Company Secretary

M. Hedges

Registered Office

Level 23, 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".

Solicitors

Minter Ellison Lawyers
Aurora Place
88 Philip Street
Sydney NSW 2000

Auditors

PricewaterhouseCoopers
Australia

Directors' Report

In respect of the period ended 31 December 2006, the Directors of Babcock & Brown Residential Land Partners Limited ("BBRLPL") submit the following report on the consolidated interim financial report of Babcock & Brown Residential Land Partners ("BBRLP").

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.

The interests of the equity holders in all stapled securities have been treated as a minority interest under the principles established in AASB Interpretation 1002.

The Directors' report is as follows:

Directors

The names of the Directors of BBRLPL during the whole of the period or since the end of the period and to the date of this report are:

Mr. M. Maxwell	Chairman
Mr. M. Balkin	Managing Director
Mr. R. Gelski	Director
Mr. R. Wright	Director
Mr. C Langford	Director

Principal Activities

The principal activity of the Consolidated Entity during the year consisted of property development. There were no significant changes in the nature of the activities of the Consolidated Entity during the period.

All business segments operate in one geographical area, Australia. The Consolidated Entity has no employees.

Review of operations

During the period ended 31 December 2006, BBRLP completed its initial public offering, issuing 175.0 million stapled securities and raising \$175.0 million before costs of \$11.2 million associated with the offer.

BBRLP achieved an interim net profit before tax of \$0.7 million for the period ended 31 December 2006 and have forecast an increase in full year net profit before tax to \$1.4 million, up from the full year forecast of \$0.1 million in the Product Disclosure Statement (PDS) dated 6 June 2006. This increase is due to a stronger than anticipated performance from several joint venture projects including Kalynda Chase, Townsville, and the acquisition of interests in

the Sanctuary Lakes and Sandhurst residential communities in Melbourne.

Guidance for full year net profit after tax has increased to \$1.9 million, up from the full year PDS forecast of \$1.0 million.

A fixed distribution per stapled security of 3.75¢ was paid to eligible stapled securityholders on 23 February 2007. In accordance with the PDS, the distribution per stapled security is fixed at 7.5¢ for the year ended 30 June 2007. Based on the closing price of BBRLP on 23 February 2007 of \$0.94, this distribution produces an annualised yield of 8%.

BBRLP's strategy is to build a portfolio of residential land developments which is diversified by geography, product type and development partner, and thereby capable of delivering value through market cycles. This result clearly demonstrates the benefit of this strategy. The strength in the North Queensland market in particular has more than compensated for the slow trading conditions across most New South Wales markets.

Operational highlights

The key operational achievements of BBRLP since 30 June 2006 include:

- Quality additions have been made to the development management team. Mark Salmon (ex-Stockland/Lensworth) has been recruited as the National Development Manager and three experienced development managers have been appointed for NSW, Queensland and Victoria.
- The Ascot Chase development in Victoria, BBRLP's largest project by revenue, was rezoned to Residential 1 in July 2006 in line with PDS expectations. This paves the way for the final planning and development phase.
- Re-zoning of the balance of the Kalynda Chase Estate, Townsville, was achieved. The Townsville market is very strong and this re-zoning will enable the sales momentum at Kalynda Chase to continue.
- The acquisition of interests in the Sandhurst and Sanctuary Lakes projects in Melbourne has added approximately 1,800 lots, or 42%, to the portfolio.
- Project financing on 11 out of BLP's 12 projects is now complete.
- The Pacific Dunes development in Port Stephens was awarded the winner of the 2006 Urban Development Institute of Australia NSW Award for the best "Masterplanned Development - Residential Lifestyle Development - Greater and less than 1000 lots, underlining the quality of the assets within the BBRLP portfolio.

As a result of this activity, the portfolio has grown and been further diversified in the period ended 31 December 2006, as follows:

	31 December 2006	30 June 2006 (IPO)	Change%
No. of projects	12	10	+20%
No. of development partners	5	4	+25%
Total project yield on acquisition	6,032	4,241	+42%
% of portfolio zoned for residential use (by value)	83%	56%	+48%

Financial Highlights

The financial highlights are summarised as follows:

	Period ended 31 December 2006	Full year guidance to 30 June 2007	Full year PDS to 30 June 2007
Net profit before tax	\$0.7m	\$1.4m	\$0.1m
Net profit after tax	\$0.8m	\$1.9m	\$1.0m
Distribution per security	3.75¢	7.5¢	7.5¢

During the period, BBRLP's share of settled lots and exchanged lots (due to settle pre 30 June 2007) across all projects was 69 and 103 respectively. This represents 77% of the IPO forecast for the year ended 30 June 2007. In addition, there were a further 41 exchanges due to settle in the financial year ended 30 June 2008.

BBRLP's share of revenue from all projects is \$26.0 million for the period, with \$10.2 million settled, and \$15.8 million unconditionally exchanged and due for settlement pre 30 June 2007. Of the \$10.2 million settled, \$3.0 million relates to consolidated projects (as reflected in the financial statements) with the balance in joint venture projects.

