BABCOCK & BROWN

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ASX Release

21 August 2008

APPENDIX 4D AND MANAGEMENT DISCUSSION & ANALYSIS

Please find attached Babcock & Brown's Appendix 4D and Management Discussion & Analysis for the six month period ended 30 June 2008.

ENDS

About Babcock & Brown

Babcock & Brown is an international investment and specialised fund and asset management group with longstanding capabilities in structured finance and the creation, syndication and management of asset and cash flow-based investments. Babcock & Brown was founded in 1977 and is listed on the Australian Securities Exchange.

Babcock & Brown operates from 33 offices across Australia, North America, Europe, Asia, United Arab Emirates and Africa and has in excess of 1,400 employees worldwide. Babcock & Brown has four operating divisions including real estate, infrastructure, operating leasing, corporate and structured finance. The company has established a funds management platform across the operating divisions that has resulted in the creation of a number of focused investment vehicles in areas including real estate, renewable energy and infrastructure.

For further information about Babcock & Brown please see our website: www.babcockbrown.com

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Results Release 2008

Appendix 4D
Management Discussion & Analysis

30 June 2008

BABCOCK & BROWN

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ABBREVIATIONS USED THROUGHOUT THIS REPORT

Babcock & Brown Air	BBAir
Babcock & Brown Aircraft Management	BBAM
Babcock & Brown Asian Infrastructure Fund	BBAIF
Babcock & Brown Capital	BCM
Babcock & Brown Communities	BBC
Babcock & Brown Direct Investment Fund	BBDIF
Babcock & Brown Environmental Investments	BEI
Babcock & Brown European Infrastructure Fund	BBEIF
Babcock & Brown Global Partners	BBGP
Babcock & Brown Infrastructure	BBI
Babcock & Brown Japan Property Trust	BJT
Babcock & Brown Power	BBP
Babcock & Brown Public Partnerships	BBPP
Babcock & Brown Rail Management	BBRM
Babcock & Brown Rail North America	BBRNA
Babcock & Brown Residential Land Partners	BLP
Babcock & Brown Global Investments Limited	BBGIL
Babcock & Brown Wind Partners	BBW
Everest Babcock & Brown	EBB
General Property Trust	GPT
Babcock & Brown Infrastructure Fund North America	BBIFNA

ANNOUNCEMENT TO THE MARKET

Name of the Company: Babcock & Brown Limited
ABN 53 108 614 955

Reported	Half-Year ended 30 June 2008 $'000	Half-Year ended 30 June 2007 $'000	Change %
Net revenue from ordinary activities[1]	561,069	803,999	(30)
Operating profit before tax attributable to Babcock & Brown Group[2]	231,000	312,098	(26)
Operating profit before tax	211,082	317,839	(34)
Profit after tax attributable to the Babcock & Brown Group[3]	174,954	250,067	(30)
Net profit after tax attributable to members	150,920	199,593	(24)

Key Dates (subject to change):

Final Result 2008	26 February 2009
Annual General Meeting	22 May 2009
Interim Result 2009	27 August 2009

All amounts are in Australian dollars unless otherwise stated. The information on which this announcement is based has been reviewed by the Company's auditors, Ernst & Young. The Company has a formally constituted audit & risk management committee of the board of directors. This report was approved by a resolution of the directors on 21 August 2008.

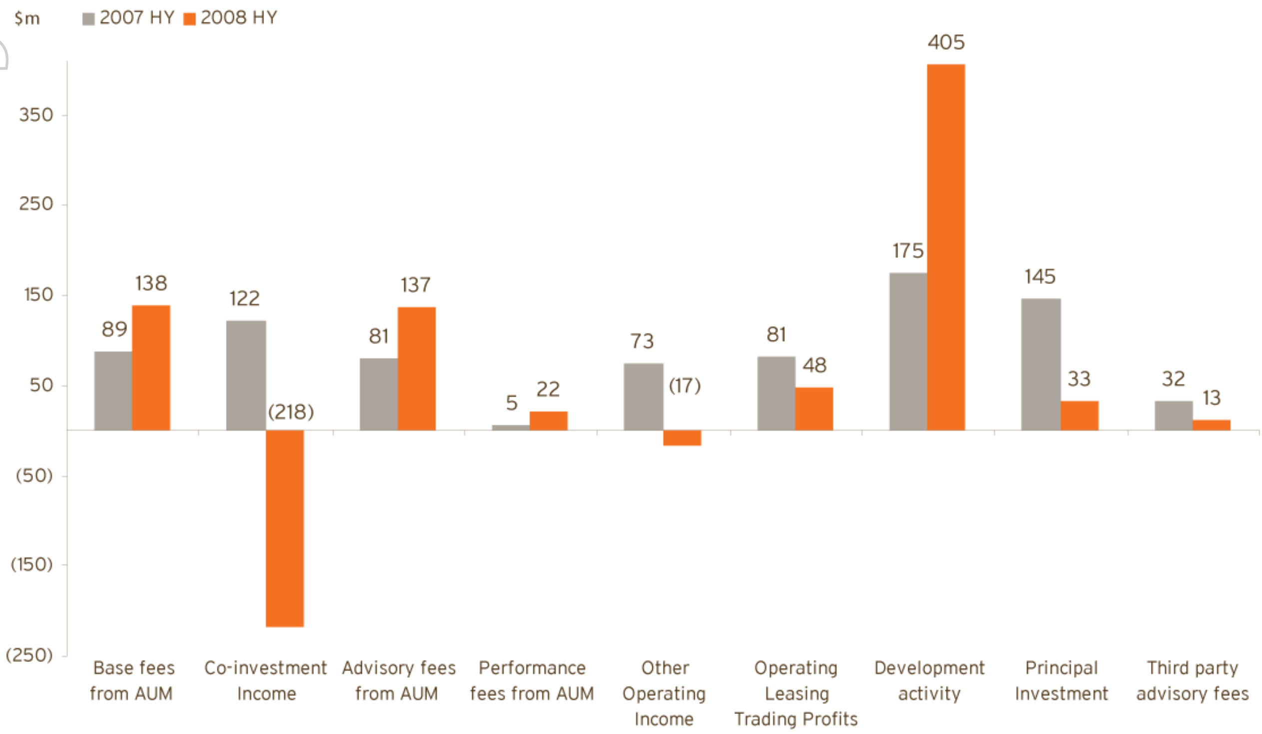
[1] Net revenue represents gross revenue less cost of sales and directly attributable expenses, plus net contribution from equity accounted and consolidated non-strategic investments.

[2] Operating profit before tax attributable to Babcock & Brown Group is calculated by adjusting operating profit before tax for gross external minority interests.

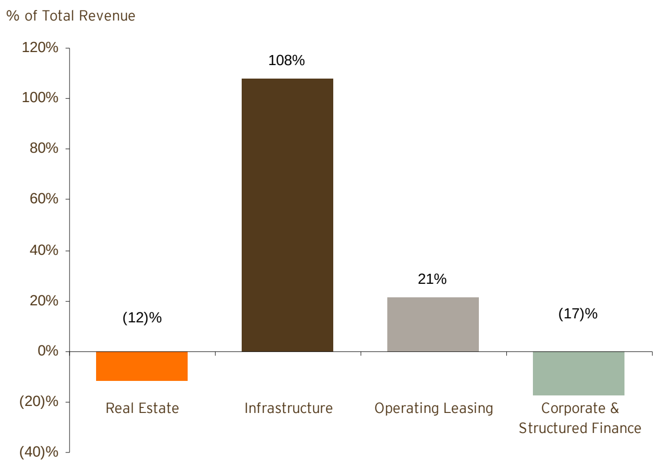
[3] Babcock & Brown Group comprises Babcock & Brown Limited, the company listed on the ASX, and Babcock & Brown International Pty Ltd, an 87.8% owned subsidiary (83.2% at 31 December 2007).

REVIEW OF OPERATING RESULTS

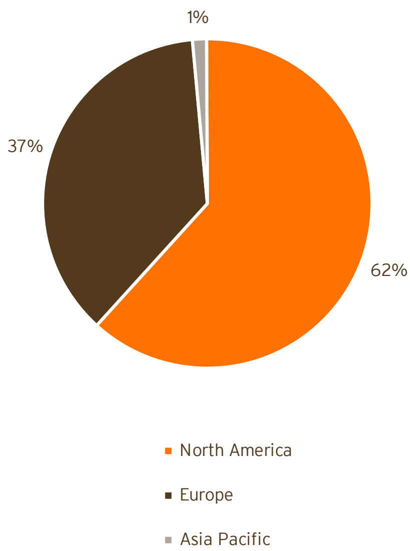
NET REVENUE



NET REVENUE BY DIVISION



NET REVENUE BY GEOGRAPHY



AUM – Assets Under Management

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SEGMENT INCOME STATEMENT

	Half-Year ended 30 June 2008 $'000	Half-Year ended 30 June 2007 $'000	Change %
Net revenue by division			
Real Estate	(65,277)	261,578	(125.0)
Infrastructure	604,410	316,806	90.8
Operating Leasing	120,295	153,586	(21.7)
Corporate & Structured Finance	(98,359)	72,029	>(100)
Net revenue	**561,069**	**803,999**	**(30.2)**
Net corporate interest expense[1]	(22,468)	1,577	>(100)
Operating costs			
Fixed Remuneration	(145,581)	(111,531)	30.5
Facilities	(43,528)	(30,955)	40.6
Other	(79,583)	(83,576)	(4.8)
Total operating costs	**(268,692)**	**(226,062)**	**18.9**
Operating profit before bonuses and tax	**269,909**	**579,514**	**(53.4)**
Bonus expense (including amortisation of share options and bonus deferral rights)	(58,827)	(261,675)	(77.5)
Operating profit before tax	**211,082**	**317,839**	**(33.6)**
Tax	(50,070)	(63,753)	(21.5)
Net profit after tax (before deduction for outside minority interest)	**161,012**	**254,086**	**(36.6)**
Minority interest excluding BBIPL[2]	13,942	(4,019)	>100
Profit after tax attributable to the Babcock & Brown Group[3]	**174,954**	**250,067**	**(30.0)**
BBIPL minority interest[3]	(24,034)	(50,474)	(52.4)
Profit after tax attributable to members of Babcock & Brown Limited	**150,920**	**199,593**	**(24.4)**

The Group net profit after tax of $175 million was negatively impacted by $441 million of writedowns and losses from Real Estate valuations, particularly the GPT joint venture, losses on sales of securities in both Infrastructure and Corporate & Structured Finance, and impairments in listed funds.

The strengthening of the Australian dollar against foreign currencies also contributed to lower AUD equivalent earnings from the US and Europe. This was more than offset by FX gains in the Corporate Facility.

The bonus expense was reduced due to the application of a lower remuneration rate of 35% (48% in 2007).

The effective tax rate has increased from prior periods due to both a large portion of half year income being earned in the US and the negative impact of equity accounted after-tax losses from the investment in the GPT joint venture.

SEGMENT RESTRUCTURE

As previously indicated, the Company restructured the segment divisions in the second half of 2007, merging Corporate Finance and Structured Finance. Both the 2007 Half Year Net Revenues and Segment Net Assets have been restated throughout to reflect the restructure for comparison purposes.

1 Includes foreign exchange gains and losses on corporate borrowings.

2 Babcock & Brown International Pty Limited (BBIPL).

3 Babcock & Brown Group comprises Babcock & Brown Limited, the company listed on the ASX, and Babcock & Brown International Pty Ltd, an 87.8% owned subsidiary (83.2% at 31 December 2007).

REVIEW OF OPERATING RESULTS

SEGMENT BALANCE SHEET

The table below presents the net financial position of the Babcock & Brown Group. The statutory Financial Statements differ from the financial information presented below, as transaction specific assets and liabilities are netted within each of the four divisions to arrive at the Group's net Segment Balance Sheet.

Segment net assets include current and non-current assets and liabilities when they relate specifically to the segment. Fees receivable, accounts payable, and accrued current liabilities are included in working capital. Inventory and restricted cash balances are included in the segment net assets.

	Assets Jun 2008 $'000	Liabilities Jun 2008 $'000	Net Assets Jun 2008 $'000	Net Assets Dec 2007 $'000
Real Estate	4,636,783	2,974,495	1,662,288	1,780,037
Infrastructure	4,942,294	2,775,165	2,167,129	2,249,896
Operating Leasing	2,149,560	1,678,757	470,803	357,748
Corporate & Structured Finance	796,542	173,468	623,074	590,171
Segment net assets	**12,525,179**	**7,601,885**	**4,923,294**	**4,977,852**
Corporate debt	-	3,192,651	(3,192,651)	(2,759,598)
Net cash and cash equivalents[1]	619,646	-	619,646	363,482
Working capital (excluding cash)[2]	316,665	267,376	49,289	(130,230)
Deferred tax assets	570,300	-	570,300	462,731
Deferred tax liabilities	-	469,165	(469,165)	(481,059)
Property and equipment	90,512	-	90,512	65,337
Other	57,627	16,419	41,208	15,089
Total net assets	**14,179,929**	**11,547,496**	**2,632,433**	**2,513,604**

1 For June 2008, $589 million of restricted cash ($2,188m at December 2007) was allocated to the Segment Net Assets.
2 Excludes investments and assets held for trading included in Segment Net Assets.

REVIEW OF SEGMENT BALANCE SHEET

During the period major changes to the balance sheet were:

- Reduction in gross real estate assets and liabilities of $810 million and $693 million, respectively, mainly due to sale of European and Australian real estate assets.
- Reduction in gross Infrastructure assets and liabilities of $977 million and $894 million, respectively, mainly due to sale of Royal Children's Hospital and Transbay Cable, offset by increase in US Wind.
- Corporate debt has increased by $433 million. This increase is offset by an increase in unrestricted cash of $256 million.
- Working capital assets, excluding cash, decreased $126 million from the prior year. A large part of the decrease is due to settlement of receivables related to sale of Eneris Hydro and Orange Hospital. The working capital liabilities decreased by $305 million primarily due to the decrease in bonus payable.
- Deferred tax asset increased over December 2007 due to recognition of deferred tax assets associated with losses within reserves (interest rate and foreign exchange reserves).

REVIEW OF SEGMENT BALANCE SHEET (CONTINUED)

The analysis of the segment balance sheet below differs from the statutory balance sheet as project specific liabilities have been offset against the gross assets. Further, statutory balance sheet classifications have been aggregated to reflect the substance rather than the legal form of the investment. For example, equity and mezzanine debt positions in infrastructure development projects have been aggregated under development activities and investments in equity accounted associates and joint ventures have been reclassified to reflect the substance of the arrangements.

	Net Assets Jun 2008 $'000	Net Assets Dec 2007 $'000
Real Estate		
Investment property and real estate held for sale	667,050	724,164
Listed & unlisted investments	332,734	446,854
Development	300,903	207,847
Mezzanine debt	229,230	277,762
Minority interest	132,371	123,410
Total Real Estate	**1,662,288**	**1,780,037**
Infrastructure		
Co-investment in funds	772,221	337,211
Assets under development	905,532	1,188,376
Power generation assets	147,224	272,509
Strategic investments in listed securities	75,748	241,116
Other	173,005	68,246
Minority interest	93,399	142,438
Total Infrastructure	**2,167,129**	**2,249,896**
Operating Leasing		
Co-investment in aircraft funds	140,810	160,729
Aircraft	91,966	63,231
Rail (including co-investment)	195,762	113,585
Other	40,396	20,203
Minority interest	1,869	-
Total Operating Leasing	**470,803**	**357,748**
Corporate & Structured Finance		
Co-investment in funds	391,002	424,771
Other	231,590	159,864
Minority Interest	482	5,536
Total Corporate & Structured Finance	**623,074**	**590,171**
Total	**4,923,294**	**4,977,852**

Real Estate

The reduction in investment property and asset held for sale is due to the continual sell down of European retail exposures. The writedown of the GPT joint venture assets is attributed to the decrease in listed and unlisted investments. These reductions are offset by the increase in development assets which include projects in Italy and Australia.

Infrastructure

Co-investment in funds increased due to our increased investment in BBEIF and BBIFNA. Reduced borrowings supported by listed fund investments also contributed to the increase. Assets under development decreased due to the completion of projects in Wind and Biofuels. A number of Power assets are now reclassed as held for sale causing the decrease in this category and decrease in other assets.

Operating Leasing

Rail assets have increased due to the acquisition of rail storage facilities. The decrease in co-investment in funds is impacted by the devaluation of US dollar versus Australian dollar.

Corporate and Structured Finance

The co-investment decrease reflects the impairment in Everest Babcock & Brown, offset by investments in Everest Babcock & Brown Alternative Investments and decreased borrowings supported by listed funds. Other asset increased as a result of additional investment in Coinmach.

REVIEW OF OPERATING RESULTS

REVIEW OF COMPONENTS OF NET PROFIT

Revenue by Type	Half-Year ended 30 June 2008 $'000	Half-Year ended 30 June 2007 $'000	Change %
Base fees from AUM	138,347	88,526	56.3
Co-investment income	(217,846)	121,787	(278.9)
Advisory fees from AUM	136,530	80,880	68.8
Performance fees from AUM	22,154	5,423	308.5
Other operating income	(16,971)	73,400	(123.1)
Operating leasing trading profits[1]	48,160	81,400	(40.8)
Development activity	405,460	175,287	131.3
Principal investment	32,694	145,479	(77.5)
Third party advisory fees	12,541	31,817	(60.6)
Net revenue (before minority interest)	**561,069**	**803,999**	**(30.2)**
Segment Minority Interest	13,791	(4,019)	>1,000
Total net revenue (after minority interest)	**574,860**	**799,980**	**(28.1)**

AUM – Assets Under Management

"Net Revenue" differs from "Revenues from continuing operations" as disclosed in the Financial Statements as direct costs are netted off against gross revenues in arriving at "Net Revenue", whereas costs are disclosed separately in the Financial Statements in "Expenses from continuing operations". The use of "Net Revenue" provides a more meaningful basis of comparison of the Group's results between years and between business segments.

Revenue types are defined as follows:

- Base fees include fees from listed and unlisted assets under management. Base fees are earned for services provided, not connected with the performance of the fund or asset, and do not include fees associated with transactions.
- Co-investment income includes income earned from co-investment in Babcock and Brown assets under management.
- Advisory fees from assets under management include fees from listed and unlisted funds. Advisory fees are connected with the activity of the fund, including fees associated with transactions.
- Performance fees include performance fees from listed and unlisted funds and assets under management.
- Other operating income includes operating income from investments held on Babcock and Brown's balance sheet.
- Operating Leasing trading profits comprises earnings associated with disposal of aircraft and rail assets on Babcock & Brown balance sheet and underwriting fees associated with this activity.
- Income from development activity includes development profits, interest on loans provided as part of development activity transactions, and advisory fees associated with development activities.
- Principal investment includes income and earnings from investments or assets held for investment purposes.
- Third party advisory income includes only income from third party mandates.

1 Previously net revenue from Operating Leasing trading profits was aggregated under Principal Investment.

REVIEW OF NET REVENUE

	Half-Year ended 30 Jun 2008 $'000	% of Net Revenue before writedowns
Net revenue before losses and impairments	1,001,671	100%
Less losses and impairments	(440,602)	44%
Net revenue	**561,069**	**56%**

Net Revenue was $1,001.7 million before the $440.6 million impact of realised losses on sales of securities and impairments, including impairments recognised through equity accounted losses (losses & impairments). The net revenue before losses and impairments represents a 25% increase over prior period's revenue of $804 million.

	Net Revenue $'000	Add back losses and impairments $'000	Net Revenue before losses and impairments $'000	% of Total
Base fees	138,347	-	138,347	14%
Co-Investment income	(217,846)	236,900	19,054	2%
Advisory fees from FUM and AUM	136,530	-	136,530	14%
Performance fees	22,154	-	22,154	2%
Other operating income	(16,971)	-	(16,971)	(2)%
Operating leasing trading profits	48,160	-	48,160	5%
Development	405,460	21,453	426,913	43%
Principal investment	32,694	182,249	214,943	21%
Third party advisory	12,541	-	12,541	1%
Net revenue (excl minority interest)	**561,069**	**440,602**	**1,001,671**	**100%**

Writedowns by Business Segment:

- $87 million in Infrastructure - $48 million in Co-investment, $39 million in Principal Investment
- $198 million in Real Estate - $134 million in Co-investment, $21 million in Development, and $43 million in Principal Investment
- $15 million in Operating Leasing - $7 million Co-investment and $8 million in Principal Investment
- $140 million in Corporate & Structured Finance - $48 million in Co-investment and $92 million in Principal Investment

Of the total $440.6 million of losses and impairments, $54.7 million (12%) of the losses were realised on sale of securities or properties, while $385.9 million (88%) represents unrealised impairments.