Profit margins on lot sales across the portfolio were, on average, in line with PDS forecasts.

Net tangible asset backing per stapled security was \$0.90 at 31 December 2006, after providing for the interim dividend of 3.75¢ per stapled security. Gearing was 40% at 31 December 2006 (25% at 30 June 2006), below the target gearing range of 50% to 65% of gross assets. BBRLP has significant debt funding capacity of over \$75 million available to make value-accretive acquisitions.

Outlook

BBRLP is well positioned to continue to grow its business. We have a strong balance sheet, substantial funding capacity, an experienced management team, and a substantial pipeline of potential new deals.

Distributions

Distributions declared for the period are 3.75 cents per stapled security totalling \$6.6 million in line with the fixed distribution forecast in the PDS. The distribution payment was made on 23 February 2007.

To calculate the cost base for each separate capital gains tax asset that comprises a Babcock & Brown Residential Land Partners stapled security, split the acquisition cost of each stapled security between the two capital gains tax assets. This split needs to be done on a reasonable basis. While it is for the stapled securityholders to decide how to split the acquisition cost of the stapled securities, it might be decided to use the relative net assets of BBRLPL and BBRLPT at the date of acquisition of your stapled securities to do this. The relative net assets of BBRLPL and BBRLPT at relevant dates are set out below.

	Proportion of Net Assets	
	Company	Trust
30 June 2006	1.00%	99.00%
31 December 2006	1.02%	98.98%

Stapled Securities On Issue

175.0 million securities of Babcock & Brown Residential Land Partners were on issue at 31 December 2006 (June 2006: 175.0 million)

	Consolidated
	Period ended
	31 December 2006
Net Profit attributable to securityholders (\$'000)	787
Time weighted average number of securities for basic and diluted earnings per security at 31 December 2006	175,000,000
Basic earnings per stapled security for net profit attributable to stapled securityholders (cents per stapled security)	0.45 c
Diluted earnings per stapled security for net profit attributable to stapled securityholders (cents per stapled security)	0.45 c

Matters subsequent to the end of the period

On 25 January 2007, BBRLP announced that it had contracted to acquire a 100% freehold interest in 707 Princes Highway, a future residential development site in Officer, Victoria, for \$21.0 million. The property is located within the South-Eastern Metropolitan Growth Corridor of Victoria and comprises 54.6 hectares. The property adjoins the existing BBRLP site at 625 Princes Highway. The forecast lot yield of the combined site is expected to be approximately 875 allotments, increasing the portfolio by a further 8% to 6,541 lots. Settlement is expected to occur before 30 June 2007 at which time it will be reflected in the accounts of BBRLP.

Auditor's Independence Declaration

PricewaterhouseCoopers have been appointed as auditors for the Consolidated Entity in accordance with Section 327 of the *Corporations Act 2001*.

The Consolidated Entity's lead auditor has provided a written declaration under Section 307C of the *Corporations Act 2001* that to the best of its knowledge and belief, there have been no contraventions of:

- The auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- The applicable Australian code of professional conduct in relation to the review.

The declaration is provided on page 14 and forms part of this director's report.

Rounding

The Group is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and the Directors' report have been rounded to the nearest thousand dollars unless otherwise stated.

Dated at Sydney this 26 February 2007.

Signed in accordance with a resolution of Directors.



M Balkin
Director
Babcock & Brown Residential Land Partners

PricewaterhouseCoopers
ABN 52 780 433 757

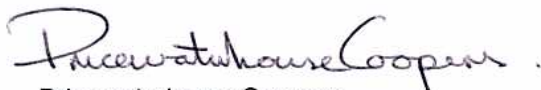
Darling Park Tower 2
201 Sussex Street
GPO BOX 2650
SYDNEY NSW 1171
DX 77 Sydney
Australia
www.pwc.com/au
Telephone +61 2 8266 0000
Facsimile +61 2 8266 9999

Auditor's Independence Declaration

As lead auditor for the review of Babcock & Brown Residential Land Partners Limited for the period from 3 May 2006 through 31 December 2006, 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 review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Babcock & Brown Residential Land Partners Limited during the period.


PricewaterhouseCoopers


AJ Wilson
Partner

Sydney
26 February 2007

Consolidated Income Statement

For the period from commencement of operations 3 May 2006 through 31 December 2006

	Notes	Consolidated Period ended 31 December 2006 \$'000
Revenue	3	5,974
Cost of sales		(2,792)
Management charges		(2,774)
Marketing & other operating expenses		(289)
Share of net profit of associates accounted for using the equity method		936
Operating profit		1,055
Finance costs		(373)
Net profit before tax		682
Tax benefit	6	105
Net profit after tax		787
Net profit after tax attributable to stapled securityholders as:		
Equity holders of the parent		270
Minority interest		11
Equity holders of the other stapled entities		506
		787
Basic earnings per stapled security (cents)		0.45 c
Diluted earnings per stapled security (cents)		0.45 c