NET CORPORATE INTEREST

Net corporate interest expense includes interest expense on corporate loan borrowings of $98 million and interest on the subordinated notes of $29 million. Included in net corporate interest expense is a $96 million gain on foreign exchange and interest rate hedges on the borrowings. Offsetting the expense is $9 million of interest income earned on unrestricted cash deposits.

REVIEW OF OPERATING RESULTS

OPERATING COSTS

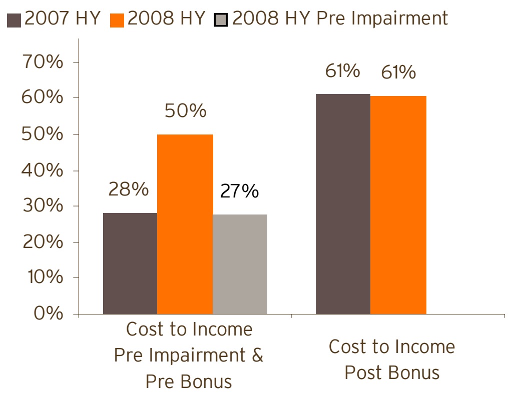
	Half-Year ended 30 June 2008 $'000	Half-Year ended 30 June 2007 $'000	Change %
Fixed remuneration	145,581	111,531	30.5
Facilities	43,528	30,955	40.6
Other	79,583	83,576	(4.8)
Total operating costs	**268,692**	**226,062**	**18.9**

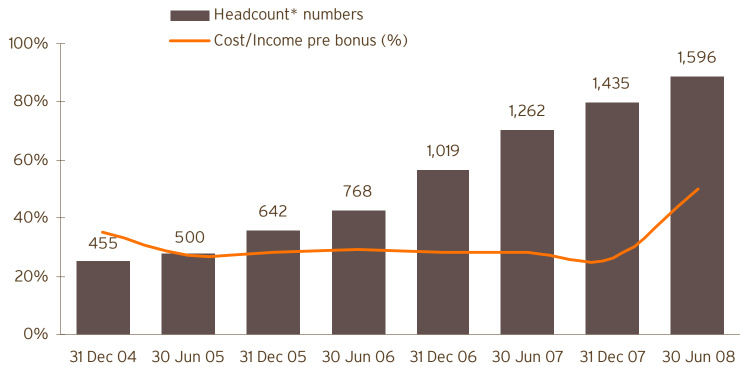
The increase in operating costs reflects the increase in employees from 1,262 at 30 June 2007, to 1,596 at 30 June 2008.

The increase in facility costs primarily relate to increased costs for additional employees plus costs incurred in respect of premises associated with moving offices.

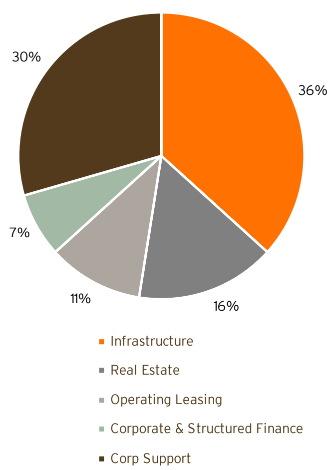
Other operating costs consist of payroll tax, IT expense, general and administrative costs, recruiting and travel and entertainment.

COST/INCOME RATIO

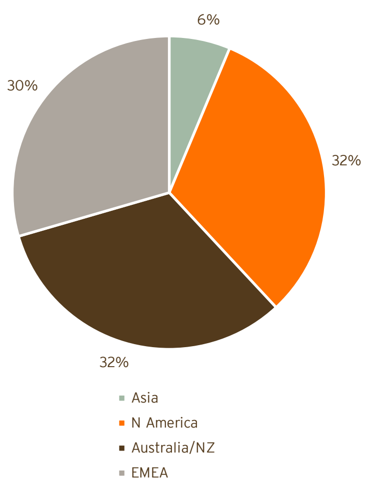




HEADCOUNT NUMBERS BY DIVISION



HEADCOUNT NUMBERS BY REGION



* Headcount does not include consolidated investments.

BONUS

The bonus expense includes the impact of the amortisation of current and prior year compensation delivered in the form of bonus deferral rights and options. The share appreciation rights are marked to market in accordance with accounting standards to reflect the changes in estimated cash payout.

For purposes of determining the bonus accrual a total remuneration rate of 35% (48% for 2007 FY) was applied. The remuneration rate has been reduced below the normal target range to ensure an adequate shareholder return in light of impairments and realised losses included within the result.

TAXATION

Tax expense for the period was 23.7%. The effective tax rate has increased from prior periods due to both a large portion of half year income being earned in the US and the negative impact of equity accounted after-tax losses from the investment in the GPT joint venture.

REVIEW OF OPERATING RESULTS

KEY PERFORMANCE INDICATORS

	Half-Year ended 30 June 2008	Half-Year ended 30 June 2007
Earnings per share, group plus share trusts – basic	47.9¢	72.1¢
Earnings per share, group plus share trusts – diluted[1]	46.1¢	68.3¢
EBITDA group ($million)[2]	335.7	393.1
Cost to income pre-bonus group	50%	28%
Cost to income post-bonus group	61%	61%
Interim dividend	-	21.4¢
Interim ordinary dividend franking %	-	50%
Dividend payout ratio BBL group plus share trusts - basic	-	30.0%
Dividend payout ratio BBL group plus share trusts- diluted	-	31.3%
Net tangible assets per ordinary share - group[3] ($ per share)	6.07	4.62
Assets under management ($ million)	74,448	52,623
Return on equity, group	6.8%	14.1%

1 The comparative Group diluted EPS excludes the shares held by the Consolidated Employee Share Trusts (consistent with the statutory AIFRS methodology). For the calculation of EPS, management disregards the consolidation of the Share Trusts and includes the shares held by the Trusts in the total weighted average shares. Further detail on the calculation of EPS is provided at the end of the Results Review section.

2 EBITDA is calculated before corporate interest expense and corporate depreciation. Interest and depreciation on project assets funded by non-recourse debt, where the impact of interest expense and depreciation is quarantined within a special purpose vehicle, is included. EBITDA is calculated for the Group, including 100% of BBIPL.

3 Excludes goodwill, and is based on 379.7 million shares (350.8 million at June 2007) on issue by BBIPL.

EARNINGS PER SHARE (EPS)

Basic EPS during the period was 47.9¢, representing a decrease of 34% over the corresponding prior period. Fully diluted EPS of 46.1¢ represents a 33% decrease over the corresponding prior period.

COST TO INCOME RATIO (PRE-BONUS)

The Cost to Income Ratio of 50% reflects the impact of the provisions and losses in Net Revenue relative to growth in operating expenses of 19%. The Cost to Income Ratio calculated on net revenue before losses and impairments is 27%.

RETURN ON EQUITY

Return on Equity is calculated as profit after tax for the Group on average net assets and excludes the impact of minority interests.

The Return on Equity was 6.8% for the 6 months to 30 June 2008 (13.6% annualised) compared to 14.1% for the corresponding prior period (28% annualised).

DIVIDEND

As a matter of prudence, no dividend will be paid until sufficient progress has been made on corporate debt reduction. Dividends are expected to re-commence in 2009.

CASH FLOW STATEMENTS

The Cash Flow Statements included in the Financial Statements have been prepared in accordance with AASB 107 "Cash Flow Statements", allocating cash flows to operating, investing, and financing activities. As a consequence, cash flows that relate to the profit on sale of investments and cash flows from return on investments are not included in "Cash Flows from Operating Activities".

Where income from principal investment activities is an integral part of the Group's total return, cash flows from the profit on investment and returns on investment should not be differentiated from operating cash flow. Investments are generally held for a short term prior to their subsequent disposal. The table below reallocates the profit and investment return component of investing cash flows to operating cash flows to provide a more appropriate measure of the "operating" cash flows of the Group.

RECONCILIATION OF NET PROFIT AFTER TAX TO NET CASH FLOWS FROM OPERATIONS

Half Year Ended	Consolidated	
	2008 $'000	2007 $'000
Net profit after tax before minority interest	161,012	254,086
(Increase)/decrease in fees and income receivable	(106,520)	(109,257)
Equity accounted losses/(profits) of associates	164,054	(122,978)
Increase/(decrease) in tax provisions	(99,414)	31,785
Unrealised (gain)/losses on investments	90,887	(62,753)
Non-cash items (including depreciation and share-based payments)	114,968	139,570
Unrealised (gain)/loss on financial assets derivatives and foreign currency	(17,919)	(49,681)
Net accrued interest payable/(receivable)	(119,702)	12,568
Distributions received and deferred fees from associates	208,585	184,391
Movement in working capital	(96,393)	(92,201)
Net cash flow from operating activities	**299,558**	**185,530**

CASH FLOW STATEMENT

Half Year Ended	Consolidated	
	2008 $'000	2007 $'000
Cash flows from operating activities per financial statements	**(236,043)**	**(281,772)**
Net cash flow from profit on investments	327,016	282,781
Net cash flow from return on investments	208,585	184,391
Net cash flow from reinvesting fees received in stock	-	130
Total net cash flows from operating activities	**299,558**	**185,530**
Cash flows used in investing activities per financial statements	**(1,850,429)**	**(2,404,495)**
Net cash flow from profit on investments	(327,016)	(282,781)
Net cash flow from return on investments	(208,585)	(184,521)
Total net cash flows used in investing activities	**(2,386,030)**	**(2,871,797)**
Net cash flows from financing activities per financial statements	**818,140**	**2,943,014**
Net increase/(decrease) in cash held	**(1,268,332)**	**256,747**
Cash brought forward	2,551,158	572,877
Effects of exchange rate changes on cash	(74,126)	(42,717)
Closing cash carried forward	**1,208,700**	**786,907**

PERFORMANCE HISTORY

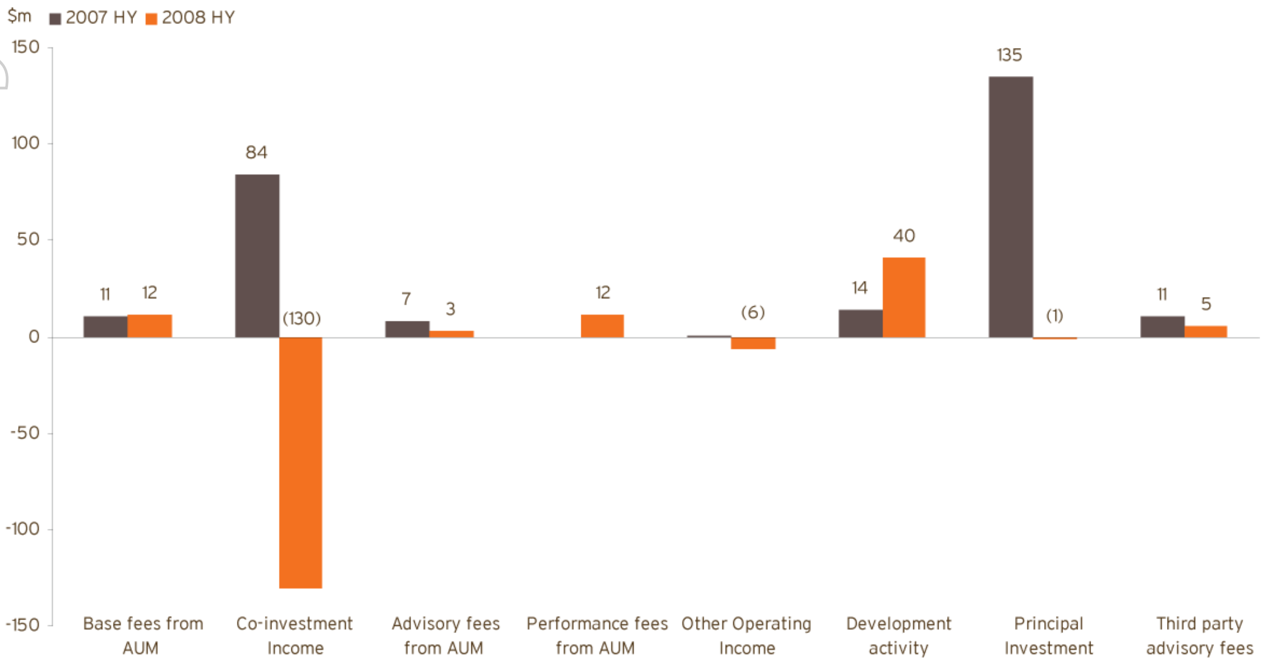
	Half-Year Jan to Jun 2006 $'000	Half-Year Jul to Dec 2006 $'000	Half-Year Jan to Jun 2007 $'000	Half-Year Jul to Dec 2007 $'000	Half-Year Jan to Jun 2008 $'000
Net revenue by type					
Base fees from AUM	57,689	59,871	88,526	128,636	138,347
Co-investment Income	59,744	50,408	121,787	33,986	(217,846)
Advisory fees from AUM	112,001	214,451	80,880	258,960	136,530
Performance fees from AUM	57,703	6,541	5,423	46,022	22,154
Other operating income	44,997	32,649	73,400	25,206	(16,971)
Operating leasing trading profit	28,180	36,848	81,400	104,647	48,160
Development activity	56,361	132,655	175,287	234,854	405,460
Principal investment	128,688	169,142	145,479	315,353	32,694
Third party advisory fees	19,531	25,521	31,817	(6,885)	12,541
Total net revenue	**564,894**	**728,086**	**803,999**	**1,140,779**	**561,069**
Net revenue by division					
Real Estate	182,566	136,040	261,578	231,307	(65,277)
Infrastructure	201,655	268,862	316,806	586,042	604,410
Operating Leasing	60,187	117,281	153,586	240,866	120,295
Corporate & Structured Finance	120,486	205,903	72,029	82,564	(98,359)
Total net revenue	**564,894**	**728,086**	**803,999**	**1,140,779**	**561,069**
Net corporate interest expense	(45,942)	(20,395)	1,577	(102,108)	(22,468)
Total operating costs	(151,711)	(182,938)	(226,062)	(257,045)	(268,692)
Operating profit before bonus & tax	**367,241**	**524,753**	**579,514**	**781,626**	**269,909**
Bonus expense (including amortisation of share options and bonus deferral rights)	(167,461)	(246,659)	(261,675)	(311,765)	(58,827)
Operating profit before tax	**199,780**	**278,094**	**317,839**	**469,861**	**211,082**
Tax	(32,904)	(36,053)	(63,753)	(84,608)	(50,070)
Net profit after tax (before deduction for outside minority interest)	**166,876**	**242,041**	**254,086**	**385,253**	**161,012**
Minority interest excluding BBIPL	(3,863)	1,757	(4,019)	7,726	13,942
Profit after tax attributable to the Babcock & Brown Group	**163,013**	**243,798**	**250,067**	**392,979**	**174,954**
BBIPL minority interest	(42,043)	(56,130)	(50,474)	(67,423)	(24,034)
Profit after tax attributable to members of Babcock & Brown Limited	**120,970**	**187,668**	**199,593**	**325,556**	**150,920**

PERFORMANCE HISTORY

	Half-Year Jan to Jun 2006 $'000	Half-Year Jul to Dec 2006 $'000	Half-Year Jan to Jun 2007 $'000	Half-Year Jul to Dec 2007 $'000	Half-Year Jan toJun 2008 $'000
Key Ratios					
Earnings per share group plus share trusts - basic	50.1¢	72.5¢	72.1¢	111.4¢	47.9¢
Earnings per share group plus share trusts - diluted	47.4¢	68.8¢	68.3¢	105.8¢	46.1¢
EBITDA Group ($m)	234.7	333.0	393.1	578.3	335.7
Cost to income pre-bonus, group	29%	26%	28%	25%	50%
Cost to income post-bonus, group	62%	61%	61%	55%	61%
Interim dividend	15¢	n/a	21.4¢	n/a	-
Final dividend	n/a	21.0¢	n/a	33.0¢	n/a
Dividend payout ratio group plus share trusts - basic	29.9%	29.0%	30.0%	29.6%	-
Dividend payout ratio group plus share trusts - diluted	31.7%	30.5%	31.3%	31.2%	-
Net tangible assets per ordinary share ($ per share)	3.49	4.1	4.62	8.12	6.07
Assets under management ($m)	31,159	44,142	52,623	71,747	74,448
Return on equity, group	15.5%	17.4%	14.1%	20%	6.8%
Headcount numbers	768	1,019	1,262	1,435	1,596
Segment net assets					
Real Estate	615,847	936,222	1,309,728	1,780,037	1,662,288
Infrastructure	1,230,817	1,571,368	2,136,810	2,249,896	2,167,129
Operating Leasing	263,692	191,939	245,153	357,748	470,803
Corporate & Structured Finance	271,402	368,848	434,818	590,171	623,074
Total segment net assets	**2,381,758**	**3,068,377**	**4,126,509**	**4,977,852**	**4,923,294**
Corporate debt	(1,300,394)	(1,384,909)	(2,446,710)	(2,759,598)	(3,192,651)
Net cash and cash equivalents	324,948	315,994	402,574	363,482	619,646
Working capital (excluding cash)	7,307	(195,597)	(188,328)	(130,230)	49,289
Deferred tax assets	322,460	363,300	475,708	462,731	570,300
Deferred tax liabilities	(366,924)	(493,318)	(542,488)	(481,059)	(469,165)
Property and equipment	38,100	26,642	31,797	65,337	90,512
Other	(9,784)	11,556	46,945	15,089	41,208
Total net assets	**1,397,471**	**1,712,045**	**1,906,007**	**2,513,604**	**2,632,433**

REAL ESTATE

NET REVENUE



NET REVENUE BY TYPE

	Half-Year ended 30 June 2008 $'000	Half-Year ended 30 June 2007 $'000	Change %
Base fees from AUM	11,682	10,903	7.1
Co-investment income	(130,159)	83,687	>(100)
Advisory fees from AUM	2,871	7,719	(62.8)
Performance fees from AUM	11,714	(96)	>100
Other operating income	(6,144)	116	>(100)
Development activity	40,574	13,718	195.8
Principal investment	(1,129)	134,715	>(100)
Third party advisory fees	5,314	10,816	(50.8)
Net revenue (before minority interest)	**(65,277)**	**261,578**	**(125.0)**
Segment minority interest[1]	(6,465)	(357)	>1,000
Total net revenue (after minority interest)	**(71,742)**	**261,221**	**(127.5)**

NET ASSETS

As at 30 June 2008	Assets Jun 2008 $'000	Liabilities Jun 2008 $'000	Net Assets Jun 2008 $'000	Net Assets Dec 2007 $'000
Real Estate	4,636,783	2,974,495	1,662,288	1,780,037

1 The minority interest of $6.4 million comprises outside equity holders' share of losses primarily from UK properties of $5.3 million and German properties $1.7 million.

HIGHLIGHTS

The Real Estate Division recorded a net revenue loss before minority interests, of $65.3 million during the six months to 30 June 2008, a decrease of 125% on the previous corresponding period (pcp). The key contributors to the result included:

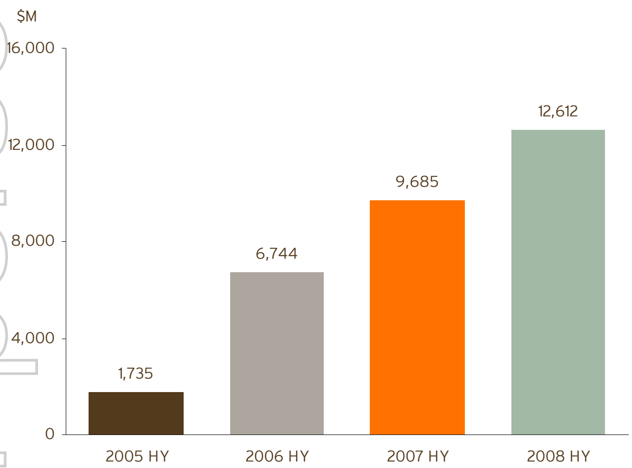
- $130.2 million loss on co-investment income, largely reflecting Babcock & Brown's 50% share of a $251.4 million revaluation decrement taken across the GPT JV portfolio during the period.
- A loss on principal investments of $1.1 million, down on pcp as a result of both writedowns in the value of real estate held on balance sheet and lower trading profits flowing from asset sales of $696.0 million realised during the period.
- Development income of $40.6 million, driven mainly by the sale of projects in Australia.
- AUM related fee income of $26.3 million in respect of BJT, BLP, the GPT joint venture and a growing number of third party mandates, an increase of 42% over pcp.

OVERVIEW

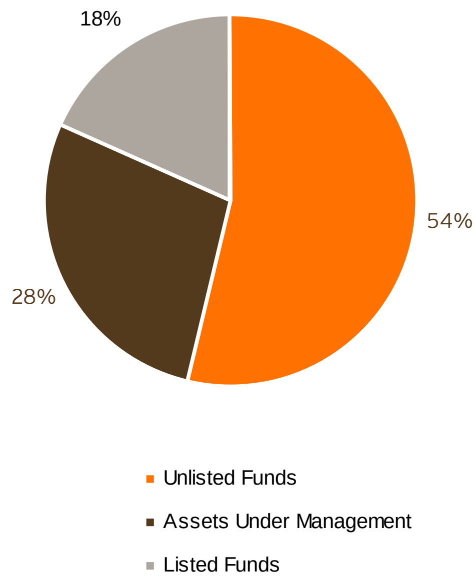
At 30 June 2008, Babcock & Brown had principal capital of $1.6 billion invested across a diverse portfolio of real estate assets on balance sheet with a gross value of $4.6 billion.

30 June 2008 AUM increased by 30% over the pcp but decreased during the period by 4% to $12.6 billion, with an increase in underlying AUM offset by exchange rate movements.

GROWTH IN ASSETS UNDER MANAGEMENT



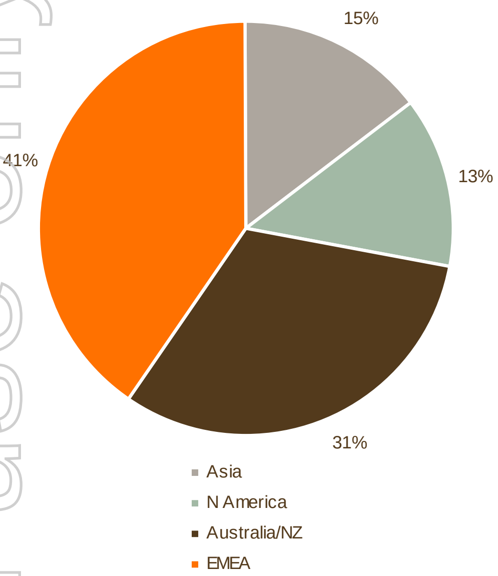
AUM BY TYPE



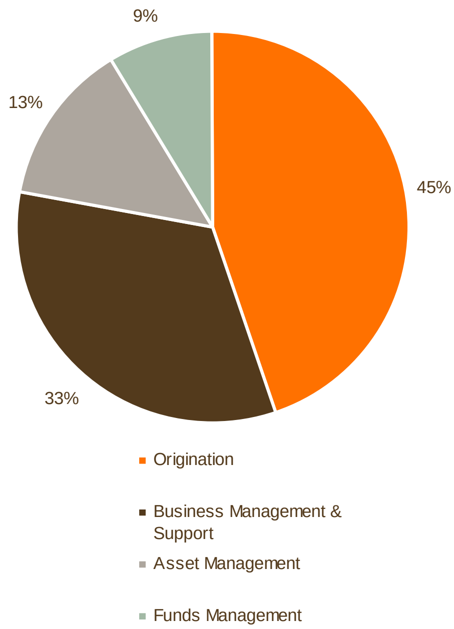
REAL ESTATE

At 30 June 2008, the Real Estate Division had 252 employees globally up from 236 at 31 December 2007.

HEADCOUNT BY GEOGRAPHY



HEADCOUNT BY ACTIVITY



NORTH AMERICAN MULTIFAMILY PORTFOLIO

Babcock & Brown's multi-family property portfolio comprises in excess of 28,000 units across nine states in North America with a more diversified and strengthened presence in the south east and a maintained focus in the high employment growth Sunbelt states. Of this portfolio of properties approximately 9,000 apartments are on the Babcock & Brown balance sheet and the remaining portfolios are managed on behalf of third party capital including the GPT JV.

The owned portfolio has ten years, non recourse, assignable debt funding of approximately $1.5 billion in place. The portfolio has benefited from the decline in US home ownership rates with positive rental growth and occupancy at around 94%. Despite softening cap rates across the sector, the portfolio has maintained value overall as a result of the improved operating performance.

EUROPEAN RETAIL PORTFOLIOS

Babcock & Brown continued to sell down its European retail exposure during the period with approximately $400 million of dispositions at aggregate prices in excess of book value.

The balance of the European retail portfolios are being actively marketed for sale, with non-binding offers received on over $500 million of retail assets at aggregate prices in excess of book value.

SPECIALISED FUND AND ASSET MANAGEMENT PLATFORM

THE GPT JOINT VENTURE

At 30 June 2008, the Joint Venture Fund comprised a portfolio valued at $6.6 billion. This reflects a write-down of $251.4 million (Babcock & Browns 50% share represents $125.7million) over the corresponding values as at 31 December 2007 (3.7% of the total portfolio Book Value).

The writedowns were concentrated in the German Residential ($124.7million), HBI Light Industrial ($66.3 million), European Shopping Centre ($39.8 million) and the US multifamily portfolios ($18.8 million).

The Joint Venture Fund's debt position continues to remain secure with no Loan to Value Ratio (LVR) or other covenant breaches, with the exception of one asset (2.6% of Joint Venture Fund debt) where we are in active discussions with the lender. The LVR of the Joint Venture Fund is 71% (total portfolio Book Value). 50% of the portfolio is subject to LVR covenants and all third party debt is non-recourse to the JV partners. The weighted average maturity is 5.4 years.

The Joint Venture Fund continues to focus on the selective trading of assets across the portfolio. Trading is concentrated in portfolios where there is stable cash flow (long term debt which in some cases is assumable) backed by long term leases. During the year, divestments have been completed on the German office (€107.5 million) ($175.4 million)and German retail portfolio (€57.0 million)($93.4 million). In addition, a signed Sale & Purchase Agreement is in place for an additional 10.3% (€45.9 million) ($75.2 million) of the German retail portfolio at a price slightly above Book Value.

At 30 June 2008, the Joint Venture Fund had completed investments in Europe (including Germany, the Netherlands, France, Denmark, Sweden, Spain, Lithuania, Czech Republic and the UK) with a carrying value of €3.0 billion ($4.9 billion), North America with a carrying value of US $1.5 billion ($1.5 billion) and a mezzanine loan portfolio in Australia/New Zealand with a carrying value of $121.2 million.

At 30 June 2008, the composition of the European portfolio was 35% residential properties, 21% light industrial, 16 % retail and 2% office. The portfolio in North America comprised 14% retail, 5% multi family and 4% mezzanine loans. The residual portfolio comprises 2% in Australian and New Zealand mezzanine loans and 1% in UK mezzanine loans.

The Joint Venture Fund has a remaining investment period of four years (June 2012), subject to performance related termination provisions, with a three year realisation period thereafter.

BABCOCK & BROWN JAPAN PROPERTY TRUST

At 30 June 2008, BJT's portfolio comprised of interests in 44 assets; 19 retail, 21 office and 4 residential, with a portfolio value of ¥165.6 billion ($1.6 billion). During the financial year ended 30 June 2008, BJT increased its portfolio value by ¥45 billion ($0.4 billion), with the disposal of three properties at an average 50% premium to book value reducing the portfolio by ¥8.3 billion ($0.08 billion), the acquisition of eight properties for ¥45.7 billion ($0.45 billion) and a net revaluation increment of ¥7.4 billion ($0.07 billion). Net Tangible Asset (NTA) per unit rose by 15% to $1.39 over the 2008 financial year.

During the financial year BJT undertook an accretive buy back of 4.1% of capital.

The Trust had AUM of $1.8 billion at 30 June 2008.

BABCOCK & BROWN RESIDENTIAL LAND PARTNERS

At 30 June 2008, BLP's portfolio consisted of interests in 16 residential land development projects, 14 located along the east coast of Australia and two in Queenstown New Zealand. These projects are being developed in partnership with leading private development companies. BLP's six development partners include Urbex, The Metricon Group, Winten Property Group, Links Living and Citta Property Group in Australia and Darby Partners in New Zealand.

The Trust had AUM of $477 million at 30 June 2008.

REAL ESTATE

EUROPEAN PROPERTY MANDATES

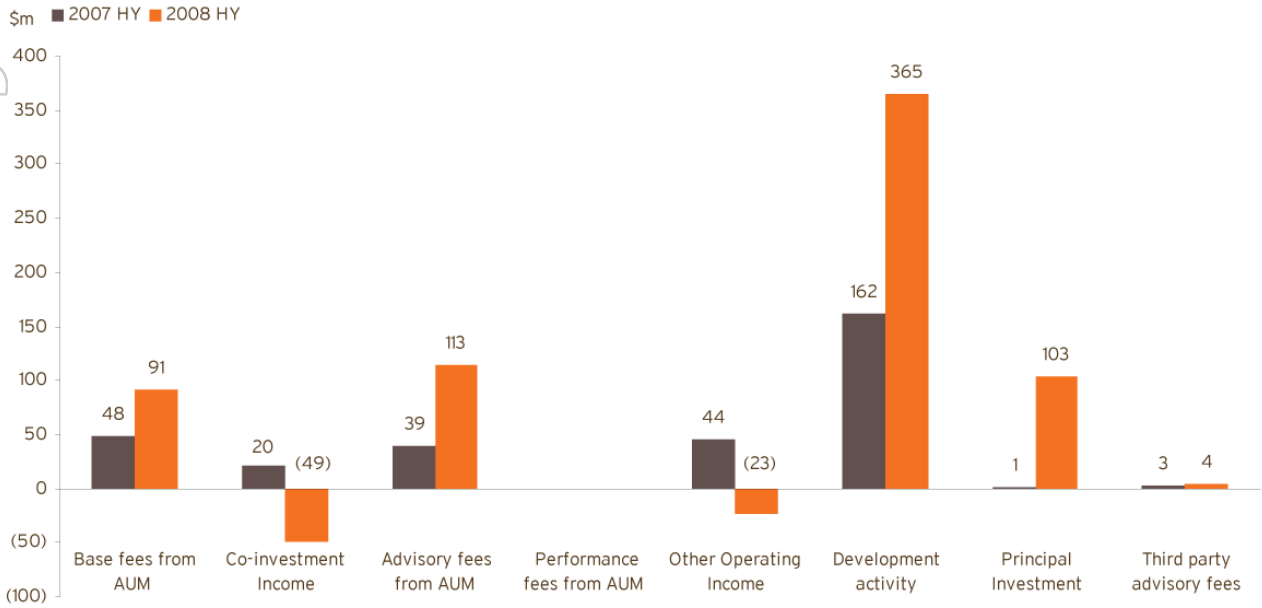
Babcock & Brown retains ongoing co-investment interests in a number of joint ventures established when several retail, residential and office portfolios in Germany and Switzerland were syndicated to third party investors. Babcock & Brown has entered into agreements to manage the portfolios on behalf of the investors. The third party interest in these properties at 30 June 2008 was $2.1 billion.

US PROPERTY MANDATES

Babcock & Brown has significant residential and retail property management platforms in North America through the acquisition of BNP in March 2007 and GG&A in August 2007, respectively. Total third party assets under management at 30 June 2008 for these platforms were $1.4 billion.

INFRASTRUCTURE

NET REVENUE



NET REVENUE BY TYPE

	Half-Year ended 30 June 2008 $'000	Half-Year ended 30 June 2007 $'000	Change %
Base fees from AUM	90,523	48,119	88.1
Co-investment income	(48,883)	20,092	>(100)
Advisory fees from AUM	113,430	38,913	191.5
Performance fees from AUM	-	-	-
Other operating income[1]	(22,866)	44,509	>(100)
Development activity	364,886	161,581	125.8
Principal investment	103,387	568	>1,000
Third party advisory fees	3,933	3,024	30.1
Net revenue (before minority interest)	**604,410**	**316,806**	**90.8**
Segment minority interest[1]	19,140	(279)	>100
Total net revenue (after minority interest)	**623,550**	**316,527**	**97.0**

NET ASSETS

As at 30 June 2008	Assets Jun 2008 $'000	Liabilities Jun 2008 $'000	Net Assets Jun 2008 $'000	Net Assets Dec 2007 $'000
Infrastructure	4,942,294	2,775,165	2,167,129	2,249,896

1 The loss in Other Operating Income relates to consolidated losses of Coogee and 3B Biofuels. These losses are offset by minority interest of outside equity holders.

INFRASTRUCTURE

HIGHLIGHTS

The Infrastructure Division earned net revenue, before minority interests of $604.4 million during the six months to 30 June 2008, a 90.8% increase on the pcp. Highlights included:

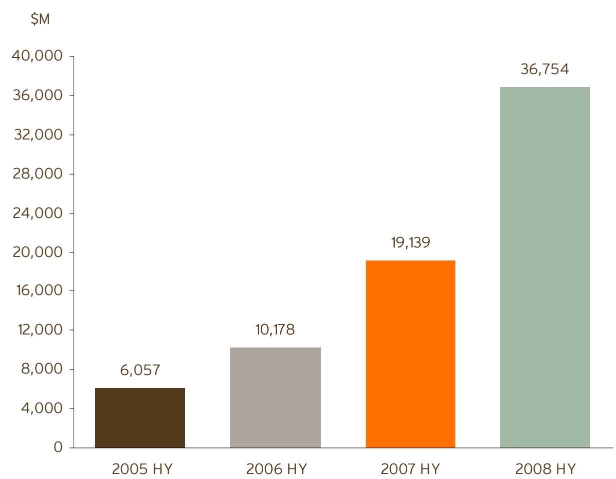
- An increase of 115.5% over the pcp in income from origination activities (development, principal investment and other operating revenue) including:
  - The sale of the Transbay Cable development project.
  - The sale of a 30% investment in a portfolio of operating wind farms in Italy.
  - The sale of a portfolio of PPP/PFI projects to BBPP.
  - The sale of wind project to BBW.
  - Development profit on the sale of the Diabolo rail project in Belgium.
  - Gain on the sale of UK mobile telephone masts business.
  - Operating income associated with operating wind farms and ethanol and biofuel plants.
  - Net loss on the sale of strategic holdings in listed securities of $40 million.
- Advisory fees associated with transactions including the Natural Gas Pipeline; the acquisitions of a number of European and North American ports; the acquisitions of strategic shareholdings in Brisa and Forth Ports; and the acquisitions of wind farms by BBW under its framework agreements.
- Recurring revenue, in line with the pcp, included a 88% increase in base fees reflecting:
  - Base fees and Co-investment income earned from managed funds platform.
  - Coinvestment income includes Babcock & Brown's interest in an asset impairment charge in BBP of $48 million.

OVERVIEW

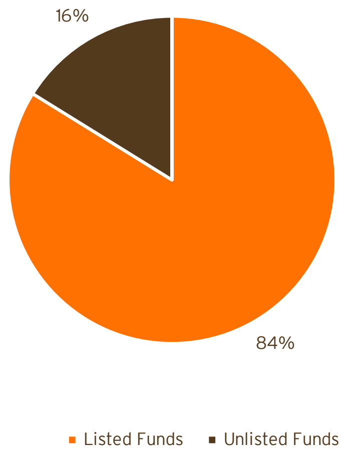
At 30 June 2008, Babcock & Brown had principal capital of $2.2 billion invested across a diverse portfolio of infrastructure assets on balance sheet with a gross value of $4.9 billion.

AUM increased by 92% over the pcp. During the 6 month period AUM increased by 18% to $36.7 million. Uninvested capital in wholesale infrastructure funds as at 30 June 2008 was $3.2 billion.

GROWTH IN ASSETS UNDER MANAGEMENT



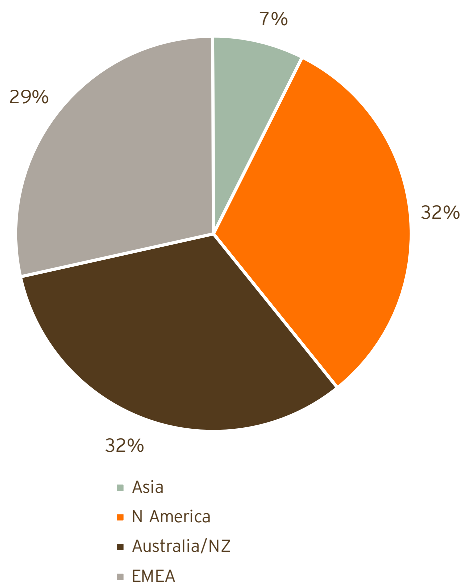
AUM BY TYPE

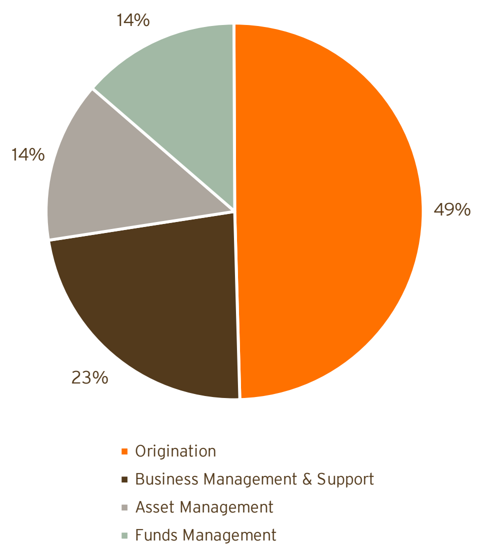


At 30 June 2008, the Infrastructure Division had 584 employees globally up from 465 at 31 December 2007.

HEADCOUNT BY GEOGRAPHY	HEADCOUNT BY ACTIVITY

RENEWABLE POWER GENERATION





During the six month period, Babcock & Brown announced a joint strategic initiative with Babcock & Brown Wind Partners to capture unrecognised value in the wind energy portfolio through the possible sale of selected European domiciled assets including the Enersis operating wind portfolio (50% owned by BBW and 50% by Babcock & Brown). The portfolio has been broken down into country specific portfolios which will be sold separately. This initiative is ongoing and is expected to be completed over the third quarter of 2008.

Wind development remains a core focus for Babcock & Brown with its portfolio well diversified geographically. In Europe the development pipeline includes approximately 950MW across Italy and Greece with a further upside potential of greater than 300MW spread over Italy, Morocco, Poland, France, Spain and Greece. In Australia 1,200MW to 1,500MW, representing 11 projects across all states of Australia, are currently under development to be delivered progressively to 2011. Development in New Zealand includes 220MW spread across three projects. In North America the current development and construction pipeline of in excess of 13,000MW is spread across 50 projects in 14 states with a focus on Texas, Colorado and California. Offshore wind development is a new area of focus with initial focus on potential projects in Delaware and New Jersey.

CONVENTIONAL ENERGY GENERATION AND DISTRIBUTION

During the six month period Babcock & Brown continued to focus on the conventional power generation industry and the power transmission industry.

Conventional power generation projects include 3,300MW of development across seven projects in Australia and 1,306MW of development in North America.

The US$6.7 billion ($7.0 billion) acquisition of 80% in MidCon LLC (MidCon), which owns the Natural Gas Pipeline Company of America (NGPL) and related businesses, by Babcock & Brown together with BBI and a syndicate of investors, reached financial close in February 2008. In April 2008, consistent with its intention at the time of acquisition, Babcock & Brown sold down a third of its direct stake of 4.8% in NGPL in conjunction with BBI, at book value.

Subsequent to 30 June 2008, BBIFNA was awarded the right to acquire regulated local gas distribution companies, Dominion Peoples and Dominion Hope, located in Pennsylvania and West Virginia, North America from Dominion Resources for an enterprise value of US$910 million ($945 million). The transaction is subject to federal and state regulatory approvals.

The Transbay Cable transmission project in San Francisco was sold during the six month period following financial close and commencement of construction.

PRIVATE FINANCE INITIATIVES (PFI) AND PUBLIC PRIVATE PARTNERSHIPS (PPP)

During the six months Babcock & Brown's activities in the PFI/PPP sector included reaching financial close on:

- The Pforzheim Schools project in Germany
- Ashley House strategic initiative
- Northampton Schools variation
- 3 schemes for the Harrow & Hillingdon LIFT project

In March 2008 BBPP successfully raised £84 million ($174 million) in equity and a £100 million ($207 million) debt facility. The capital raised was used in part to complete the acquisition of eleven PPP investments from Babcock & Brown. The PPP investments include the Orange Hospital project in Australia (100% ownership), the Brescia Hospital in Italy (24% ownership), a further interest in the Diabolo Rail Link Project in Belgium (additional 27.5% ownership) and various interests in the subordinated debt provided for the construction of eight projects being developed under the NHS LIFT program (UK National Health Service Local Improvement Finance Trust initiative).

In June 2008, Babcock & Brown sold its 100% ordinary equity interest in the Royal Childrens' Hospital PPP Project (RCH) in Melbourne, Australia. Babcock & Brown was responsible for the origination and development of the project prior to selling to BBPP.

BBPP's portfolio of projects expanded from 22 when it listed in November 2006 to 48 at 30 June 2008. The Angel Trains acquisition, completed post 30 June 2008, brings the current portfolio to 49.

Babcock & Brown's PFI/PPP business is now active in the UK, Italy, Germany, France, Belgium, Ireland, Australia, Singapore, Canada and the United States.

TRANSPORT

In January 2008, Babcock & Brown advised BBEIF on the acquisition of a strategic stake in Forth Ports plc. Babcock & Brown's managed funds now own 20 port operations in Europe handling circa 125 mtpa. Babcock & Brown is now the third largest manager of ports in the European market by volume.