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

Consolidated Balance Sheet

As at 31 December 2006

	Notes	Consolidated As at 31 December 2006 \$'000
Current assets		
Cash		18,084
Receivables – other		660
Inventories		61,487
Other assets		992
Total current assets		81,223
Non-current assets		
Loans receivable		50,527
Inventories		169,865
Investments in joint ventures		821
Other assets		330
Deferred tax assets	6	4,650
Total non-current assets		226,193
Total assets		307,416
Current liabilities		
Trade and other payables		3,346
Distribution payable		6,563
Total current liabilities		9,909
Non-current liabilities		
Loans payable		14,262
Deferred tax liabilities	6	4,503
Interest bearing liabilities		120,646
Total non-current liabilities		139,411
Total liabilities		149,320
Net assets		158,096
Equity holders of the parent		
Contributed equity		1,654
Retained earnings		270
		1,924
Equity holders of the Other Stapled Entities		
Contributed equity		162,218
Retained earnings		(6,057)
		156,161
Minority Interest		11
Total equity		158,096

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

Consolidated Statement of Changes in Equity
For the period from commencement of operations 3 May 2006
through 31 December 2006

	Consolidated
	Period ended
	31 December 2006
Notes	\$'000
Total equity at the beginning of the period	-
Net profit after tax	787
Transactions with equity holders in their capacity as equity holders:	
Contributions of equity, net of transaction costs and tax	163,872
Distributions paid or provided for	(6,563)
Total equity at end of the period	158,096
Total recognised income and expenses for the period is attributable to:	
Equity holders of the parent	270
Minority interest	11
Equity holders of the other stapled entities	506
	787

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

Consolidated Cash Flow Statement

For the period from commencement of operations 3 May 2006
through 31 December 2006

	Consolidated
	Period ended
	31 December 2006
Notes	\$'000
Cash flows from operating activities	
Cash receipts in the course of operations	5,054
Cash payments in the course of operations	(229,822)
Distributions from joint ventures	715
Payments to joint ventures	(600)
Interest received	356
Interest paid	(2,425)
Net cash outflow from operating activities	(226,722)
Cash flows from investing activities	
Notes Receivable - funding	(49,904)
Notes Receivable - payments received	1,565
Net cash outflow from investing activities	(48,339)
Cash flows from financing activities	
Proceeds from issue of securities, net of costs	163,829
Proceeds from borrowings	131,110
Repayment of borrowings	(1,794)
Net cash inflow from financing activities	293,145
Net increase in cash assets held	18,084
Cash and cash equivalents at beginning of period	-
Cash and cash equivalents at end of period	18,084

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

Notes to the Consolidated Financial Statements

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 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 for the interim reporting period ended 31 December 2006 has been prepared in accordance with *AASB 134 Interim Financial Reporting* and the *Corporations Act 2001*.

The Company commenced operations on 3 May 2006, accordingly no comparative financial information is available.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with any public announcements made by BBRLP during the interim reporting period, in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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 financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which the Class Order applies.

b) Principles of Consolidation

AASB Interpretation 1002, *Post-Date-of-Transition Stapling Arrangements*, applies to stapling arrangements occurring during the 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 equity holders in the stapled securities are treated as minority interests.

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Babcock & Brown Residential Partners Limited ("BBRLPL") (deemed "parent entity") as at 31 December 2006. BBRLP and its subsidiaries together with Babcock & Brown Residential Partners Trust ("BBRLPT") and its subsidiaries are together referred to in this financial report as the Group or the Consolidated Entity.

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.

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 carrying value of identifiable net assets of the subsidiary.

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

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

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

(ii) Joint venture entities

The interest in a joint venture partnership is accounted for in the consolidated financial statements using the equity method and is carried at cost by the parent entity. Under the equity method, the share of the profits or losses of the partnership is recognised in the income statement, and the share of movements in reserves is recognised in reserves in the balance sheet.

c) Segment reporting

A business segment is a group of assets and operation 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.

d) Revenue Recognition

Revenue is measured at fair value of the 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.

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 period'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 Partners Limited has yet to implement tax consolidation as its first taxable income year is for the period ending 30 June 2007.

f) Impairment of Assets

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 an impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

g) Cash and Cash Equivalents

Cash and cash equivalents comprises of cash at bank and short term deposits with an original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included within interest-bearing loans and borrowings in current liabilities on the balance sheet.

h) Trade and Other Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts.

The collectability of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that the group will not be able to collect the debt.

Notes receivable are recorded at the principal amount outstanding plus accrued interest. All notes receivable are reviewed at each reporting period for impairment. A note receivable is considered impaired when, based on current information and events, it is probable that BBRLP will be unable to collect all amounts due. The amount of the specific impairment provision is equal to the difference between the current carrying amount of a receivable and the greater of

(a) the net present value of the expected cash flows from the borrower, discounted at the original effective interest rate of the transaction, or

(b) the net fair value of the collateral, if any.