Also in January 2008, Babcock & Brown arranged the acquisition by BBIFNA of ICS Logistics Inc which comprises three break bulk maritime terminals in the ports of Jacksonville, Mobile and New Orleans. These terminals are located on the North American east and gulf coasts handling paper, timber, steel, metal and frozen poultry products.

In June 2008, Babcock & Brown negotiated, structured, arranged financing for and advised a consortium of investors, including BBEIF, on the $7.5 billion acquisition of Angel Trains from the Royal Bank of Scotland. The transaction represented one of the largest acquisitions in Europe in 2008 and demonstrated Babcock & Brown's continued ability to originate, structure and close a uniquely complex deal. Following completion of the transaction Babcock & Brown and its managed funds will be one of the world's leading integrated rail financing groups with an established strong platform to expand our interests in projects around the world.

BIOFUELS

In May 2008, Babcock & Brown commenced compulsory acquisition of BEI in accordance with its acquisition proposal made in November 2007. BEI was subsequently delisted on 25 June 2008.
3B Biofuels GmbH, owned 44% by Babcock & Brown and 56% by BBGP, is completing its expansion of the facility from 130,000 to 230,000 tons p.a. The plant is operating at near full capacity. 3B produces biodiesel

from an oil mix not suitable for human consumption and the completed product reduces green house gas emissions by a minimum of 52% compared to fossil diesel. 3B produces some of the highest quality biodiesel in Europe and supplies most of its products to the Oil Majors. 3B is well positioned to take advantage of changes in the market.

Following the acquisition of BEI and the on time completion of the Castle Rock and Marquis Energy development projects in February and April of 2008, Babcock & Brown now has four ethanol plants with operational capacity of over 230 million gallons per year. All of the plants are currently running at, or above, their nameplate capacity and have operated profitably over the period despite the current volatility in global commodity prices. Babcock & Brown will continue to exploit the operational and combined logistical benefits derived from the platform and is in the process of implementing corn oil extraction and yield enhancement technologies to improve the overall efficiency and profitability of the Group.

SOLAR POWER

Success in the development of wind energy projects over a long period of time has given Babcock & Brown the competencies and skills necessary along the solar energy development chain for a successful entrance (i.e., site identification, engineering, project management, procurement and project finance) and early mover position in the solar power sector.

In the second half of 2006 Babcock & Brown acquired Enexon in Europe a development company that had been operating in solar for the prior two years . This acquisition provided the necessary specialised solar sector skills and a pipeline of opportunities in Southern Europe. Babcock & Brown has subsequently signed a module supply agreement with First Solar and a framework development agreement with Juwi Solar to provide the solar power plants.

In May 2007, Babcock & Brown entered into an agreement with BrightSource Energy (BSE) to co-develop 500MW of solar plants in California, Texas and the Southwest utilising BSE's concentrating solar technology.

Babcock & Brown is looking at additional Photovoltaic (PV), as well as Concentrated Solar Power (CSP), opportunities in Europe and in North America.

Development costs associated with the pipeline of solar projects are reflected at cost in Development on the balance sheet. The current probability weighted pipeline in Europe is 900MW with a targeted installed base on 550 MW. In North America the development pipeline is 500MW.

SPECIALISED FUND AND ASSET MANAGEMENT PLATFORM
LISTED FUNDS

BABCOCK & BROWN INFRASTRUCTURE

During the six month period, BBI secured the early refinance of the $518 million Australian Energy Transmission & Distribution acquisition facility maturing in August 2008 as well as the refinancing of its corporate facility in February 2008. BBI has no significant material single refinancing requirements until FY2010.

During the period BBI acquired a 26% economic interest in NGPL. BBI also increased its ownership interest in WestNet Rail from 51% to approximately 76% and extended the settlement of the call option for the remaining 24% to December 2008 thereby removing the immediate need to issue further equity for this portion. The retirement of short term funding associated with the NGPL and WestNet Rail acquisitions further strengthened BBI's balance sheet and liquidity position.

BBI is now focussed on an extended period of consolidation which involves three streams of activity including: portfolio optimisation, delivering organic growth and integration and consolidation of existing businesses.

BBI had AUM of $13.4 billion at 30 June 2008.

BABCOCK & BROWN POWER

During the six month period, BBP successfully refinanced $2.7 billion as part of its refinancing program.

Subsequent to 30 June 2008, BBP sold its 100% interest in the Uranquinty Power Station to Origin Energy Ltd for an on completion value of $700 million. Net proceeds of $159 million from the disposal will reduce BBP's $360 million corporate debt facility that is expected to be refinanced by the end of August 2008. Further asset sales have been flagged to reduce gearing and ensure the fund has a stable capital structure.

Known assets sales include the sale of the Tamar Valley Power Station project to the State of Tasmania and the sale of BBP's 73% equity interest in the Ecogen Power generation business to Ecogen Co-shareholder Industry Funds management. These sales alone will result in proceeds of $179 million which will be deployed to further repay debt.

BBP had AUM of $7.7 billion at 30 June 2008.

BABCOCK & BROWN WIND PARTNERS

In February 2008, BBW announced a joint strategic initiative with Babcock & Brown to capture unrecognised value in the wind energy portfolio through the possible sale of selected European domiciled wind assets.

In May BBW was selected as the preferred tenderer to meet the renewable energy requirements of Sydney Water's desalination plant. It is proposed that Sydney Water will enter into a 20 year renewable energy supply agreement which includes a CPI escalation clause over the term of the agreement.

Subsequent to 30 June 2008, BBW acquired four German wind farms with a combined total capacity of 19.6MW under the terms of pre-existing Framework Agreements

At 30 June 2008,BBW's portfolio comprises interests in 83 wind farms that have a total installed capacity of approximately 3,206MW and are diversified by wind resource, currency, equipment supplier, offtake arrangements and regulatory regime.

BBW had AUM of $4.1 billion at 30 June 2008.

BABCOCK & BROWN PUBLIC PARTNERSHIPS

During the six month period, BBPP raised £84 million in new equity which was used in part to complete the acquisition of eleven PPP investments from Babcock & Brown and its specialised funds and asset management platform. In addition BBPP acquired 100% ordinary equity interest in the new Royal Childrens' Hospital PPP Project (RCH) in Melbourne, Australia from Babcock & Brown.

BBPP's portfolio of projects expanded from 22 when it listed in November 2006 to 48 at 30 June 2008. The Angel Trains acquisition, completed post 30 June 2008, brings the current portfolio to 49.

BBPP had AUM of $5.7 billion at 30 June 2008.

UNLISTED INSTITUTIONAL FUNDS

BABCOCK & BROWN EUROPEAN INFRASTRUCTURE FUND

In November 2007 the Infrastructure Division reached final close on a wholesale European Infrastructure Fund, BBEIF with total equity commitments of €2.17 billion ($3.56 billion). BBEIF made its first investment during the year co-investing with Babcock & Brown in the acquisition of a 14.6% shareholding in Brisa Auto-Estadas de Portugal S.A. (Brisa), a listed motorway and toll road company based in Portugal.

BBEIF also acquired a strategic 23.5% stake in Forth Ports plc during the period.

In June 2008, BBEIF, as part of a consortium of investors, acquired Angel Trains from the Royal Bank of Scotland for $7.5 billion. This transaction has recently reached financial close.

In April BBEIF acquired Watersite a portfolio of transmission mast interests based on the Thames Water Plc land estate. On 15 July 2008, BBEIF completed the acquisition of the Shere Group, a portfolio of transmission masts in the UK. These two portfolios will be merged onto the one management platform which is expected to drive operational synergies. Following the completion of the Angel Trains transaction and the Shere Group acquisition, BBEIF had committed uninvested capital of €1.3 billion ($2.1 billion).

BABCOCK & BROWN INFRASTRUCTURE NORTH AMERICA

During the six months to 30 June 2008 the interim close on further commitments of capital was reached taking total commitments for investment in North American infrastructure to in excess of US$1.8 billion ($1.9 billion). Subsequent to 30 June 2008, BBIFNA closed additional equity commitments.
BBIFNA acquired the ICS Companies during the first quarter of 2008. The ICS Companies operate break bulk maritime terminals in the ports of Jacksonville, Florida, Mobile, Alabama and New Orleans, Louisiana. The ICS Companies provide stevedoring and logistics services for producers and consumers of paper, timber, steel, other metals, frozen seafood and poultry products.

In February 2008, BBIFNA co-invested with a syndicate of investors and Babcock & Brown Infrastructure Limited in the acquisition of an 80% interest the Natural Gas Pipeline Company of America (NGPL) and related businesses.

In June 2008, BBIFNA acquired the Trans Bay Cable development project, a 400 Megawatt high-voltage direct current electric submarine cable connecting the city of Pittsburg, California and San Francisco, California.

Subsequent to 30 June 2008, BBIFNA agreed to acquire regulated local gas distribution companies Peoples Natural Gas (Peoples) and Hope Gas (Hope) from Dominion Resources, Inc. for an enterprise value of US$910 million ($945 million), inclusive of working capital and capital expenditures. Peoples and Hope operate in Pennsylvania and West Virginia, USA, respectively. The acquisition is subject to the receipt of regulatory approvals and other closing conditions.

Assuming the completion of the Dominion transaction, BBIFNA has total committed uninvested capital of US$600 million ($623 million).

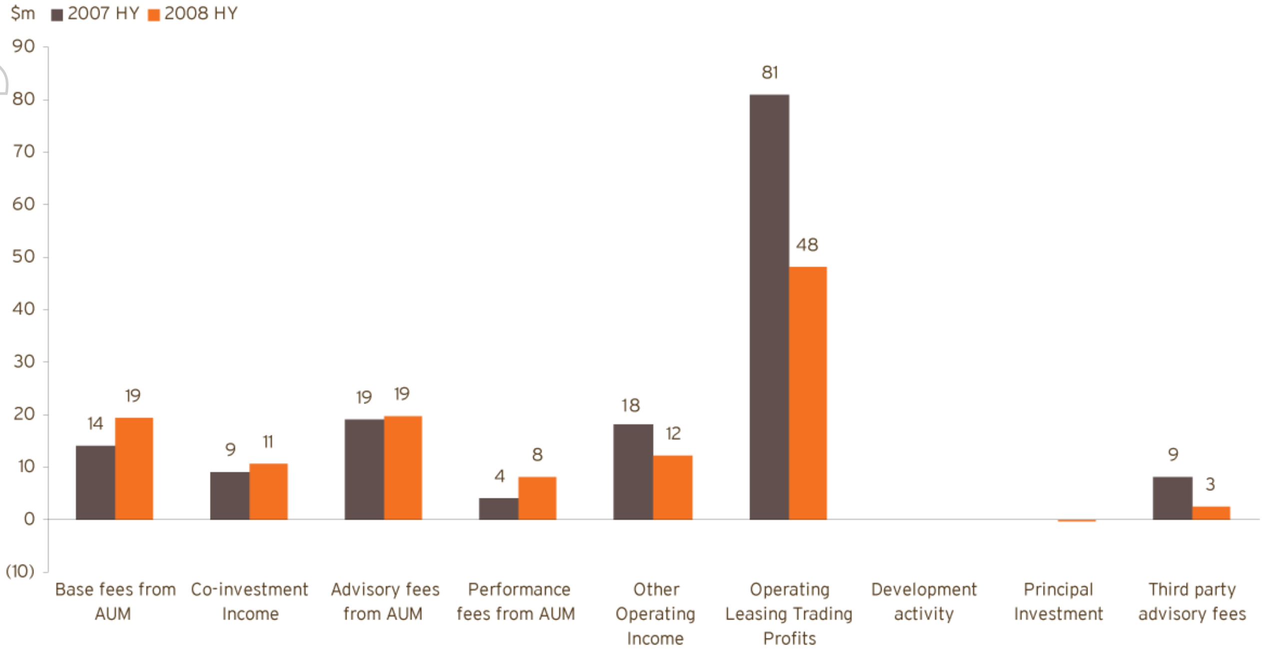
BABCOCK & BROWN ASIAN INFRASTRUCTURE FUND

In November 2007 first close was reached on the Babcock & Brown Asia Infrastructure Fund (BBAIF), raising US$400 million ($415 million) of capital.

BBAIF made its first investment in December 2007 acquiring a stake in the Don Muang Tollway Public Company Limited (DMT) in Thailand. At 30 June 2008 committed uninvested capital in the fund was US$304 million ($316 million).

OPERATING LEASING

NET REVENUE



NET REVENUE BY TYPE

	Half-Year ended 30 June 2008 $'000	Half-Year ended 30 June 2007 $'000	Change %
Base fees from AUM	19,530	14,376	35.9
Co-investment income	10,608	8,722	21.6
Advisory fees from AUM	19,620	19,157	2.4
Performance fees from AUM	8,162	3,870	110.9
Other operating income	12,039	17,571	(31.5)
Operating leasing trading profits[2]	48,160	81,401	(40.8)
Development activity	-	-	-
Principal investment[2]	(427)	-	-
Third party advisory fees	2,603	8,490	(69.3)
Net revenue (before minority interest)	**120,295**	**153,586**	**(21.7)**
Segment minority interest[1]	(1,423)	(1,936)	(26.5)
Total net revenue (after minority interest)	**118,872**	**151,650**	**(21.6)**

NET ASSETS

As at 30 June 2008	Assets Jun 2008 $'000	Liabilities Jun 2008 $'000	Net Assets Jun 2008 $'000	Net Assets Dec 2007 $'000
Operating Leasing	2,149,560	1,678,757	470,803	357,748

1 The minority interest deduction of $1.4 million primarily consists of $1 million outside equity interest in BBAM.

2 Previously net revenue from Operating Leasing trading profits was aggregated under Principal Investment.

HIGHLIGHTS

The Operating Leasing Division earned net revenue, before minority interests of $120.3 million during the six months to 30 June 2008. The key contributors included:

- Income from origination activities (development, principal investment and other operating revenue) included:
  - BBAM and BBRM share of net leasing income from aircraft and rail under management.
  - The profit made on the sale of aircraft and rail cars.
  - BBAM result included an impairment charge of $15 million taken against the value of older aircraft in the fleet.

- A 30.5% increase in recurring revenue including:
  - Base fees and co-investment income from BBAir and rail and air wholesale asset management mandates.
  - Advisory fees earned on syndication of aircraft and rail to investors;
  - Performance fees earned on the remarketing of aircraft under management.

The devaluation of the US dollar versus the Australian dollar over pcp is estimated to have impacted the reported Net Revenue contribution by approximately 14%.

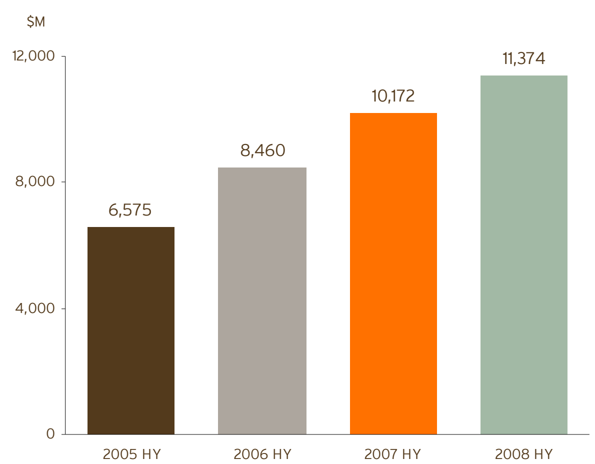
OVERVIEW

Babcock & Brown's Operating Leasing Division manages a portfolio of assets within four business units:

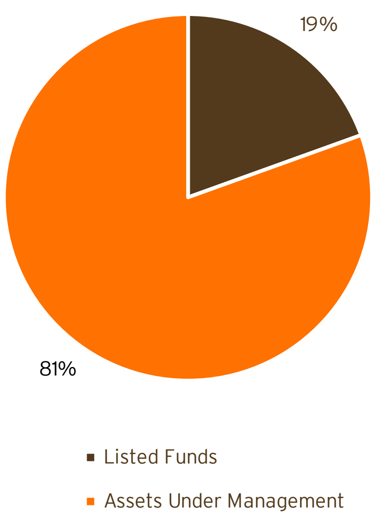
- Babcock & Brown Aircraft Management (BBAM) – aircraft.
- Babcock & Brown Rail Management (BBRM) – railcars.
- Eurorail – locomotives and railcars.
- Babcock & Brown Electronics Management (BBEM) – semiconductor manufacturing equipment.

The Operating Leasing Division reported AUM of $11 billion at 30 June 2008, an increase of 9% over the previous corresponding period. This growth was driven by the growth in aircraft under management and the growth in rail under management in both North America and Europe.

GROWTH IN ASSETS UNDER MANAGEMENT



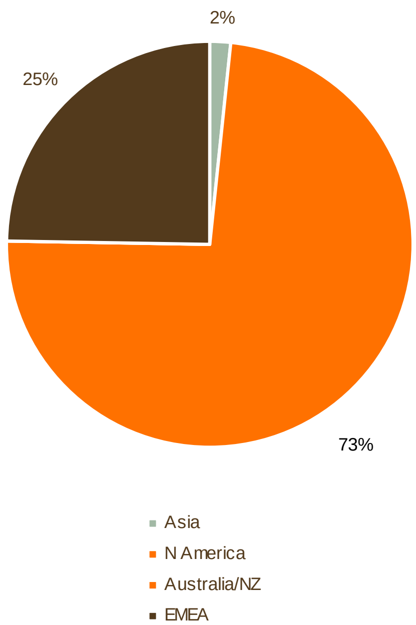
AUM BY TYPE



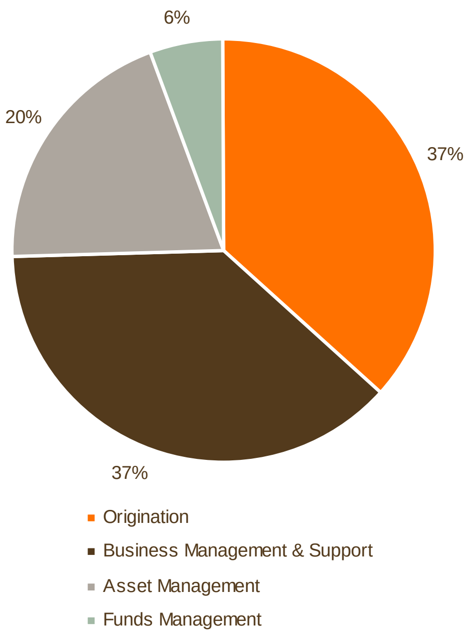
OPERATING LEASING

At 30 June 2008, the Operating Leasing Division had 177 employees primarily based in North America and Europe compared to 161 employees at 31 December 2007.

HEADCOUNT BY GEOGRAPHY



HEADCOUNT BY ACTIVITY



BABCOCK & BROWN AIRCRAFT MANAGEMENT

The scope of BBAM's primary activities includes:

Fund and asset management – providing management and re-marketing services to investors. In this capacity BBAM earns base fees on the rents collected and remarketing fees when an aircraft is sold. Performance fees may be earned upon disposition of an aircraft on behalf of investors if the sale price exceeds a predetermined price.

Advising on and arranging aircraft acquisitions and leases for aircraft under management. Syndication fees charged to investors are booked under advisory fees.
Principal investment – acquiring and selling aircraft both on its own account and on behalf of investors, to both trade and financial buyers.

BBAM typically holds aircraft only for as long as is necessary to reposition the asset before either selling it to trade buyers, syndicating, or completing a capital markets transaction. From time to time, BBAM may acquire an aircraft where there is either no lease in place or only a short lease term remaining. BBAM will then seek to reposition the asset, often by negotiating a new lease or reconfiguring the aircraft prior to resale.

BBAM contributed 82.4% of Operating Leasing Net Revenue or $99.4 million. The result included an impairment charge taken against older aircraft in the fleet of $15 million. BBAM's operating result prior to the impairment charge and the impact of foreign currency translation was $132.2 million compared to $130.6 million for the pcp.

During the six month period aircraft under management increased 4% from 270 leased commercial jets at 31 December 2007 to 280 at 30 June 2008. BBAM's total AUM at 30 June 2008 was US$8.1 million ($8.5 million).

The growth in the portfolio was driven by:

- Six aircraft acquired and syndicated into the Japanese market through our joint venture with Nomura Babcock & Brown.
- Two aircraft acquired and syndicated into the German investor market through a recently established joint initiative with HCI Capital AG.
- An increase in the B&B Air fleet from 54 aircraft to 62 aircraft which included four newly acquired aircraft and four aircraft purchased from other Babcock & Brown managed portfolios.
- Five aircraft acquired for future syndication to the Japanese market or for sale to other funds under management.
- One aircraft acquired by the Topflight US$1billion ($1.04 billion) aircraft acquisition facility that was established in 2007.
- During the six-month period, 10 managed aircraft were sold to third-parties.