Any impairment provisions are included in the Income Statement in the period in which the asset is impaired.

i) Inventories

Development properties are stated at the lower of cost and net realisable value.

Net Realisable Value

Net Realisable Value is determined on the basis of each class of inventory's normal selling pattern. Expenses of marketing, selling and distribution to customers are estimated and deducted to establish net realisable value.

Development Work in Progress

Cost includes variable and fixed costs directly related to specific contracts and those costs related to contract activity in general which can be allocated to specific contracts on a reasonable basis and other costs specifically chargeable under the contract. Costs expected to be incurred under penalty clauses and rectification provisions and borrowing costs where contracts are classified as qualifying assets, are also included.

Land and Property Held for Resale

Development properties are stated at the lower of cost or net realisable value. Cost includes the costs of acquisition, development and holding costs such as borrowing costs, rates and taxes. Holding costs incurred after completion of development are expensed.

j) Investments

Controlled Entities

Controlled entities are included from the date control commences until the date control ceases.

Joint ventures

A joint venture is a contractual agreement whereby two or more parties undertake an economic activity via an entity or operation that is subject to joint control.

Investments Accounted for using the Equity Method

Investments in associates and joint venture entities are carried at the lower of the equity accounted amount and recoverable amount in the consolidated financial statements. Under the equity method of accounting, the investment is initially recorded at cost, subsequently adjusted for BBRLP's share of undistributed earnings or losses and changes in equity, and increased by additional investments in the associates and joint venture entities and reduced by cash distributions received. Any losses recognised under the equity method in excess of the equity investment in the associate or joint venture are applied to other components of BBRLP's interest in the associate or joint venture, such as a note receivable to the extent of those other interests. Fee income received from associates and joint venture entities is deferred when the associate or joint venture has capitalised the fee payment to the extent of BBRLP's equity investment in the associate or joint venture entity.

Transactions eliminated on consolidation

Any balances, unrealised gains and losses or income and expenses arising from transactions with joint ventures and associates are eliminated to the extent of BBRLP's interest.

k) Payables

Trade payables and other accounts payable are recognised at cost when the consolidated 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 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.

If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Dividends and Distributions

A provision for dividends and distributions payable is recognised in the reporting period in which the dividends and distributions are declared, determined, or publicly recommended by the Directors on or before the end of the financial period, but not distributed at balance date.

m) Interest Bearing Loans and Borrowings

All loans and notes payable are initially recorded at cost, being 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.

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 assets. 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 stapled security

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

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

- costs of servicing equity (other than dividends) and preference security distributions;
- 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 stapled securities and dilutive potential ordinary stapled securities, adjusted for any bonus element.

Note 2 Segment Information

The Consolidated Entity operates solely in the business of property development in Australia.

Note 3 Revenue

	Consolidated
	Period ended
	31 December 2006
	\$'000
<hr/>	
Sales Revenue	
Revenue from the sale of land	3,003
<hr/>	
Other Revenue	
Interest Income	2,971
<hr/>	
Total Revenue	5,974

Note 4 Expenses

	Consolidated
	Period ended
	31 December 2006
	\$'000
Management expenses	
Base Management Fee	726
Manager's Expense Fee	1,750
Responsible Entity Fee	287
Custodian Fee	11
	2,774
Finance costs	
Interest and finance charges	5,502
Amount capitalised	(5,129)
	373

Note 5 Dividends & Distributions

Distributions payable	6,563
-----------------------	-------

Interim distribution for the period ended 31 December 2006 of 3.75 cents per stapled security was paid on 23 February 2007.

Note 6 Income Tax

	Consolidated
	Period ended
	31 December 2006
	\$'000
(a) Income tax expense / (benefit)	
Income tax comprises:	
Current tax benefit	(4,611)
Deferred tax expense	4,506
Under / (over) provided in prior years	-
Income tax expense / (benefit)	(105)
Deferred income tax expense included in income tax (revenue) / expense comprises:	
Decrease / (increase) in deferred tax assets	3
(Decrease) / increase in deferred tax liabilities	4,503
	4,506
(b) Numerical reconciliation of income tax / (benefit) expense to prima facie tax payable	
(Loss) / profit from continuing operations before income tax expense	682
Income tax expense calculated at 30%	205
Tax effect of amounts which are not deductible / (taxable) in calculating taxable income:	
Trust net income not assessable	(152)
Non-assessable income	(163)
Non-deductible expenses	5
Amortisation	-
Management Fee	-
Sundry items	-
Income tax (benefit) / expense	(105)
(c) Amounts recognised directly in equity	
The following current and deferred amounts were not recognised in net profit or loss but charged directly to equity during the period:	
Current tax	-
Net deferred tax	(43)

	(43)
(d) Tax losses	
Unused tax losses for which no deferred tax asset has been recognised	-
Potential tax benefit at 30%	-
	31 December 2006
	\$'000
(f) Current tax liabilities	
Current tax payables:	
Income tax payable	-
(g) Recognised deferred tax assets and deferred tax liabilities	
Deferred tax liabilities	
Deductible development costs	4,459
Other	44
Gross deferred tax liabilities	4,503
Deferred tax assets	
Current year tax losses	4,612
Other	38
Gross deferred tax assets	4,650

Note 7 Contributed Equity

	Consolidated
	Period ended
	31 December 2006
	No '000
Fully paid Stapled Securities/shares	
Balance as at 29 June 2006	-
Capital raising ⁽ⁱ⁾	175,000
Balance as at 31 December 2006	175,000

(i) Capital raising

On 30 June 2006, the entity issued 175.0 million securities at a price of \$1.00. Total proceeds amounted to \$175.0 million as part of the Initial Public Offering and listing its stapled securities on the Australian Securities Exchange.