Activity was down in the six month period compared to pcp when a net 26 aircraft were acquired and syndicated over the period reflecting an increase in activity in the Japanese market over a significant decline in 2006.

Fleet Profile as of 30 June 2008	
Number of lessees	76
Number of aircraft	280
Weighted average age (years)	7.2
Weighted average remaining lease terms (months)	60.2

BABCOCK & BROWN RAIL MANAGEMENT

The scope of BBRM's business is:

- Principal investment – origination and acquisition of railcars through manufacturer orders and portfolio purchases utilising Babcock & Brown's balance sheet and Babcock & Brown Rail North America (BBRNA), BBRM's syndicated warehouse funding vehicle.
- The Division earns rental income from rail cars on the Babcock & Brown balance sheet and generates management fees when a railcar is in a wholesale fund. BBRM acts as both fleet and investment manager to BBRNA and receives a management fee for the services it provides, which include lease remarketing, equipment management and maintenance, and lease administration.
- Arranger/Structuring Agent – BBRM generates arranger and structuring fees when railcars are moved from the balance sheet into a wholesale fund.

Net Revenue from Rail (including Eurorail) represented 11.8% of Operating Leasing Net Revenue or $14.2 million. Prior to the impact of the higher Australian dollar against the US dollar over the six month period the result for the period was $15.8 million.

OPERATING LEASING

BBRM currently has 20,108 railcars under management, a small decline from the 20,597 cars under management at 31 December 2007. During the period BBRM purchased 265 cars and sold 712 cars and also had a normal level of car attrition. The value of AUM is US$1.5 billion ($1.6 billion). BBRNA wholesale syndicate currently has 13,895 railcars under management.

Fleet Profile as of 30 June 2008

Number of railcars	20,108
Number of leases	166
Number of lessees	80
Weighted average age (years)	5.7
Weighted average remaining lease terms (years)	2.2

EURORAIL

At 30 June 2008 CBRail Leasing Sarl's portfolio of AUM was €403 million ($661 million) including commitments to acquire further assets under negotiation at the present time.

The joint venture between Babcock & Brown and HBOS (CBRail Sarl), established in 2006 as a warehouse/development vehicle, has AUM or under construction of €443 million ($726 million). HBoS has announced its intention to withdraw from this JV and the assets will be sold in an orderly fashion over the course of 2008.

In addition Babcock & Brown Rail (Ireland) Limited has €8 million ($13 million) of AUM being a specialised freight train.

A consortium including Babcock & Brown European Infrastructure Fund, and advised by Babcock & Brown, has recently acquired Angel Trains Group from Royal Bank of Scotland. It is anticipated that this acquisition will lead to a rationalisation of Babcock & Brown's European rail operating lease activities following the recent unconditional clearance for the acquisition granted by relevant competition authorities.

CORPORATE & STRUCTURED FINANCE

NET REVENUE BY TYPE

	Half-Year ended 30 June 2008 $'000	Half-Year ended 30 June 2007 $'000	Change %
Base fees from AUM	16,612	15,128	9.8
Co-investment income	(49,412)	9,286	>(100)
Advisory fees from AUM	609	15,091	(96.0)
Performance fees from AUM	2,278	1,649	38.1
Other operating income	-	11,204	>(100)
Development activity	-	(12)	>100
Principal investment	(69,137)	10,196	>(100)
Third party advisory fees	691	9,487	(92.7)
Net revenue (before minority interest)	**(98,359)**	**72,029**	**>(100)**
Segment minority interest[1]	2,540	(1,447)	>100
Total net revenue (after minority interest)	**(95,819)**	**70,582**	**>(100)**

NET ASSETS

As at 30 June 2008	Assets Jun 2008 $'000	Liabilities Jun 2008 $'000	Net Assets Jun 2008 $'000	Net Assets Dec 2007 $'000
Corporate & Structured Finance	796,542	173,468	623,074	590,171

1 Minority interest of $2.5 million comprises outside equity interest holders' share of profit from Spirit Music Publishing and Questech.

OVERVIEW

The Corporate and Structured Finance Division (CSF) reported net revenue loss before minority interests of $98.4 million for the six month period. The key contributors to the result included:

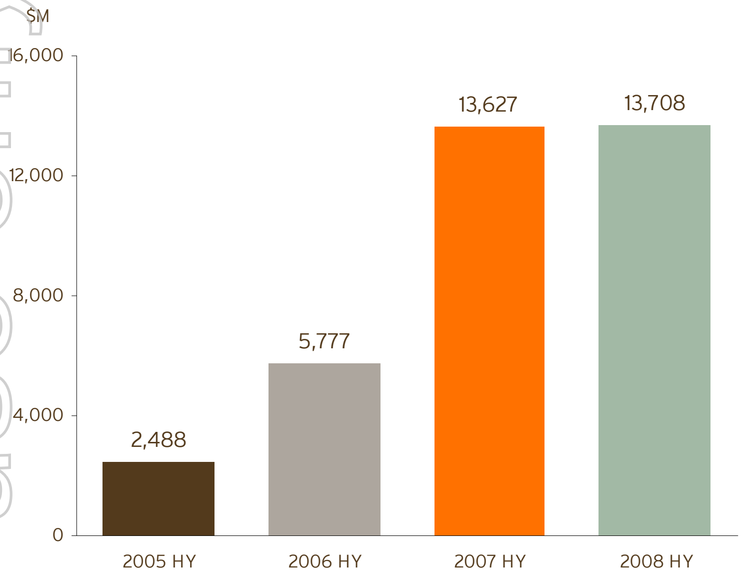
- The net loss from origination activities (development, principal investment and other operating revenue) included:
  - Losses made on the sale of strategic investments
  - Writedown in the value of strategic investments on the balance sheet
- Recurring revenue included:
  - 10% increase in base fees from BCM, BBC, BBGIL, BBDIF and BBGP.
  - Co-investment income was negatively impacted by Babcock & Brown's proportionate share of earnings in EBB which included the writedown of management contracts on its balance sheet.

At 30 June 2008, the CSF division had principal capital of $623 million invested across a diverse portfolio of assets on balance sheet, primarily in the aged care and financial services sectors, with a gross value of $797 million. The gross value takes into account writedowns in asset values of $129 million which are reflected in the loss reported in principal investment income.

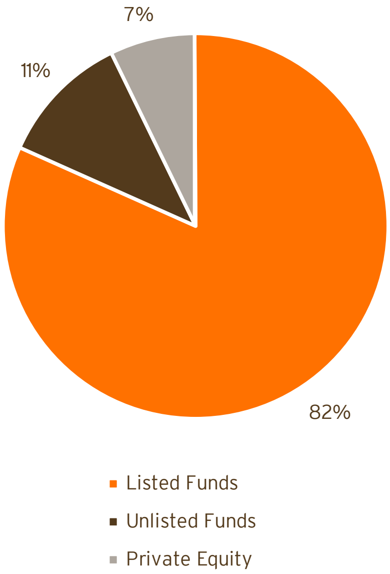
CORPORATE & STRUCTURED FINANCE

At 30 June 2008 AUM was $13.7 billion.

GROWTH IN ASSETS UNDER MANAGEMENT

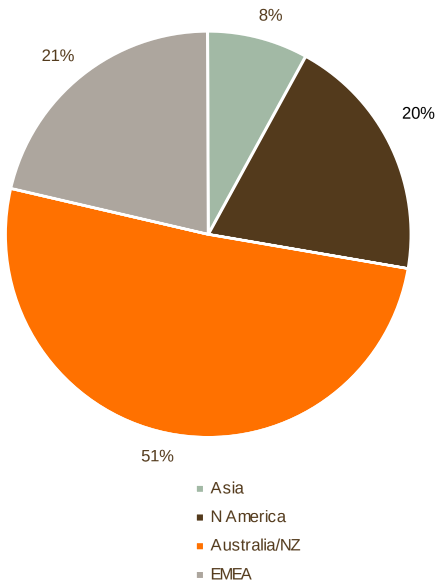


AUM BY TYPE

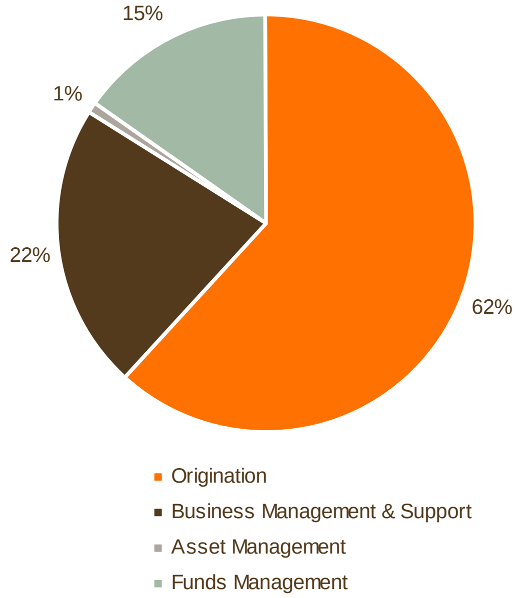


At 30 June 2008 the CSF Division had 117 employees globally compared with 127 at 31 December 2007.

HEADCOUNT BY GEOGRAPHY



HEADCOUNT BY ACTIVITY



CORPORATE & STRUCTURED FINANCE

BABCOCK & BROWN CAPITAL

During the six month period BCM increased the threshold of its buy-back program to 50% of issued capital as part of an active capital management plan designed to reduce the discount between its share price and the underlying value of the Company. At 30 June 2008, 16% of the total issued capital had been bought back.

BCM's underlying investments in eircom, the Irish telecommunications provider and Golden Pages, the leading Israeli directories business, continue to deliver strong operating results despite the volatile market conditions.

AUM at 30 June 2008 was $6.7 billion.

BABCOCK & BROWN COMMUNITIES

Since listing on the ASX on 7 August 2007 BBC has grown its portfolio from 44 to 56 retirement villages and has 29 aged care facilities across Australia and New Zealand.

In June 2008, BBC appointed an independent corporate advisor to conduct a strategic review aimed at determining options to reduce the gap between the underlying asset values and BBC's current market trading prices with the goal of maximising security holder value over time. In line with this, a number of non-core assets and land sites have been identified for sale and will be executed over the coming months.

Subsequent to 30 June 2008, BBC concluded the divestment of the 7.1% investment in Aevum Limited to accelerate the de-gearing program outlined as part of the strategic review.

AUM at 30 June 2008 was $2.7 billion.

BABCOCK & BROWN GLOBAL INVESTMENTS LIMITED

During the six month period BBGIL (formerly known as Babcock & Brown Structured Finance Fund) acquired two new investments: additional music copyright catalogues; and a 35% beneficial interest in Babcock & Brown Rail Investments Limited. During the period the fund sold down its loan to Paradox Capital LLC which was repaid in full with accrued interest and exited from a loan guarantee.

Apart from actively managing its portfolio of assets, BBGIL is focused on determining the appropriate level of gearing for the Group given the current volatile and uncertain market environment. To this end, it has recently lowered its debt with the renewal of its corporate facility of $38.0 million in June 2008 for a further 18 month period.

AUM at 30 June 2008 was $378 million.

BABCOCK & BROWN GLOBAL PARTNERS

The fund exercised its right to co-invest on a range of Babcock & Brown originated transactions during the period. At 30 June 2008, BBGP had drawn capital from investors totalling €296.1 million ($485.3 million), or 79.7% of the fund, and a further €38.7 million ($63.4 million) of capital was committed to transactions.

BABCOCK & BROWN DIRECT INVESTMENT FUND

As at 30 June 2008, DIF's four trusts, DIF I Equity Trust , DIF II Mezzanine Debt Trust, DIF III Global Co Investment Fund and DIF Senior Debt Trust held assets valued at $397 million. Since start-up in 2005, these Trusts have returned a combined $275 million to unitholders from successful asset realisations and income distributions.

BBDIF's third trust, the DIF III Global Co Investment Fund, reached final close in May 2008 with committed capital of $80 million.

DIF is now in the early stages of planning for its next two funds: one in global private equity and the other in global mezzanine debt.

CORPORATE & STRUCTURED FINANCE

EVEREST BABCOCK & BROWN

EBB is a manager of funds with an absolute return focus and other alternative investment strategies. Babcock & Brown has a direct holding of 26.3% in EBB and is its largest shareholder. EBB manages a listed fund Everest Babcock & Brown Alternative Investment Trust (EBI) and a number of unlisted funds. EBB is listed on the Australian Securities Exchange

In June EBB secured its first Australian institutional investment mandate to construct a tailored fund of absolute return funds for Sunsuper.

AUM at 30 June 2008 was $1.5 billion.

EVEREST BABCOCK & BROWN ALTERNATIVE INVESTMENT TRUST

EBI is listed on the Australian Securities Exchange and provides investors with exposure to a diversified portfolio of international absolute return funds. EBI aims to generate strong, risk adjusted absolute investment returns over the long term in all market conditions. EBI is managed by EBB.

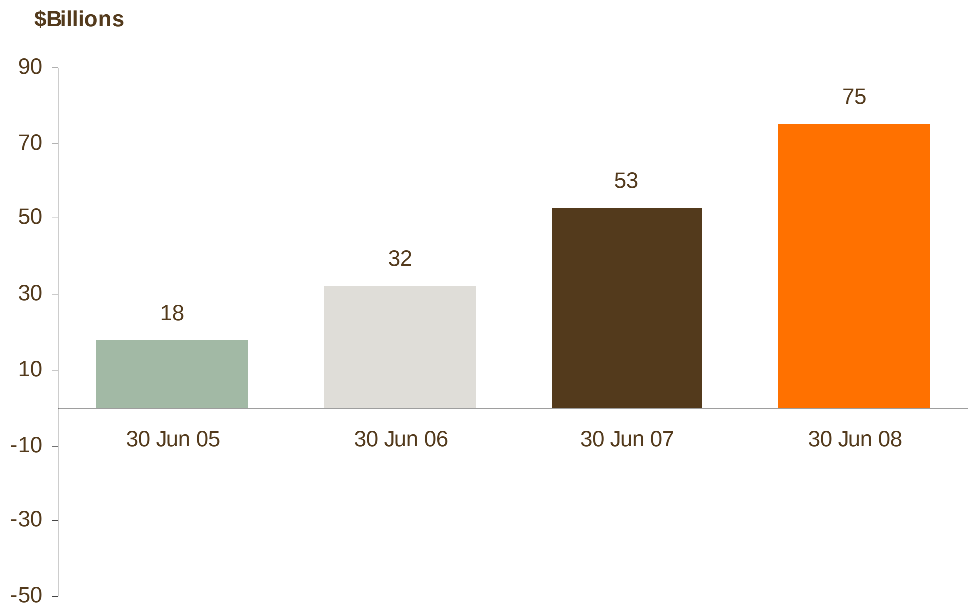
AUM at 30 June 2008 was $1.4 billion.

COLLATERALISED DEBT OBLIGATIONS

Babcock & Brown manages three CDOs and a CDO investment fund, however as current market volatility makes it difficult to determine a value we have taken a conservative approach and are reporting no AUM value as at 30 June 2008.

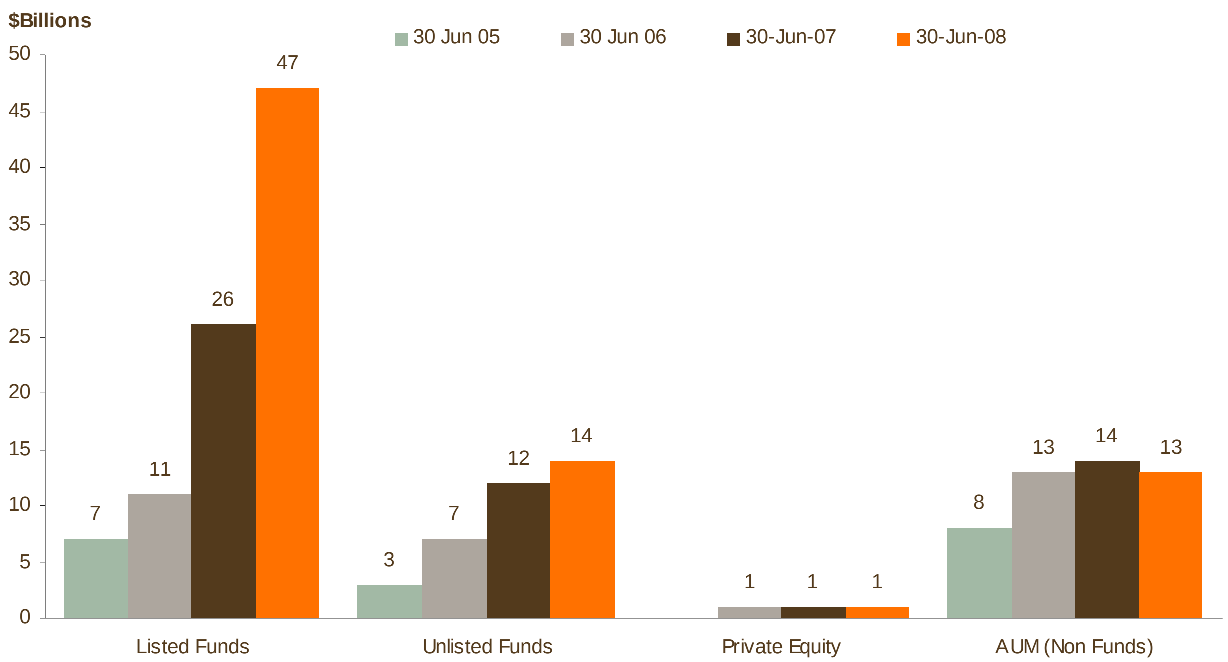
ASSETS UNDER MANAGEMENT

GROWTH IN TOTAL AUM*



* AUM – Assets Under Management

ASSET MANAGEMENT PLATFORM



ASSETS UNDER MANAGEMENT

LISTED

BABCOCK & BROWN INFRASTRUCTURE

BBI is an infrastructure fund with a diversified international portfolio of quality infrastructure assets focused in the energy transmission and distribution and transportation sectors. BBI listed on the Australian Securities Exchange in July 2002.

At 30 June 2008, BBI had AUM of $13.4 billion.

Further information on BBI's activities during the period can be found in the Infrastructure Division section of this report.

BABCOCK & BROWN WIND PARTNERS

BBW is a globally diversified listed stapled entity investing in wind energy generation assets which listed on the Australian Securities Exchange on 28 October 2005.

At 30 June 2008, BBW had AUM of $4.1 billion.

Further information on BBW's activities during the period can be found in the Infrastructure Division section of this report.

BABCOCK & BROWN POWER

BBP is a power generation business with assets diversified by geographic location, fuel source, customers, contract types and operating mode. BBP listed on the Australian Securities Exchange on 11 December 2006.

At 30 June 2008, BBP had AUM of $7.7 billion.

Further information on BBP's activities during the period can be found in the Infrastructure Division section of this report.

BABCOCK & BROWN PUBLIC PARTNERSHIPS

Babcock & Brown Public Partnerships Limited is a Guernsey incorporated company which listed on the London Stock Exchange on 9 November 2006. The Company offers shareholders an exposure to investment in infrastructure assets, particularly those with a public or social character such as those developed under public bodies under private finance initiative or public private partnership procurements.

At 31 December 2007, BBPP had AUM of $5.7 billion.

BABCOCK & BROWN ENVIRONMENTAL INVESTMENTS LIMITED

Babcock & Brown declared its bid for BEI unconditional on 7 April 2008 and commenced compulsory acquisition of BEI on 8 May 2008. BEI was subsequently delisted on 25 June 2008.

BABCOCK & BROWN JAPAN PROPERTY TRUST

BJT is a listed property trust which invests in the real estate market of Japan. Its portfolio comprises interests in office, retail and residential properties. BJT listed on the Australian Securities Exchange on 4 April 2005.

At 30 June 2008, total AUM for the Trust was $1.8 billion.

Further information on BJT's activities during the period can be found in the Real Estate Division section of this report.

ASSETS UNDER MANAGEMENT

BABCOCK & BROWN RESIDENTIAL LAND PARTNERS

BLP invests in a diversified portfolio of quality residential land projects which are developed by a range of Australia's leading private developers. BLP listed on the Australian Securities Exchange on 30 June 2006.

At 30 June 2008, AUM for the Trust was $477 million.

Further information on BLP's activities during the period can be found in the Real Estate Division section of this report.

EVEREST BABCOCK & BROWN LIMITED

EBB is a manager of funds with an absolute return focus and other alternative investment strategies. Babcock & Brown has a direct holding of 26.3% in EBB and is its largest shareholder. EBB manages a listed fund Everest Babcock & Brown Alternative Investment Trust (EBI) and a number of unlisted funds. EBB is listed on the Australian Securities Exchange

At 30 June 2008, EBB had AUM of $1.5 billion.