(ii) Securities buy-back

There is no current on-market buy-back.

Note 8 Minority Interest

	Consolidated
	Period ended
	31 December 2006
	\$'000
Contributed equity	-
Retained profits	11
	11

Note 9 Related Party Disclosure

The profit before income tax includes management and other fees paid and owed to Babcock & Brown Australian Real Estate Management Limited and Babcock & Brown Residential Land Partners Services Limited, both 100% owned subsidiaries of the Babcock & Brown Group.

The fees were calculated in accordance with the terms disclosed in the BBRLP Prospectus and Product Disclosure Statement dated 6 June 2006. The fees expensed during the period include:

	\$'000
Description of fee:	(excl GST)
Managers Expense Fee	1,750
Base Management Fee	726
Asset facilitation fee	3,275
Responsible Entity Fee	287

In addition to the aforementioned fees, there are other related party transactions and disclosures which are not significant for inclusion in the interim financial statements.

Note 10 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
Parent entity		
Babcock & Brown Residential Land Partners Limited	Australia	
Other stapled entity		
Babcock & Brown Residential Land Partners Trust	Australia	
Subsidiaries of BBRLP		
BBRLPL Taree Pty Limited	Australia	100%
BBRLPL Forster Pty Limited	Australia	100%
BBRLPL Haywards Bay Pty Limited	Australia	100%
BBRLPL Mirador Heights Pty Limited	Australia	100%

BBRLPL Pacific Dunes Pty Limited	Australia	100%
BBRLPL Kalynda Pty Limited	Australia	100%
BBRLPL Ascot Chase Pty Limited	Australia	100%
BBRLPL Links Pty Limited	Australia	100%
BBRLPL Coburg Pty Limited	Australia	100%
BBRLPL Officer 707 Pty Limited	Australia	100%
BBRLPL Ripley Valley Pty Limited	Australia	100%
Taree (Marie Avenue) Nominee Pty Limited	Australia	92%
Forster (Southern Parkway) Nominee Pty Limited	Australia	92%
Haywards Bay Nominee Pty Limited	Australia	92%
Mirador Heights Nominee Pty Limited	Australia	92%
Ascot Chase Nominee Pty Limited	Australia	75%
BBRLPT Pacific Dunes Pty Limited	Australia	100%
BBRLPT URB Pty Limited	Australia	100%
BBRLPT WPG Pty Limited	Australia	100%
BBRLPT MET Pty Limited	Australia	100%
BBRLP Pacific Dunes Trust	Australia	100%
BBRLP Kalynda Trust	Australia	100%
BBRLP Ascot Chase Trust	Australia	100%
BBRLP Taree Trust	Australia	100%
BBRLP Haywards Bay Trust	Australia	100%
BBRLP Mirador Trust	Australia	100%
BBRLP Forster Trust	Australia	100%
BBRLP Officer Trust	Australia	100%
BBRLP Seabreeze Trust	Australia	100%
BBRLP Mernda Trust	Australia	100%

Note 11 Events Subsequent to Balance Date

On 25 January 2007, BBRLP announced that it had contracted to acquire a 100% freehold interest in 707 Princes Highway, a future residential development site in Officer, Victoria, for \$21.0 million.

The property is located within the South-eastern Metropolitan Growth Corridor of Victoria and comprises 54.6 hectares. The property adjoins the existing BBRLP site at 625 Princes Highway. The forecast lot yield of the combined site is expected to be up to 875 allotments. Settlement is expected to occur before 30 June 2007 at which time it will be reflected in the accounts of BBRLP.

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

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 15 to 32 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 31 December 2006 and of its performance, as represented by the results of its operations and its cash flows, for the period 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.

This declaration is made in accordance with a resolution of Directors pursuant to s.303 (5) of the *Corporations Act 2001*.

On behalf of the Directors:



Michael Balkin
Director
Sydney, 26 February 2007

Independent Auditor's Review Report
to the members of Babcock & Brown Residential Land
Partners

Report on the Financial Report for the Period from 3 May 2006 through 31 December 2006

We have reviewed the accompanying consolidated financial report of Babcock & Brown Residential Land Partners Limited and Babcock & Brown Residential Land Partners Trust, together Babcock & Brown Residential Land Partners ("BBRLP") for the period ended 31 December 2006, which comprises the consolidated balance sheet as at 31 December 2006, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the period ended on that date, notes to the consolidated financial statements and the directors' declaration for BBRLP. The consolidated entity comprises both Babcock & Brown Residential Land Partners and the entities it controlled during the period.

Directors' Responsibility for the Financial Report

The directors of BBRLP 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 designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and its performance for the period ended on that date; and complying with Accounting Standard *AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of BBRLP, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. It also includes reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial report. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

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

Matters relating to the electronic presentation of the reviewed financial report

This review report relates to the financial report of Babcock & Brown Residential Land Partners Limited for the period ended 31 December 2006 included on Babcock & Brown Residential Land Partners Limited's web site. The Company's directors are responsible for the integrity of the Babcock & Brown Residential Land Partners Limited's web site. We have not been engaged to report on the integrity of this web site. The review report refers only to the financial report identified above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial 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 reviewed financial report to confirm the information included in the reviewed financial report presented on this web site.

Independence

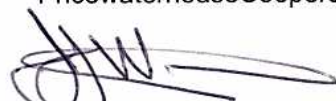
In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of Babcock & Brown Residential Land Partners Limited for the period is not in accordance with the *Corporations Act 2001* including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and of its performance for the period ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.


PricewaterhouseCoopers


AJ Wilson
Partner

Sydney
26 February 2007

Report of Babcock & Brown
Residential Land Partners Trust
ARSN 119 613 848
for the period from commencement of operations
9 May 2006 through 31 December 2006

Contents

Corporate Information	3
Directors' Report	4
Auditor's Independence Declaration	6
Consolidated Income Statement	7
Consolidated Balance Sheet	8
Consolidated Statement of Changes in Equity	9
Consolidated Cash Flow Statement	10
Notes to the Consolidated Financial Statements	11
Directors' Declaration on the Consolidated Financial Report	17
Independent Auditor's Review Report	18

Corporate Information

Directors

M. Maxwell	Chairman
M. Balkin	Managing Director
R. Gelski	Director
R. Wright	Director

Company Secretary

M. Hedges

Registered Office

Level 23, The Chifley Tower
2 Chifley Square
Sydney NSW 2000

Security Register

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".

Solicitors

Minter Ellison lawyers
Aurora Place
88 Philip Street
Sydney NSW 2000

Auditors

PricewaterhouseCoopers
Australia

Directors' Report

In respect of the period ended 31 December 2006, the Directors of Babcock & Brown Residential Land Partners Services Limited ("BBRLPS"), the Responsible Entity of Babcock & Brown Residential Land Partners Trust ("BBRLPT") submit the following report on the consolidated interim financial report of BBRLPT and its controlled entities.

The Directors' report is as follows:

Directors

The names of the Directors of the Responsible Entity during the whole of the period or since the end of the period and to the date of this report are:

Mr. M. Maxwell	Chairman
Mr. M. Balkin	Managing Director
Mr. R. Gelski	Director
Mr. R. Wright	Director

Review of Operations

During the period ended 31 December 2006, BBRLP completed its initial public offering, issuing 175.0 million stapled securities and raising \$163.8 million after costs. BBRLPT received \$162.2 million of these net proceeds.

BBRLPT's net profit after tax for the period ended 31 December 2006 is \$1.2 million. The profit generated in the period to 31 December 2006 is comprised mainly of interest income and costs payable to Babcock & Brown Australian Real Estate Management Pty Limited ("BBAREM" or the "Manager") in accordance with the Management Agreement between BBRLPS and BBAREM dated 5 June 2006.

Auditor's Independence Declaration

PricewaterhouseCoopers have been appointed as auditors for the Consolidated Entity in accordance with Section 327 of the *Corporations Act 2001*.

The Trust's lead auditor has provided a written declaration under Section 307C of the *Corporations Act 2001* that to the best of its knowledge and belief, there have been no contraventions of:

- The auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- The applicable Australian code of professional conduct in relation to the review.

The declaration is provided on page 6 and forms part of this Directors' Report.

Rounding

The Trust is a registered scheme of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998, as amended by Class Order 04/667, and in accordance with that Class Order, amounts in the financial report and the Directors' report have been rounded to the nearest thousand dollars unless otherwise stated.

Signed in accordance with a resolution of Directors.

On behalf of the Directors of BBRLPS



M Balkin

Director

Babcock & Brown Residential Land Partners Services Limited

Dated at Sydney this 26 February 2007.

PricewaterhouseCoopers
ABN 52 780 433 757

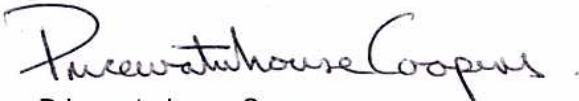
Darling Park Tower 2
201 Sussex Street
GPO BOX 2650
SYDNEY NSW 1171
DX 77 Sydney
Australia
www.pwc.com/au
Telephone +61 2 8266 0000
Facsimile +61 2 8266 9999

Auditor's Independence Declaration

As lead auditor for the review of Babcock & Brown Residential Land Partners Trust for the period from 9 May 2006 through 31 December 2006, 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 review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Babcock & Brown Residential Land Partners Trust during the period.