EVEREST BABCOCK & BROWN ALTERNATIVE INVESTMENT TRUST

EBI is listed on the Australian Securities Exchange and provides investors with exposure to a diversified portfolio of international absolute return funds. EBI aims to generate strong, risk adjusted absolute investment returns over the long term in all market conditions. EBI is managed by EBB.

At 30 June 2008, EBI had AUM of $1.4 billion.

BABCOCK & BROWN CAPITAL LIMITED

BCM is an Australian-based investment company that focuses on a concentrated portfolio with a flexible investment horizon. BCM listed on the Australian Securities Exchange in February 2005.

At 30 June 2008, BCM had AUM of $6.7 billion.

Further information on BCM's activities during the period can be found in the Corporate & Structured Finance Division section of this report.

BABCOCK & BROWN GLOBAL INVESTMENTS LIMITED

BBGIL is a mutual fund company which listed on the Singapore Stock Exchange on 20 December 2006. The company provides investors access to a diversified portfolio of assets and economic exposures across three target sectors: operating lease assets, loan portfolio and securitisation assets, and alternative assets.

At 30 June 2008, BBGIL had AUM of $378 million.

Further information on BBGIL's activities during the period can be found in the Corporate & Structured Finance Division section of this report.

BABCOCK & BROWN COMMUNITIES

BBC is an integrated owner, operator and developer of senior living communities which listed on Australian Securities Exchange on 7 August 2007.

At 30 June 2008, BBC had AUM of $2.7 billion.

Further information on BBC's activities during the period can be found in the Corporate & Structured Finance Division section of this report.

ASSETS UNDER MANAGEMENT

BABCOCK & BROWN AIR

BBAir was formed on 3 May 2007 to acquire and lease commercial jet aircraft and other aviation assets and is headquartered in Dublin, Ireland.

BBAir listed on the New York Stock Exchange on 27 September 2007 and trades under the symbol FLY.

At 30 June 2008, BBAir had a portfolio of 62 aircraft with AUM of $2.2 billion.

UNLISTED

GPT JOINT VENTURE (GPT JV)

In February 2005, Babcock & Brown and General Property Trust (GPT) announced a strategic joint venture. The joint venture was formed to pursue real estate investment, trading, and development opportunities worldwide.

On 7 June 2007, a number of changes to the Joint Venture were outlined including the appointment of Babcock & Brown to manage the Joint Venture portfolio (Joint Venture Fund).

The book value of investments held and contracted at 30 June 2008, was $6.6 billion.

At 30 June 2008, the Joint Venture Fund comprised a portfolio valued at $6.55 billion.

Further information on the GPT Joint Venture can be found in the Real Estate Division section of this report.

BABCOCK & BROWN EUROPEAN INFRASTRUCTURE FUND

BBEIF is a wholesale infrastructure fund focusing on European based infrastructure investment opportunities.

The Infrastructure Division reached first close on BBEIF in May 2007 and final close with total commitments of €2.17 billion ($3.56 billion) in November 2007. Following the completion of the Angel Trains transaction in June and the Shere Group acquisition in July, BBEIF had committed uninvested capital of €1.3 billion ($2.1 billion).

At 30 June 2008, total AUM was $3.6 billion.

Further information on BBEIF's activities during the period can be found in the Infrastructure Division section of this report.

BABCOCK & BROWN ASIAN INFRASTRUCTURE FUND

BBAIF is a wholesale fund established by Babcock & Brown in partnership with The Bank of Tokyo-Mitsubishi UFJ, Ltd (BTMU) to focus on the growing number of infrastructure investment opportunities in the Asian region including China, Hong Kong, India, Japan, Malaysia, Republic of Korea, Singapore and Thailand.

The Infrastructure Division reached first close on BBAIF in November 2007 raising US$400 million ($415 million) of capital.

BBAIF used part of the committed capital to acquire a strategic stake in Don Muang Tollway PCL, Thailand. At 30 June 2008, committed uninvested capital in the fund was US$304 million ($316 million).

Further information on BBAIF's activities during the period can be found in the Infrastructure Division section of this report.

BABCOCK & BROWN INFRASTRUCTURE FUND NORTH AMERICA

BBIFNA is a San Francisco-based wholesale infrastructure fund that owns and manages energy and infrastructure companies throughout North America.

The Infrastructure Division reached first close on BBIFNA in October 2007 with a second close in November 2007. During the six months to 30 June 2008 the interim close of further commitments of capital was reached, taking total commitments for investment in North American infrastructure to in excess of US$1.8 billion ($1.9 billion).

Investors in BBIFNA include public, employee and other pension plans and insurance companies located throughout North America and Europe. BBIFNA owns Trans Bay Cable, a 400 Megawatt high-voltage direct current electric submarine cable connecting the city of Pittsburg, California and San Francisco. BBIFNA also owns an interest in ICS companies, a leading operator of break bulk sea ports in Florida, Louisiana and Alabama. In addition, BBIFNA is a member of a Babcock & Brown consortium that owns the controlling interest (80%) of the Natural Gas Pipeline of America (NGPL) and partners with Knight Inc. (formerly Kinder Morgan) which also serves as the 20% partner and asset operator.

Further information on BBIFNA's activities during the period can be found in the Infrastructure Division section of this report.

UK RETAIL PROPERTY SYNDICATES

The Division has two closed retail property syndicates in the UK.

Foundation Property Fund raised £8.7 million ($18.0 million) from retail investors and reached close in May 2004. The fund's strategy is to invest in UK real estate assets in the office, retail and industrial sectors. The fund can borrow up to 80% of the portfolio's gross asset value. The fund's 10% return profile seeks to provide a balance between income and capital.

Viking Fund raised £5.2 million ($10.75 million) from retail investors and reached close in July 2005. The fund can borrow up to 90% of the portfolio's gross asset value. The fund is able to invest into any property sector and can also invest in corporate entities, debt instruments secured against property or any other real estate related investment. It can invest in both the UK and the EU countries of Europe. The fund's 15% return profile focuses primarily on providing capital return to investors.

PRIVATE EQUITY

BABCOCK & BROWN GLOBAL PARTNERS

On 12 July 2005, Babcock & Brown announced the successful closing of its unlisted €372 million ($609.7 million) co-investment fund BBGP. BBGP has been established to invest exclusively in transactions originated and structured by Babcock & Brown on a global basis. BBGP has the right to participate in equity opportunities that Babcock & Brown are seeking to syndicate to third party investors.

At 30 June 2008, BBGP had drawn capital from investors totalling €296.1 million ($485.2 million) or 79.7% of the fund and had a further €38.7 million ($63.4 million) of capital committed to transactions.

BABCOCK & BROWN DIRECT INVESTMENT FUND

BBDIF is structured to deliver superannuation funds and other institutional investors access as pari-passu partners with Babcock & Brown into a portfolio of direct investment opportunities sourced primarily, but not exclusively, out of Babcock & Brown's global deal stream.

As at 30 June 2008, DIF's four trusts, DIF I Equity Trust , DIF II Mezzanine Debt Trust, DIF III Global Co Investment Fund and DIF Senior Debt Trust held assets valued at $397 million. Since start-up in 2005, these Trusts have returned a combined $275 million to unitholders from successful asset realisations and income distributions.

BBDIF's third trust, the DIF III Global Co Investment Fund, reached final close in May 2008 with committed capital of $80 million.

DIF is now in the early stages of planning for its next two funds: one in global private equity and the other in global mezzanine debt.

ASSETS UNDER MANAGEMENT

AIRCRAFT WAREHOUSE SYNDICATE

The Top Flight warehouse syndicate acquired 22 aircraft over the period. As of 30 June 2008, AUM was $604 million.

OTHER RAIL ASSETS UNDER MANAGEMENT

As of 30 June 2008, Other Rail Assets under Management consisted of 6,213 railcars, with an AUM value of $485 million.

OTHER AIR ASSETS UNDER MANAGEMENT

As of 30 June 2008, Other Air Assets under Management including BBAir consisted of 213 commercial jet aircraft valued in excess of $5.6 billion. BBAM provides a variety of on-going services for the portfolio including lease and sale remarketing, contracts administration, financial reporting and technical management services, and earns management, remarketing and performance fees.

BABCOCK & BROWN RAIL NORTH AMERICA

BBRNA was established in 2006 for the purpose of aggregating a number of BBRM's owned and managed railcar portfolios together with future railcar acquisitions with the intention of building a portfolio of sufficient size to allow BBRM to explore additional value enhancement alternatives.

At 30 June 2008 BBRNA's portfolio consists of 13,895 general purpose freight railcars on operating leases to a variety of industrial shippers and railroads in North America. BBRM acts as both fleet and investment manager to BBRNA and receives a management fee for the services it provides which include lease remarketing, equipment management and maintenance, lessee invoicing and collections, bank reporting, financial statement preparation, and federal and state tax compliance.

As of 30 June 2008, AUM was $1,036 million.

EURORAIL

Eurorail is a partnership between Babcock & Brown and Halifax Bank of Scotland (HBOS) providing operating leasing services in mainland Europe on regional passenger rolling stock and locomotives. Babcock & Brown provides a variety of origination and management services for Eurorail including building supervision, asset management and maintenance, lease administration and lease remarketing.

At 30 June 2008, the European rail leasing business held assets under management of $1.4 billion.

PFI ASSETS UNDER MANAGEMENT

Babcock & Brown, an active participant in the UK Pubic Private Partnership sector (PPP's) since 1997 and through one of its subsidiaries (BBIML) is the Investment Advisory, Manager and Operator of BBPP. Babcock & Brown currently has a number of PPP infrastructure deals at various stages of development. These projects may be offered under the investment advisory agreement to BBPP in which Babcock & Brown holds an 8.33% interest.

STRUCTURED FINANCE CDOS

Babcock & Brown manages three CDOs and a CDO investment fund, however as current market volatility makes it difficult to determine a value we have taken a conservative approach and are reporting no AUM value as at 30 June 2008.

ASSETS UNDER MANAGEMENT

EUROPEAN PROPERTY MANDATES

Babcock & Brown retains ongoing co-investment interests in a number of joint ventures established when several retail, residential and office portfolios in Germany and Switzerland were syndicated to third party investors. Babcock & Brown has entered into agreements to manage the portfolios on behalf of the investors. The third party interest in these properties at 30 June 2008 was $2.1 billion.

US PROPERTY MANDATES

Babcock & Brown has significant residential and retail property management platforms in North America through the acquisition of BNP in March 2007 and GG&A in August 2007, respectively. Total third party assets under management at 30 June 2008 for these platforms were $1.4 billion.

ASSETS UNDER MANAGEMENT

	Ownership of Mgt Company (%)	ASX/LSE/ SGX/NYSE Code	Owner ship (%)	Mkt Cap Jun'08 ($m)	Mkt Cap Dec'07 ($m)	Assets Under Management Jun'08 ($'m)	Dec '07 ($m)	Jun '07 ($m)
Assets Under Management								
LISTED FUNDS								
B&B Infrastructure Limited	100	BBI	7.7	1,616	3,564	13,384	10,392	8,300
B&B Environmental Investments Ltd[1]					66	-	133	173
B&B Japan Property Trust	100	BJT	4.1	414	728	1,849	1,989	1,316
Everest Babcock & Brown Alternative Investments[2]	28	EBI	15.1	576	568	1,365	1,484	1,500
B&B Wind Partners	100	BBW	11.1	1,381	1,433	4,090	4,036	2,340
B&B Capital Limited	100	BCM	8.6	655	884	6,703	6,708	6,202
B&B Residential Land Partners	100	BLP	12.3	51	117	477	445	326
B&B Public Partnerships	100	BBPP	8.3	845	759	5,678	3,651	2,665
B&B Global Investments[3]	100	BABB	14.6	189	279	378	466	598
B&B Power	100	BBP	9.9	465	1,816	7,670	7,031	2,773
B&B Communities Group	100	BBC	10.1	280	593	2,738	2,350	-
B&B Air Limited	100	FLY	14.2	335	689	2,205	1,952	-
Total Listed Funds				**6,807**	**11,496**	**46,537**	**40,637**	**26,193**
UNLISTED								
Everest Babcock & Brown[4]	n/a		28.3		382	1,517	1,838	1,838
GPT Joint Venture[5]	n/a		50.0			6,556	7,422	7,971
UK retail property syndicates	100		-			56	41	72
North American Infrastructure[6]	100		35.7			1,914	1,261	-
B&B European Infrastructure Fund[7]	100		2.8			3,557	3,485	2,089
B&B Asia Infrastructure Fund	100		50.0			415	455	-
B&B Development Fund, Italy	100		33.0			149	-	-
Total Unlisted Funds						**14,164**	**14,502**	**11,970**
PRIVATE EQUITY								
B&B Global Partners[7]	100		11.2			610	623	589
B&B Direct Investment Fund	100		5.0			397	516	280
B&B CDO Investments[8]	-		-			-	91	81
Total Private Equity Funds						**1,007**	**1,230**	**950**
Total for Assets Under Management (Funds)						**61,708**	**56,369**	**39,113**

1 B&B Environmental Investments Ltd was acquired by Babcock & Brown in May 2007
2 Represents stapled market capitalisation at December 2005 and standalone trust market capitalisation as at December 2006.
3 Babcock & Brown Structured Finance Fund changed its name to Babcock & Brown Global Investments on 1 May 2008.
4 Everest Babcock & Brown, an affiliate of Babcock & Brown, is listed on ASX and manages a series of unlisted funds as well as the listed fund Everest Babcock & Brown Alternative Investments.
5 Includes investments secured, contracted and committed to be acquired.
6 Represents commitments for investments in North American Infrastructure.
7 Includes capital committed.
8 Due to the current market volatility valuation of the CDO investments is difficult to determine. As a conservative approach we are reporting no AUM value as at 30 June 2008.

ASSETS UNDER MANAGEMENT

	Ownership of Management Company (%)	Ownership (%)	Assets Under Management as at Jun '08 ($m)	Dec '07 ($m)	Jun '07 ($m)
Assets Under Management					
Aircraft Warehouse Syndicate[1]	100	50.0	604	685	1,658
BBRNA	100		1,036	1,129	727
EuroRail	100	30.5	1,400	923	833
Other Operating Leasing AUMs					
- Rail			485	519	858
- Air			5,644	5,859	6,096
European PPP			46	539	799
Structure Finance CDO[2]			-	2,476	2,539
European Property Mandates		23.0	2,089	1,989	-
US Property Mandates		17.0	1,436	1,259	-
Total Assets Under Management (non funds)			**12,740**	**15,378**	**13,510**
Total Assets Under Management			**74,448**	**71,747**	**52,623**

	Assets Under Management as at Jun '08 ($m)	Dec '07 ($m)	Jun '07 ($m)
Segment Analysis			
Real Estate	12,612	13,145	9,685
Infrastructure	36,754	30,983	19,139
Operating Leasing	11,374	11,067	10,172
Corporate & Structured Finance	13,708	16,552	13,627
Total Assets Under Management	**74,448**	**71,747**	**52,623**

1 Assets are carried on the Group's balance sheet and minority interest eliminated.

2 Due to the current market volatility, valuation of the CDOs is difficult to determine. As a conservative approach we are reporting no AUM value as at 30 June 2008.

EARNINGS PER SHARE

The diluted EPS for the Babcock and Brown Group plus Consolidated Share Trust[4] was 46.1¢ and 68.3¢ for the half year ended 30 June for 2008 and 2007, respectively. The detail of the calculation of these figures is set out in the table below.

Amounts represent number of units unless specified otherwise	Half-Year ended 30 June 2008 $'000	Half-Year ended 30 June 2007 $'000
The diluted EPS is calculated as follows:		
Profit after tax attributable to the Babcock & Brown Group	174,954	250,067
Weighted Average[1] Diluted Shares	379,141	365,956
Diluted EPS	**46.1¢**	**68.3¢**
Total Weighted Average[1] Diluted Shares for the Babcock & Brown Group is comprised of the following:		
Weighted Average[1] Ordinary Shares	337,500	329,075
Weighted Average[1] Shares held in consolidated trusts	28,070	17,792
Weighted Average[1] Dilutive Options	13,571	19,089
Weighted Average[1] Diluted Shares	**379,141**	**365,956**
The dilutive options reconcile to the total outstanding options as follows:		
Dilutive options (weighted average[1])		
Dilutive component[2]	13,571	19,089
Non-dilutive component	29,058	11,471
Total	42,629	30,560
Anti-dilutive[3] options (weighted average[1])		-
Total all options (weighted average[1])	**42,629**	**30,560**
Average Weighting	71.3%	95.3%
Unweighted balance of options outstanding at end of period	**59,810**	**32,051**

* Refer to following page for footnotes

NOTES

1. The weighted average number of options and shares outstanding during the period is the number of options and shares outstanding at the beginning of the period, adjusted by the number redeemed, forfeited, or issued during the period multiplied by the number of days the options or shares were outstanding as a proportion of the total number of days in the period.

2. The dilutive component of options was calculated using a volume weighted average market share price of $15.13 for the six months ended June 2008 ($28.44 for 2007) and using an average option exercise price of $13.11 for 2008 ($11.00 for 2007).

3. Anti-dilutive options represent options issued where the exercise price is greater than the average market price for the period (i.e. they are not "in the money"). Anti-dilutive options are excluded from the total weighted average diluted shares.

4. In order to provide a more meaningful basis of analysis of the EPS compared to that under AIFRS guidelines, management adjusts the EPS calculation as described below:

    - Under AIFRS, the Share Trusts are consolidated and as such, their shares are excluded from the total weighted average diluted shares. For the calculation of EPS, management disregards the consolidation of the Share Trusts and includes the shares held by the trusts in the total weighted average shares. Revenue is adjusted to appropriately reflect dividend income earned in the Share Trusts.

    - BBSN's are not treated as potentially dilutive shares as the decision to convert the debt to shares is at the option of the Company and distributions are treated as interest expense in the accounts.

The statutory diluted earnings per share calculated under AIFRS was 43.2¢ for 2008 (67.5¢ for 2007) as disclosed in the Consolidated Income Statement of the Financial Statements. The basis of calculation can be found in Note 5 in the Notes to the Consolidated Financial Statements.

DIRECTORS' REPORT

The Directors of Babcock & Brown Limited ("the Company") submit their Half-Year Financial Report for the period ended 30 June 2008.

DIRECTORS

The Directors of the Company who held office during the half-year period and until 10 am on 21 August 2008 are set out below:

James Babcock	Executive Chairman
Elizabeth Nosworthy	Non-Executive Chairman
James Fantanci	Executive Director and Global Head of Operating Leasing
Phillip Green	Managing Director and Chief Executive Officer
Ian Martin	Non-Executive Director
Dieter Rampl	Non-Executive Director
Martin Rey	Executive Director and Regional Head of Europe, Middle East & Africa
Joe L. Roby	Non-Executive Director
Michael Sharpe	Non-Executive Director

From 10 am on 21 August 2008 the Directors of the Company are set out below:

Elizabeth Nosworthy	Independent Chairman
James Babcock	Executive Director
Phillip Green	Executive Director
Michael Larkin	Managing Director and Chief Executive Officer
Ian Martin	Non-Executive Director
Dieter Rampl	Non-Executive Director
Joe L. Roby	Non-Executive Director

REVIEW AND RESULTS OF OPERATIONS

A review of the Group's operations and the results of those operations are contained in the Review of Operating Results which form part of this Half-Year Financial Report.

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration is set out on page 49 and forms part of this Directors' Report.

ROUNDING

The amounts contained in this report and in the financial report have been rounded to the nearest $1,000 (where rounding is applicable) under the option available to the company under ASIC Class Order 98/0100. The Company is an entity to which the Class Order applies.

Signed in accordance with a resolution of the Directors

Phillip Green
Director
21 August 2008

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Auditor's Independence Declaration to the Directors of Babcock & Brown Limited

In relation to our review of the financial report of Babcock & Brown Limited for the half year ended 30 June 2008, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

Mark O'Sullivan
Partner
Sydney
21 August 2008

Financial Statements

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DIRECTORS' DECLARATION

CONSOLIDATED INCOME STATEMENT

	Note	Half-year ended 30 June 2008 $'000	Half-year ended 30 June 2007 $'000
Revenue	2	1,489,882	782,277
Other income	2	446,821	431,348
Expenses excluding finance costs and bonus expense	2	(1,119,992)	(490,682)
Finance costs	2	(382,748)	(266,407)
Share of net (losses)/profits of associates and joint ventures		(164,054)	122,978
Bonus expense (including amortisation of share options and bonus deferral rights)		(58,827)	(261,675)
Profit before income tax		**211,082**	**317,839**
Income tax expense	4	(50,070)	(63,753)
Net profit for the period		**161,012**	**254,086**
Attributable to:			
- Minority interest excluding BBIPL		(13,942)	4,019
- BBIPL minority interest		24,034	50,474
- Members of the parent		150,920	199,593
Basic earnings per share (cents per share)	5	53.4¢	76.3¢
Diluted earnings per share (cents per share)	5	43.2¢	67.5¢

The accompanying notes form part of the financial report and should be read in conjunction with the above Consolidated Income Statement.