PricewaterhouseCoopers


AJ Wilson
Partner

Sydney
26 February 2007

Consolidated Income Statement

For the period from commencement of operations 9 May 2006
through 31 December 2006

	Consolidated
	Period ended
	31 December 2006
Notes	\$'000
Interest income	4,735
Management charges	(302)
Operating expenses	(31)
Financing costs	(27)
Facilitation fee expense and other fees	(3,172)
Net operating profit	1,203
Basic earnings per unit (cents)	0.69 c
Diluted earnings per unit (cents)	0.69 c

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

Consolidated Balance Sheet

As at 31 December 2006

	Consolidated
	As at
	31 December 2006
Notes	\$'000
Current assets	
Cash	5,563
Receivables and other assets	35
Total current assets	5,598
Non-current assets	
Related party loan receivables	68,990
Loan receivables	89,081
Total non-current assets	158,071
Total assets	163,669
Current liabilities	
Trade and other payables	248
Distributions payable	6,563
Total current liabilities	6,811
Total liabilities	6,811
Net assets	156,858
Equity	
Contributed equity	162,218
Retained earnings	(5,360)
Total equity	156,858

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

Consolidated Statement of Changes in Equity

For the period from commencement of operations 9 May 2006
through 31 December 2006

	Consolidated
	Period ended
	31 December 2006
Notes	\$'000
Total equity at the beginning of the period	-
Net profit	1,203
Transactions with equity holders in their capacity as equity holders:	
Contributions on equity, net of transaction costs and tax	162,218
Distributions paid or provided for	(6,563)
Total equity at end of the period	156,858

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes on pages.

Consolidated Cash Flow Statement

For the period from commencement of operations 9 May 2006
through 31 December 2006

	Consolidated
	Period ended
	31 December 2006
Notes	\$'000
Cash flows from operating activities	
Cash receipts in the course of operations	828
Cash payments in the course of operations	(947)
Payment for facilitation fees	(2,761)
Interest received	235
Interest paid	(12)
Net cash outflow from operating activities	(2,657)
Cash flows from investing activities	
Proceeds from repayment of borrowings provided to related parties	49,552
Borrowings provided to related parties	(203,550)
Net cash outflow from investing activities	(153,998)
Cash flows from financing activities	
Proceeds from issue of securities, net of costs	162,218
Net cash inflow from financing activities	162,218
Net increase in cash assets held	5,563
Cash and cash equivalents at beginning of period	-
Cash and cash equivalents at end of period	5,563

The above Consolidated Cashflow Statement should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements

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 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 for the interim reporting period ended 31 December 2006 has been prepared in accordance with *AASB 134 Interim Financial Reporting* and the *Corporations Act 2001*.

The Trust commenced operations on 9 May 2006, accordingly no comparative financial information is available.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with any public announcements made by BBRLP during the interim reporting period, in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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 interim financial report consists of the consolidated financial statements of BBRLPT and its controlled entities and should be read in conjunction with BBRLP’s consolidated financial statements.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$’000) unless otherwise stated under the option available to the Trust under ASIC Class Order 98/0100. The Trust is an entity to which the Class Order applies.

b) Principles of Consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Babcock & Brown Residential Partners Trust (“BBRLPT”) as at 31 December 2006.

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.

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.

c) Trust formation

BBRLPT was established on 9 May 2006. On 23 May 2006, the Trust became a registered scheme and Babcock & Brown Residential Land Partners Services Limited became the responsible entity of the Trust.

d) Revenue Recognition

Interest income is recognised in the income statement as it accrues using the effective interest method and if not received at balance date, is reflected in the balance sheet as a receivable.

e) Income Tax

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

f) Cash and Cash Equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and short term deposits with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included within interest-bearing loans and borrowings in current liabilities on the balance sheet.

g) Trade and Other Receivables

Trade receivables, loans and other receivables are recorded at amortised cost less impairment.

Notes receivable are recorded at the principal amount outstanding plus accrued interest. All notes receivable are reviewed regularly for impairment. A note receivable is considered impaired when, based on current information and events, it is probable that BBRLPT will be unable to collect all amounts due. The amount of the specific impairment provision is equal to the difference between the current carrying amount of a receivable and the greater of

(a) the net present value of the expected cash flows from the borrower, discounted at the original effective interest rate of the transaction, or

(b) the net fair value of the collateral, if any.

Any impairment provisions are included in the Income Statement in the period in which the asset is impaired.

h) Investments

Controlled entities are included from the date control commences until the date control ceases and transactions eliminated on consolidation.

i) Payables

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

j) Distributions

Distributions are paid within three months of each period end. The period ends are 30 June and 31 December.

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 Unit

Basic earnings per unit are calculated as net profit attributable to the Trust, divided by the weighted average number of ordinary units, adjusted for any bonus element.

Diluted earnings per unit is determined by dividing net profit attributable to the Trust by the weighted average number of ordinary units and dilutive potential ordinary units on issue during the period.

Note 2 Segment Information

The principle activities of the consolidated entity during the period were to lend and manage funds to entities carrying on land development activities in Australia.

Note 3 Dividends & Distributions

Distributions payable	6,563
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Interim distribution for the period ended 31 December 2006 of 3.75 cents per stapled security was paid on 23 February 2007.

Note 4 Contributed Equity

	Consolidated
	Period ended
	31 December 2006
	No '000
Fully paid units	
Balance as at 6 June 2006	-
Capital raising ⁽ⁱ⁾	173,250
Balance as at 31 December 2006	173,250

(i) Capital raising

On 30 June 2006, the entity issued 175.0 million units at a price of \$0.99. Total proceeds amounted to \$173.25 million as part of the Initial Public Offering and listing its securities on the Australian Securities Exchange.

Note 5 Related Party Disclosure

The profit includes management and other fees paid and owed to Babcock & Brown Australian Real Estate Management Pty Limited and Babcock & Brown Residential Land Partners Services Limited, both 100% owned subsidiaries of the Babcock & Brown Group.

The fees were calculated in accordance with the terms disclosed in the BBRLP Prospectus and Product Disclosure Statement dated 6 June 2006. The related party income earned and fees expensed during the period include:

	\$'000
	(excl GST)
Interest income	3,803
Description of fee:	
Base Management Fee	3,730
Asset facilitation fee	2,761
Responsible Entity Fee	287

In addition to the aforementioned fees, there are other related party transactions and disclosures which are not significant for inclusion in the interim financial statements.

Note 6 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
Parent entity		
Babcock & Brown Residential Land Partners Trust	Australia	
Subsidiaries of the Trust		
BBRLPT Pacific Dunes Pty Limited	Australia	100%
BBRLPT URB Pty Limited	Australia	100%
BBRLPT WPG Pty Limited	Australia	100%
BBRLPT MET Pty Limited	Australia	100%
BBRLP Pacific Dunes Trust	Australia	100%
BBRLP Kalynda Trust	Australia	100%
BBRLP Ascot Chase Trust	Australia	100%

BBRLP Taree Trust	Australia	100%
BBRLP Haywards Bay Trust	Australia	100%
BBRLP Mirador Heights Trust	Australia	100%
BBRLP Forster Trust	Australia	100%
BBRLP Officer Trust	Australia	100%
BBRLP Seabreeze Trust	Australia	100%
BBRLP Mernda Trust	Australia	100%

Note 7 Events occurring after the balance sheet date

There were no significant events subsequent to 31 December 2006 outside the ordinary course of business.

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

In the opinion of the Directors of Babcock & Brown Residential Land Partners Services Limited ("BBRLPSL"),

- a) the consolidated financial statements and notes for Babcock & Brown Residential Land Partners Trust (as defined in Note 1) as set out on pages 7 to 16 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 BBRLPT as at 31 December 2006 and of its performance, as represented by the results of its operations and cash flows, for the period ended on that date; and
- b) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of Directors pursuant to s.303 (5) of the *Corporations Act 2001*.

On behalf of the Directors of BBRLPS:



Michael Balkin
Director
Sydney, 26 February 2007

Independent Auditor's Review Report to the members of Babcock & Brown Residential Land Partners Trust

Report on the Financial Report for the Period from Commencement of Operations 9 May 2006 through 31 December 2006

We have reviewed the accompanying consolidated financial report of Babcock & Brown Residential Land Partners Trust ("BBRLPT") for the period ended 31 December 2006, which comprises the consolidated balance sheet as at 31 December 2006, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the period ended on that date, notes to the consolidated financial statements and the Directors' declaration for BBRLPT. The consolidated entity comprises both Babcock & Brown Residential Land Partners Trust and the entities it controlled during the period.

Directors' Responsibility for the Financial Report

The Directors of BBRLPT 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 designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of an Interim Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and its performance for the period ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of BBRLPT, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. It also includes reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial report. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

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

Matters relating to the electronic presentation of the reviewed financial report

This review report relates to the financial report of Babcock & Brown Residential Land Partners Trust for the period ended 31 December 2006 included on Babcock & Brown Residential Land Partners Trust's web site. The responsible entity's directors are responsible for the integrity of the Babcock & Brown Residential Land Partners Trust's web site. We have not been engaged to report on the integrity of this web site. The review report refers only to the financial report identified above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial 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 reviewed financial report to confirm the information included in the reviewed financial report presented on this web site.

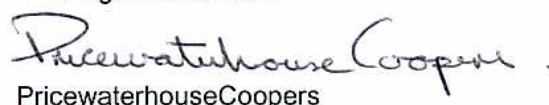
Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of Babcock & Brown Residential Land Partners Trust for the period is not in accordance with the *Corporations Act 2001* including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and of its performance for the period ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.


PricewaterhouseCoopers



AJ Wilson
Partner

Sydney
26 February 2007