CONSOLIDATED BALANCE SHEET

	Note	30 June 2008 $'000	31 December 2007 $'000	30 June 2007 $'000
ASSETS				
Cash and cash equivalents	15	1,195,325	2,551,158	786,907
Fees receivable		268,347	199,501	172,051
Other receivables		319,054	620,804	312,554
Non-current assets classified as held for sale	12	886,801	-	-
Notes receivable	7	1,569,309	1,093,448	946,698
Investments in financial assets	8	305,560	452,022	595,735
Finance lease receivable		116,676	130,608	137,720
Transportation equipment		1,162,968	1,025,637	1,077,331
Semi-conductor equipment		98,101	101,510	64,520
Power generation assets		77,756	230,502	1,555,884
Biofuel assets		538,748	163,853	165,388
Assets under development	9	1,180,744	1,663,429	1,350,785
Real estate held for sale		1,733,936	1,941,783	1,304,079
Real estate held as investment property		1,466,279	1,665,251	1,347,335
Investments in associates	10	1,578,458	1,917,295	1,063,921
Investments in joint venture entities	11	276,524	387,560	362,918
Property and equipment		115,103	98,045	59,564
Other assets		327,113	453,250	343,511
Deferred tax assets		554,288	462,731	475,708
Derivative financial instruments		66,003	122,655	128,496
Intangible assets and goodwill		342,836	357,255	286,363
Total assets		**14,179,929**	**15,638,297**	**12,537,468**
LIABILITIES				
Accounts payable and accrued liabilities		610,491	1,019,012	615,273
Liabilities directly associated with the non-current assets classified as held for sale	12	419,101	-	-
Deposits held		131,886	164,778	157,856
Current tax liabilities		57,788	-	152,826
Deferred income		63,453	61,831	88,478
Interest bearing liabilities	13	9,615,470	11,357,567	9,025,654
Deferred tax liabilities		455,806	481,059	542,488
Derivative financial instruments		110,766	-	-
Other liabilities		82,735	40,446	48,886
Total liabilities		**11,547,496**	**13,124,693**	**10,631,461**
Net assets		**2,632,433**	**2,513,604**	**1,906,007**
EQUITY				
Contributed equity	14	1,907,765	1,590,478	1,489,483
Reserves	16	(726,194)	(586,429)	(569,941)
Retained earnings	16	878,932	818,455	550,379
Parent entity interest in equity		**2,060,503**	**1,822,504**	**1,469,921**
Minority interest (excluding BBIPL)		272,985	304,148	90,737
BBIPL Minority interest		298,945	386,952	345,349
Total equity		**2,632,433**	**2,513,604**	**1,906,007**

The accompanying notes form part of the financial report and should be read in conjunction with the above Consolidated Balance Sheet.

CONSOLIDATED CASH FLOW STATEMENT

	Note	Half-year ended 30 June 2008 $'000	Half-year ended 30 June 2007 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Fees received		400,671	359,207
Investment income received		900,056	196,809
Payments to vendors and employees		(1,200,387)	(705,225)
Interest received		60,687	54,864
Interest paid		(312,175)	(155,458)
Income tax paid		(84,895)	(31,969)
Net cash flows used in operating activities	15(a)	**(236,043)**	**(281,772)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment Assets			
Proceeds from sale		752,227	341,292
Purchases		(1,149,122)	(1,865,065)
Receipts from finance lease		7,539	8,730
Deposits for asset purchases		(3,615)	(33,079)
Financial assets			
Proceeds from sale		173,461	117,691
Dividends received		21,053	27,605
Purchases		(95,556)	(284,590)
Notes receivable			
Payments received		636,538	253,550
Fundings		(952,590)	(554,510)
Subsidiaries and associates			
Proceeds from sales of investment in associates, net of cash disposed		132,587	12,144
Purchase of controlled subsidiaries, net of cash acquired	19(b)	(143,075)	(531,724)
(Outflows)/proceeds from sale of controlled subsidiaries, net of cash disposed	20	(1,002,353)	195,924
Investment in associates and subsidiaries		(351,094)	(271,971)
Distributions received from associates		187,532	156,786
Property and equipment purchases		(47,086)	(22,849)
Maintenance reserves (deposits held)		(16,875)	45,571
Net cash flows used in investing activities		**(1,850,429)**	**(2,404,495)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds of borrowings		4,721,782	8,970,852
Repayments of borrowings		(3,942,405)	(6,033,937)
Financing costs		(38,422)	(2,416)
Proceeds from issuance of ordinary capital		317,533	397,536
Capital raising costs		(2,102)	(6)
Dividends paid		(90,443)	(40,868)
Minority interest capital contributions		22,660	63,910
Minority interest capital distributions		(170,463)	(412,057)
Net cash flows from financing activities		**818,140**	**2,943,014**
Net (decrease)/increase in cash and cash equivalents		**(1,268,332)**	**256,747**
Cash and cash equivalents brought forward		2,551,158	572,877
Effects of exchange rate changes on cash and cash equivalents		(74,126)	(42,717)
Closing cash and cash equivalents carried forward	15(b)	**1,208,700**	**786,907**

The accompanying notes form part of the financial report and should be read in conjunction with the above Consolidated Cash flow Statement.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Half-year ended 30 June 2008 $'000	Half-year ended 30 June 2007 $'000
Total Equity at 1 January	2,513,605	1,712,045
Total recognised income and expense for the half-year:		
Available for sale financial assets, net of tax	(14,196)	24,009
Effective portion of changes in cash flow hedges, net of tax	(10,633)	46,415
Currency translation differences	(147,663)	(146,518)
Other reserves of associates	(33,226)	6,805
Net expense recognised directly in equity	**(205,718)**	**(69,289)**
Profit for the half-year	161,012	254,086
Total recognised income and expense for the half-year	**(44,706)**	**184,797**
Transactions with equity holders in their capacity as equity holders:		
Equity issued	420,943	409,208
Equity raising costs	(2,101)	(6)
Tax benefit from equity raising costs	-	793
Shares acquired	(101,555)	-
Share based payments	186,459	54,914
Share acquisition reserve	(120,506)	(340,064)
Dividends paid	(90,443)	(52,872)
Change in minority interest	(129,263)	(62,808)
Total transactions with equity holders in their capacity as equity holders:	**163,534**	**9,165**
Total equity at 30 June	**2,632,433**	**1,906,007**
Total recognised income and expenses for the half-year is attributable to:		
Members of Babcock & Brown Limited	(54,798)	130,304
Minority interest	10,092	54,493
	(44,706)	**184,797**

The accompanying notes form part of the financial report and should be read in conjunction with the above Consolidated Statement of Changes in Equity.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The half-year financial report for six months ended 30 June 2008 was authorised for issue in accordance with a resolution of the Directors on 21 August 2008.

The half-year financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards, including AASB 134, "Interim Financial Reporting", and other mandatory professional reporting requirements.

This half-year financial report does not include all notes of the type normally included within the annual financial report. Accordingly, this half-year financial report should be read in conjunction with the annual financial report of Babcock & Brown Limited as at 31 December 2007, which was prepared in accordance with Australian equivalents to International Financial Reporting Standards ("AIFRS"), together with any public announcements made by Babcock & Brown Limited and its controlled entities (collectively, the Group) during the half-year ended 30 June 2008 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

(A) COMPANY STRUCTURE

The Babcock & Brown Group ("Group" or "Babcock & Brown") consists of Babcock & Brown Limited ("BBL"), the company listed on the ASX, and Babcock & Brown International Pty Ltd ("BBIPL"), a 87.8% owned subsidiary. BBIPL in turn owns the Babcock & Brown operating and investment subsidiaries located in Australia, North America, Europe and Asia Pacific.

(B) BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

The half-year financial report complies with Australian Accounting Standards and International Reporting Standards ("IFRS") as they apply to interim accounts. The principal accounting policies adopted in the preparation of the half-year financial report are consistent with those set out in the annual financial report of Babcock & Brown Limited for the year ended 31 December 2007. These policies have been consistently applied to all periods presented, unless otherwise stated.

(C) ACCOUNTING STANDARDS ISSUED BUT NOT YET APPLICABLE

As at the date of this financial report the following accounting standards have been issued, which will be applicable to the Group, but were not operative and as a consequence were not adopted in the preparation of the financial statements:

Accounting Standard Name		Issue Date	Operative Date
AASB 8	Operating Segments[1]	February 2007	1 January 2009
AASB 101 (revised)	Presentation of financial statements[1]	September 2007	1 January 2009
AASB 3 (revised)	Business Combinations[2]	March 2008	1 July 2009
AASB 127 (revised)	Consolidated and Separate Financial Statements[2]	March 2008	1 July 2009
AASB 2007-3	Amendments to Australian Accounting Standards arising from AASB 8[1]	February 2007	1 January 2009
AASB 2007-8	Amendments to Australian Accounting Standards arising from AASB 101[1]	September 2007	1 January 2009
AASB 2008-1	Amendments to Australian Accounting Standard - Share-based payments: Vesting conditions and cancellations (AASB 2)[1]	February 2008	1 January 2009
AASB 2008-2	Amendments to Australian Accounting Standards - Puttable Financial Instruments and Obligations arising and Liquidation (AASB7, AASB 101, AASB 132, AASB 139 and Interpretation 2)[1]	March 2008	1 January 2009
AASB 2008-3	Amendments to Australian Accounting Standards arising from AASB3 and AASB 127 [AASB 1,2,4,5,6,101,107,112,114,116,121,128,131,132, 133,134,136,137,138,139 and Interpretation 9 and 107][2]	March 2008	1 July 2009

1. If these accounting standards, and others which are not applicable to the Group, had been adopted, we do not believe that there would not have been a material impact to either the Consolidated Income Statement for the half-year ended 30 June 2008 or the Consolidated Balance Sheet as at 30 June 2008.
2. Until future acquisitions take place that are accounted for in accordance with revised AASB 3 and AASB 127, the impact on the Group of adopting these new standards is not known.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(D) IMPAIRMENT OF NON-FINANCIAL ASSETS OTHER THAN GOODWILL, INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD AND INVESTMENT PROPERTY

In accordance with the accounting policy in Note 1(R) in the 31 December 2007 Babcock & Brown Limited Financial Statements, Babcock & Brown has conducted a formal internal review of its assets for any indicators of impairment. As a consequence of this review a number of assets were identified as impaired and provided within the financial statements. The total impairment charge relating to non-financial assets other than goodwill, investments accounted for using the equity method and investment property for six months ended 30 June 2008 was $53 million. (30 June 2007: $27 million).

(E) IMPAIRMENT OF INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Babcock & Brown accounts for its investments in associates and joint venture entities in accordance with the equity method as described in Note 1 (G) in the 31 December 2007 Financial Statements. Due to the reporting timeframes for Babcock & Brown, estimates of likely results of the investments for 30 June 2008 are included within the results of Babcock & Brown for the half-year ended 30 June 2008. This involves the use of estimates including assessments of whether the underlying investments will be required to impair any of their non-current assets.

In addition, as the share price as at 30 June 2008 of many of the listed funds managed by Babcock & Brown was below the carrying value of Babcock & Brown's investment in these funds, this provided objective evidence of a potential impairment of Babcock & Brown's investment in these funds. In accordance with the requirements of AASB 128 'Investments in Associates' Babcock & Brown has completed a review to ensure that the carrying value of its investments in these funds is recoverable from Babcock & Brown's expected share of cash flows from the underlying funds. The amounts of impairments recognised, after allowance for potential impairments in the fund by the funds themselves as at 30 June 2008, was $29 million (30 June 2007: $nil). This additional impairment provision of $29 million is included within the share of losses from associates and joint ventures of $164 million.

2. REVENUES AND EXPENSES

	Note	Half-year ended 30 June 2008 $'000	Half-year ended 30 June 2007 $'000
Profit before income tax expense includes the following specific revenues and expenses whose disclosure is relevant in explaining the performance of the entity:			
(A) REVENUE			
Fee income		573,141	349,873
Asset management income		747,071	329,812
Distributions and dividends		11,329	13,505
Interest income		158,341	89,087
Total revenue		**1,489,882**	**782,277**
(B) OTHER INCOME			
Net gain from sales of assets		316,162	259,817
Fair Value movement on financial assets		(19,048)	25,694
Fair Value movement on investment property		(8,485)	62,753
Net exchange gains on foreign exchange and interest rate hedges	2(D)	99,507	73,351
Other income		58,685	9,733
Total other income		**446,821**	**431,348**
(C) EXPENSES (EXCLUDING FINANCE COSTS AND BONUS EXPENSE)			
Salaries and employee costs		155,000	138,898
Professional fees		21,246	22,705
Depreciation and amortisation	2(D)	51,895	39,574
Occupancy		40,076	25,516
Transaction and promotion		179,402	100,452
Travel		23,674	22,791
Asset management expense		573,025	123,688
Other		75,674	17,058
Total expenses (excluding finance costs and bonus expense)		**1,119,992**	**490,682**
(D) OTHER DISCLOSURE INFORMATION			
Finance costs		382,748	266,407
Depreciation and amortisation			
- Investment related assets		40,192	35,604
- Property and equipment		6,189	3,970
- Management fee rights		3,240	-
- Other intangible assets		2,274	-
Total Depreciation and amortisation expense	2(C)	51,895	39,574
Foreign exchange			
- Net foreign exchange gain		105,374	69,455
- Realised and unrealised gain on foreign exchange contracts		5,910	2,756
- Realised and unrealised (loss)/gain on interest rate derivatives		(11,777)	1,140
Total realised and unrealised gain on foreign exchange and interest rate hedges	2(B)	99,507	73,351
Total operating lease rental - minimum lease payments		28,036	14,672
Total share based payments[1]		186,459	53,413
Total superannuation payments		6,924	5,341

1 Included in this balance is $144.7 million relating to fully vested share awards that were issued to employees as part of the settlement of 2007 bonus, and a $8.6 million reversal of bonus deferral rights expense for fund bonus deferral rights issued in lieu of bonus deferral rights.

3. SEGMENT INFORMATION

PRIMARY SEGMENT – BUSINESS INFORMATION

The business segments are defined by nature of activities engaged in by Babcock & Brown. These business activities include:

REAL ESTATE

Principal and development investment and investment management activities in the real estate sector worldwide.

INFRASTRUCTURE

Financial advisory, development and principal finance, and funds management activities in the global infrastructure and project finance sector.

CORPORATE AND STRUCTURED FINANCE

Origination, structuring and participation in and management of equity and debt investments.

OPERATING LEASING

Asset acquisition and syndication and ongoing management of portfolios of aircraft, railcars and semi-conductor equipment.

SEGMENT RESTRUCTURE

During the second half of 2007, the company restructured the segment divisions, merging Corporate Finance and Structured Finance due to the complimentary nature of the skill sets within the two divisions and the decline in Babcock & Brown's traditional third party advisory activity in the Structured Finance area. Structured Finance's air and rail lease advisory services, however, were merged with the Operating Leasing division. In addition one transaction was reclassified from the Real Estate to the Infrastructure business.

Both the June 2007 net revenues and segment net assets have been restated throughout to reflect the restructure for comparison purposes.

	Revenue and other income from external parties		Share of net profit/(loss) of equity accounted investments		Total segment revenue and other income	
	Half-year ended June 2008 $'000	Half-year ended June 2007 $'000	Half-year ended June 2008 $'000	Half-year ended June 2007 $'000	Half-year ended June 2008 $'000	Half-year ended June 2007 $'000
Real estate	245,284	306,475	(98,217)	51,682	147,067	358,157
Infrastructure	1,339,754	488,103	(44,091)	43,035	1,295,663	531,138
Operating leasing	230,776	269,389	2,793	5,545	233,569	274,934
Corporate and Structured Finance	(1,909)	73,224	(25,961)	22,431	(27,870)	95,655
Total segment revenue and other income	**1,813,905**	**1,137,191**	**(165,476)**	**122,693**	**1,648,429**	**1,259,884**
Unallocated revenue	122,798	76,434	1,422	285	124,220	76,719
Total consolidated revenue and other income	**1,936,703**	**1,213,625**	**(164,054)**	**122,978**	**1,772,649**	**1,336,603**

3. SEGMENT INFORMATION (CONTINUED)

	Segment Results	
	Half-year ended 30 June 2008 $'000	Half-year ended 30 June 2007 $'000
Real estate	(113,244)	141,628
Infrastructure	411,445	102,662
Operating leasing	73,680	80,798
Corporate and structured finance	(137,718)	(9,787)
Total segment results	**234,163**	**315,301**
Net interest expense	(22,468)	1,577
Net unallocated revenue and expense	(613)	961
Consolidated entity profit before income tax expense	**211,082**	**317,839**
Income tax expense	(50,070)	(63,753)
Consolidated entity profit after income tax expense	**161,012**	**254,086**
Minority interest	(10,092)	(54,493)
Net profit	**150,920**	**199,593**

	Assets Jun 2008 $'000	Liabilities Jun 2008 $'000	Net Assets Jun 2008 $'000	Net Assets Dec 2007 $'000
Real estate	4,636,783	2,974,495	1,662,288	1,780,037
Infrastructure	4,942,294	2,775,165	2,167,129	2,249,896
Operating leasing	2,149,560	1,678,757	470,803	357,748
Corporate and structured finance	796,542	173,468	623,074	590,171
Segment assets and liabilities	**12,525,179**	**7,601,885**	**4,923,294**	**4,977,852**
Corporate debt	-	3,192,651	(3,192,651)	(2,759,598)
Net cash and cash equivalents[1]	619,646	-	619,646	363,482
Working capital (excluding cash)[2]	316,665	267,376	49,289	(130,230)
Deferred tax assets	570,300	-	570,300	462,731
Deferred tax liabilities	-	469,165	(469,165)	(481,059)
Property and equipment	90,512	-	90,512	65,337
Other	57,627	16,419	41,208	15,089
Total net assets per balance sheet	**14,179,929**	**11,547,496**	**2,632,433**	**2,513,604**

Significant profits included within Total Segment Results
A significant component of the infrastructure segment result of $411 million relates to profits realised on the sale of assets and companies associated with large scale projects that were either under development by Babcock & Brown or acquired for resale. These projects include the sale of the Transbay Electricity Cable project in the US, the Royal Childrens Hospital project in Melbourne, the sell down of NPGL project in US, the sale of a 30% interest in a large project in Italy and the Diabolo Public Private Partnership ("PPP") project in Belgium. Due to the competitive nature of this information, details of the profit by project has not been given as the Directors believe disclosure would be prejudicial to the interest of Babcock & Brown.

1. For 30 June 2008, $589 million of restricted cash (31 December 2007: $2,187 million) was allocated to the Segment Net Assets.
2. Excludes investments and assets held for trading included in Segment Net Assets.

4. INCOME TAX

	Half-year ended 30 June 2008 $'000	Half-year ended 30 June 2007 $'000
(A) INCOME TAX EXPENSE		
Current income tax expense	145,243	77,075
Over provision in prior year	(10,211)	(1,747)
Deferred income tax benefit	(84,962)	(11,575)
Income tax expense	**50,070**	**63,753**
Deferred income tax benefit included in income tax expense comprises:		
Increase in deferred tax assets	(74,710)	(110,183)
(Decrease)/increase in deferred tax liabilities	(10,252)	98,608
	(84,962)	**(11,575)**
(B) NUMERICAL RECONCILIATION OF INCOME TAX EXPENSE TO PRIMA FACIE TAX PAYABLE		
The prima facie tax on profit differs from the income tax provided in the financial statements as follows:		
Prima facie tax on profit from ordinary activities at 30%, being the Australian tax rate	63,325	95,352
Tax effect of amounts which are not deductible/(assessable) in calculating taxable income:		
Equity accounted losses/(profits)	33,223	(9,669)
Tax exempt income	-	(6,024)
Non-deductible (income)/expenses	(234)	1,717
Over provision in prior year	(10,211)	(1,747)
Difference in overseas tax rates	(29,594)	(10,434)
Current period tax losses not recognised	11,753	5,826
Adjustments to tax cost base related to tax consolidations regime	(19,433)	-
Tax losses not previously recognised	61	(4,470)
Other items	1,180	(6,798)
Income tax expense	**50,070**	**63,753**
(C) TAX LOSSES		
Gross unused tax losses for which no deferred tax asset has been recognised by jurisdiction:		
UK	1,994	18,152
Switzerland	37,749	24,514
Germany	28,435	10,685
Netherlands	-	2,040
Luxembourg	34,283	-
Malta	11,406	-
Czech Republic	6,284	3,130
Other	14,687	-
	134,838	**58,521**

The deferred tax asset in respect of tax losses will only be obtained if:

- Future assessable income is derived of a nature and amount sufficient to enable the benefit to be realised;
- The conditions for deductibility imposed by tax legislation are complied with; and
- No changes in tax legislation adversely affect the consolidated entity in realising the benefit.

5. EARNINGS PER SHARE

	Half-year ended 30 June 2008 $'000	Half-year ended 30 June 2007 $'000
Earnings per share:		
The following reflects the income and share data used in the calculations of basic and diluted earnings per share:		
Net profit	161,012	254,086
Net loss attributable to minority interest (including BBIPL)	(10,092)	(54,493)
Earnings used in calculating basic earnings per share	**150,920**	**199,593**
Interest on BBSNs (net of tax)	19,587	-
Earnings used in calculating diluted earnings per share	**170,507**	**199,593**

	Number of shares and options	
	Half-year ended 30 June 2008 $'000	Half-year ended 30 June 2007 $'000
Weighted average number of shares issued	310,175,482	279,269,848
Less shares held by consolidated employee share trusts	(27,756,753)	(17,792,124)
Weighted average number of ordinary shares used in calculating basic earnings per share	**282,418,729**	**261,477,724**
Effect of dilutive securities	112,127,855	34,238,511
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	**394,546,584**	**295,716,235**

1. Babcock & Brown Subordinated Notes ("BBSN") was not included in the calculation of diluted earnings per share in 2007 as they were not dilutive in the half-year ended 30 June 2007.

6. DIVIDENDS PAID AND PROPOSED

	Half-year ended 30 June 2008 $'000	Half-year ended 30 June 2007 $'000
(A) DIVIDENDS PAID DURING THE HALF-YEAR		
Dividends on ordinary shares:		
Final partially franked dividend for financial year 31 December 2007: 33.0 cents (year ended 31 December 2006: 21.0 cents partially franked)	96,995	56,420

The unfranked portion of the dividend is payable out of conduit foreign income.

(B) DIVIDENDS PROPOSED

The Directors do not propose to pay an interim dividend.

7. NOTES RECEIVABLE

	30 June 2008 $'000	31 December 2007 $'000	30 June 2007 $'000
Interest bearing notes:			
Third party	487,705	705,462	566,737
Provision	(13,978)	(32,395)	(16,184)
Loans receivable from employees	5,096	4,879	4,664
Related party receivables	1,032,227	351,921	339,866
Non-interest bearing notes:			
Third party	7,048	14,358	3,658
Related party receivables	51,211	49,223	47,957
Total notes receivable	**1,569,309**	**1,093,448**	**946,698**

8. INVESTMENTS IN FINANCIAL ASSETS

	30 June 2008 $'000	31 December 2007 $'000	30 June 2007 $'000
Held for trading financial assets	53,049	119,269	211,310
Available for sale financial assets - listed	60,601	132,801	328,758
Available for sale financial assets - unlisted	49,794	23,655	55,667
Financial assets due under service concession arrangements	142,116	77,591	-
Held to maturity financial assets	-	98,706	-
Total investments in financial assets	**305,560**	**452,022**	**595,735**

Analysis of investments in equity instruments that do not have a quoted market price and are measured at cost:

Equity Instrument	30 June 2008 $'000	31 December 2007 $'000	30 June 2007 $'000
Sentient Global Resources	13,383	13,060	12,599
Babcock & Brown Global Partners	-	-	28,876
Other	36,411	10,595	14,192
Total	**49,794**	**23,655**	**55,667**

9. ASSETS UNDER DEVELOPMENT

	30 June 2008 $'000	31 December 2007 $'000	30 June 2007 $'000
Power plant projects	-	16,092	97,444
Wind farm projects	748,533	655,392	518,284
Real estate projects	295,828	485,335	295,035
Aircraft refurbishment	-	17,124	19,533
Hydro electric generation development assets	-	-	124,136
Solar projects	79,534	19,536	-
Renewables including fuel, biomass/wave	17,177	337,419	188,567
Electricity transmission	-	130,364	29,738
Public private partnerships	24,533	-	54,084
Other	15,139	2,167	23,964
Total assets under development	**1,180,744**	**1,663,429**	**1,350,785**

10. INVESTMENTS IN ASSOCIATES

Name	Carrying value		Country of incorporation	Principal activity	Ownership interest by consolidated entity	
	June 2008 $'000	December 2007 $'000			June 2008 %	December 2007 %
REAL ESTATE						
AUSTRALIAN REAL ESTATE						
Babcock & Brown Apartment Investment Group	33,887	23,088	Australia	(i)	50.0	50.0
Babcock & Brown Residential Land Partners	12,494	13,923	Australia	(i)	12.3	10.2
BGA Real Estate Finance Trust	11,916	10,810	Australia	(i)	50.0	50.0
BRIC Holdings Pty Ltd	3,380	3,426	Australia	(i)	50.0	50.0
Digital Harbour Holdings Pty Ltd	2,997	3,133	Australia	(i)	25.0	25.0
Ecopoint Management Pty Ltd[5]	-	1,340	Australia	(i)	-	50.0
Lonsdale Unit Trust	1,039	961	Australia	(i)	20.0	20.0
Mango Boulevard Unit Trust[5]	-	(3,907)	Australia	(i)	-	50.0
Ramsay Bourne Holdings Pty Ltd	-	-	Australia	(i)	33.0	33.0
Turnstone Nominees Pty Ltd	3,487	3,108	Australia	(i)	33.3	33.3
Watpac Capital Pty Ltd[5]	-	1	Australia	(i)	-	50.0
US REAL ESTATE						
B&B Greenfield Holdings LP	170	197	US	(iv)	0.1	0.1
Eagle III Syndicate LLC	-	-	US	(iv)	0.4	0.4
EUROPEAN REAL ESTATE						
Auctor Vermietung GmbH[2]	164	167	Germany	(ii)	52.0	52.0
B&B Broni Srl	-	13	Italy	(ii)	50.0	50.0
B&B Retail Portfolio 1 Sarl	22,804	22,190	Germany	(ii)	30.0	30.0
Babcock & Brown Development Fund	1,047	483	Italy	(ii)	33.0	33.0
Babcock & Brown Montipo Srl	1,136	6,161	Italy	(ii)	50.0	50.0
Barg Holding GmbH	5,176	5,533	Germany	(ii)	50.0	50.0
Bleckholmen A.B.	18,721	3,979	Sweden	(ii)	50.0	50.0
Broadstone Limited[6]	(57)	(63)	UK	(ii)	50.0	50.0
Eaglet III Ltd	47	325	UK	(ii)	50.0	50.0
El Pueblo de Monte Mayor SL	893	912	Spain	(ii)	50.0	50.0
Odense Havneudvikling A/S[6]	(246)	(364)	Denmark	(ii)	33.0	33.0
Odense Havneudvikling II[6]	(118)	-	Denmark	(ii)	33.0	-
Saxon Land BV	1,282	3,482	Netherlands	(ii)	32.5	32.5
UAB Resco Partners	753	-	Lithuania	(ii)	25.0	25.0
ASIAN REAL ESTATE						
B&B Japan Property Trust	25,320	26,903	Australia	(iii)	4.1	4.0
Tamaya TK	-	-	Japan	(iii)	6.0	6.0
Thakral Corporation Limited	16,275	-	Singapore	(iii)	8.9	-
OPERATING LEASING						
Babcock & Brown Air Limited	94,419	105,260	Bermuda	(xiii)	14.2	13.2
Babcock & Brown Rail North America LLC[6]	-	(1,080)	US	(xii)	12.6	12.2
BBRX Two Holdings LLC	1,811	2,481	US	(xii)	22.4	22.4
CBRail Sarl[6]	(2,684)	(230)	Luxembourg	(xii)	50.0	50.0

10. INVESTMENTS IN ASSOCIATES (CONTINUED)

Name	Carrying value		Country of incorporation	Principal activity	Ownership interest by consolidated entity	
	June 2008 $'000	December 2007 $'000			June 2008 %	December 2007 %
CBRail Ltd	5,393	4,265	UK	(xii)	50.0	50.0
Double Black Diamond Partners LLC	1,904	3,028	US	(xiii)	26.0	26.0
Jet-i Holdings LLC	-	850	Cayman Is.	(xiii)	25.9	25.9
Minority Interest Trust	7,635	7,191	Australia	(xii)	7.3	7.3
Pace Cargo Enterprises II LLC	-	-	US	(xiii)	50.0	50.0
Pace Cargo Enterprises III LLC	-	-	US	(xiii)	50.0	50.0
ZS-SNA Leasing Pty Ltd	6,295	4,889	South Africa	(xiii)	50.0	50.0
ZS-SNB Leasing Pty Ltd	6,319	4,905	South Africa	(xiii)	50.0	50.0
STRUCTURED FINANCE						
APVC Finance Pty Ltd	10,051	9,454	Australia	(vi)	45.0	45.0
Babcock & Brown Global Investments Limited (formally Babcock & Brown Structured Finance Fund Limited)	30,580	24,350	Bermuda	(vi)	14.6	11.0
BCH Investments Company LLC	-	-	US	(x)	15.5	50.0
CDO Equity Fund	-	-	Australia	(vi)	15.5	15.5
ITS Music Publishing BV	205	209	Netherlands	(viii)	25.0	25.0
Lease Receivables I, LLC	-	-	US	(x)	1.0	1.0
Life Receivables Euro, LLC	-	-	US	(vii)	50.0	50.0
Life Receivables Euro II LLC	-	-	US	(vii)	50.0	50.0
Life Receivables Holdings LLC	-	-	US	(vii)	50.0	50.0
Nibbiano Pty Ltd	-	-	Australia	(vi)	33.0	33.0
INFRASTRUCTURE						
AUSTRALIAN AND ASIAN INFRASTRUCTURE						
Babcock & Brown Asia Infrastructure Fund	60,076	65,654	Australia	(v)	50.0	50.0
Babcock & Brown Wind Partners	61,542	73,928	Australia	(v)	11.1	11.4
Babcock & Brown Environmental Investments Ltd [3]	-	21,380	Australia	(v)	-	30.4
Babcock & Brown European Port Investments Pty Ltd[6]	(884)	(722)	Australia	(v)	20.0	20.0
Babcock & Brown Infrastructure Group	223,578	242,809	Australia	(v)	7.7	8.0
Babcock & Brown Power Limited	130,602	172,625	Australia	(v)	9.9	9.4
China Worldhealth[6]	-	(569)	China	(v)	25.0	25.0
Coogee Resources Limited	138,984	221,297	Australia	(v)	9.0	7.4
International Infrastructure Fund	-	-	Australia	(v)	50.0	50.0
Jackgreen Ltd	7,734	7,824	Australia	(v)	20.8	20.8
NEP New Zealand Pty Ltd[6]	(250)	(200)	New Zealand	(v)	33.0	33.0
Renewed Metal Technology	12,000	-	Australia	(v)	29.0	100
Rocky Point Power Project Pty Ltd [2]	4,939	5,562	Australia	(v)	51.0	51.0
Sydney Gas Limited	6,856	6,967	Australia	(v)	6.6	7.5
Western Australia Biomass Pty Ltd	-	-	Australia	(iv)	40.0	40.0

10. INVESTMENTS IN ASSOCIATES (CONTINUED)

Name	Carrying value		Country of incorporation	Principal activity	Ownership interest by consolidated entity	
	June 2008 $'000	December 2007 $'000			June 2008 %	December 2007 %
EUROPEAN INFRASTRUCTURE AND PROJECT FINANCE						
B&B Apollo Sarl[5]	-	19,873	Luxembourg	(v)	-	10.0
B&B European Infrastructure Fund[6]	(12,738)	3,544	UK	(v)	2.8	2.8
B&B Turkish Airports LLC	14,424	21,887	US	(v)	19.9	19.9
Babcock & Brown PFI Partners LP	857	1,021	US	(v)	33.0	33.0
Babcock & Brown Public Partnerships Ltd	60,391	57,083	UK	(v)	8.3	8.3
Babcock & Brown Riva Holdings Sarl[4]	-	198,766	Luxembourg	(v)	50.0	50.0
BBG LIFT Accommodation Services Ltd	-	-	UK	(v)	49.8	49.8
BBI Port Acquisitions Luxembourg Sarl	-	-	Luxembourg	(v)	20.0	20.0
BHH LIFT Accommodation Services Ltd	-	-	UK	(v)	49.8	49.8
BVT Techn.Anl.Blockheizkrw.KG	4	-	Germany	(v)	34.7	-
Catalyst Brescia Srl[5]	-	1,327	Italy	(v)	-	24.0
Daneco Windpower Spa	5,441	5,362	Italy	(v)	49.0	49.0
Earthlease Limited	-	-	UK	(v)	50.0	50.0
Energietechn.Anl.Verw. GmbH	44	-	Germany	(v)	49.0	-
Finven Srl	4,181	20,121	Italy	(v)	50.0	50.0
Frentum St'Elena Srl	328	-	Italy	(v)	50.0	-
Heizkraftewerke Pool GmbH	14	-	Germany	(v)	33.3	-
HGKW Cottbus GmbH	14	-	Germany	(v)	33.3	-
Infinivent S.A[4]	-	21,154	France	(v)	50.0	50.0
Infracare Midlands Ltd[5]	-	-	UK	(v)	-	47.7
Infracare South West[5]	-	-	UK	(v)	-	45.9
Minerva Eolica Srl	2	2	Italy	(v)	50.0	50.0
Northern Diabolo Holdings Sarl	8,309	-	Luxembourg	(v)	10.0	-
Parchi Eolici Ulassai Srl[5]	-	8,831	Italy	(v)	-	30.0
Ribeira da Teja – Producto De Energia Electrica, Lda	-	1,432	Portugal	(v)	44.0	44.0
SES Srl	2	2	Italy	(v)	50.0	50.0
Wolverhampton City and Walsall LIFT Accommodation Services Ltd	-	-	UK	(v)	49.8	49.8
US INFRASTRUCTURE AND PROJECT FINANCE						
Aragonne Wind LLC	6,789	7,691	US	(v)	5.0	5.0
B&B Parking Management Fund 1, LP	4,688	4,595	US	(v)	27.0	27.0
B&B PMF Advisor LLC	34	38	US	(v)	13.6	13.6
Babcock & Brown Caprock LLC[1]	3,223	3,752	US	(v)	20.0	20.0
Babcock & Brown Infrastructure Fund North America LP	22,013	2	US	(v)	5.0	5.0
Cholla Wind Energy LLC	283	305	US	(v)	50.0	50.0
Ecogen Wind Holdings LLC	2,594	2,434	US	(v)	2.0	2.0
Ecogen Wind LLC	4,165	4,081	US	(v)	49.0	49.0
Rock Run Wind Park LLC	2,430	2,145	US	(v)	50.0	50.0
Spring Valley Wind Energy LLC[2]	1,219	1,047	US	(v)	75.0	75.0
Sweetwater Development LLC	7	-	US	(v)	50.0	50.0
Sweetwater Wind 6 LLC[2]	-	-	US	(v)	55.0	55.0
Sweetwater Wind Power LLC	3	-	US	(v)	50.0	50.0
Vents Du Kempts Inc	1,187	1,023	Canada	(v)	33.0	33.0

10. INVESTMENTS IN ASSOCIATES (CONTINUED)

Name	Carrying value June 2008 $'000	Carrying value December 2007 $'000	Country of incorporation	Principal activity	Ownership interest by consolidated entity June 2008 %	Ownership interest by consolidated entity December 2007 %
CORPORATE FINANCE						
185 West St Mount Isa Unit Pty Ltd	10	10	Australia	(x)	50.0	50.0
2 McIlwraith St Cloncurry Pty Ltd	20	20	Australia	(x)	50.0	50.0
B&B Communities Group	56,314	69,967	Australia	(xi)	10.1	10.1
AIT Investment Trust[3]	-	1,079	Australia	(vi)	-	49.4
AIT Management Pty Ltd	-	-	Australia	(x)	49.4	49.4
AssetInsure Holdings Pty Ltd[2]	20,747	21,785	Australia	(viii)	16.7	16.7
Babcock & Brown Spinco LLC	56,128	74,690	US	(vi)	47.2	47.2
Babcock & Brown Capital Limited	70,652	66,550	Australia	(x)	8.6	7.2
Babcock & Brown Direct Investment Fund	10,784	16,220	Australia	(x)	14.9	14.9
Babcock & Brown DIF III-Global Co-investment Fund	10,385	-	US	(x)	12.0	-
Babcock & Brown Global Partners	44,864	42,570	UK	(x)	11.1	11.1
Brightmoor Pty Ltd	699	793	Australia	(x)	24.0	24.0
Everest Babcock & Brown Ltd	56,721	116,409	Australia	(x)	28.3	26.3
Everest Babcock & Brown Alternative Investment Trust	103,991	-	Australia	(x)	15.2	-
Ferrier Babcock & Brown Ltd	-	-	Australia	(x)	25.0	25.0
Harrison Street Partners LP	10	11	US	(x)	1.0	1.0
Interrisk Australia Pty Ltd	473	429	Australia	(x)	20.0	20.0
LFH Holdings Pty Ltd	2,364	5,531	Australia	(x)	43.0	43.0
Margrethe International No 1 Pty Ltd	39,500	-	Australia	(vi)	11.5	-
Mitchell's Holdings (Asia) Pte Ltd	1,622	1,590	Singapore	(x)	36.3	36.3
Momentum Fund Management Pty Ltd	377	377	Australia	(x)	25.0	25.0
Momentum Ventures Pty Ltd atf Momentum Ventures Unit Trust	3,675	3,631	Australia	(viii)	10.0	10.0
World of Learning Pty Ltd[6]	(458)	(117)	Australia	(viii)	37.5	37.5
Total investments in associates	**1,578,458**	**1,917,295**				

Principal Activity

(i)	Australian real estate	(viii)	Miscellaneous service business
(ii)	European real estate	(ix)	Natural resources
(iii)	Asian real estate	(x)	Investment management
(iv)	US real estate	(xi)	Retirement village development company
(v)	Infrastructure assets	(xii)	Rail operating leasing
(vi)	Special purpose financing entity	(xiii)	Aircraft operating leasing
(vii)	Purchaser of life insurance policies or investor in insurance companies		

1 Babcock & Brown control 36.0% of the voting power of the company
2 Babcock & Brown control 50.0% of the voting power in the company
3 Babcock & Brown control 100% of the voting power company at 30 June 2008
4 Investments classified as non-current assets held for sale at 30 June 2008
5 Investment sold
6 Investments in associates with a carrying value below zero continue to recognise equity accounted losses to the extent of other interests, such as notes receivable

CONTRIBUTION BY ASSOCIATES TO NET PROFIT

The material individual results of associates that contributed to the $164 million share of net losses of associates and joint ventures within net profit were the profits and losses of Babcock & Brown Infrastructure, Babcock & Brown Wind Partners, Babcock & Brown Power Limited, Everest Babcock & Brown Alternative Investment Trust and Coogee Resources Ltd.

11. INVESTMENTS IN JOINT VENTURES

(A) JOINT VENTURE ENTITIES

Name	Carrying value June 2008 $'000	Carrying value December 2007 $'000	Country of incorporation	Ownership interest by consolidated entity June 2008 %	Ownership interest by consolidated entity December 2007 %
AUSTRALIAN REAL ESTATE					
Angourie Rainforest Living Pty Ltd[1]	7,772	7,795	Australia	60.0	60.0
Bellagio Homebush Bay Trust	1,496	3,171	Australia	50.0	50.0
Carmona Drive Investment Consortium[2]	479	479	Australia	54.6	54.6
Chiswick JV	5,315	5,130	Australia	50.0	50.0
Citta Property Group Pty Ltd[4]	(2,674)	(1,723)	Australia	40.0	40.0
Coburg (Victoria) Pty Ltd	6,765	7,024	Australia	40.0	40.0
CTI Residential Pty Ltd	-	-	Australia	50.0	50.0
Diamond Beach Investment Consortium[2]	2,701	2,619	Australia	60.3	60.3
Dongara Development JV[4]	(539)	31	Australia	50.0	50.0
Gateway Victoria (Coomera) Unit Trust	-	2,558	Australia	42.5	42.5
Jan Juc Developments Pty Ltd	3,013	3,013	Australia	50.0	50.0
Laurieton Investment Consortium[2]	1,380	1,380	Australia	56.0	56.0
Little Street Investment Consortium[2]	953	953	Australia	60.3	60.3
Palm Cove Development Nominees Pty Ltd[3]	-	8,135	Australia	-	25.0
Pottsville Residential Developments Pty Ltd	-	48	Australia	50.0	50.0
Seven Mile Beach Joint Venture	2,725	2,121	Australia	50.0	50.0
Seven Mile Beach Unit Trust[4]	(98)	(98)	Australia	50.0	50.0
Site 3 Sydney Olympic Partnership	3,049	3,049	Australia	20.0	20.0
Tank Street Joint Venture[3]	-	3,489	Australia	-	50.0
Torquay Developments Unit Trust[3]	-	-	Australia	-	44.7
Torquay Investment Consortium[3]	-	-	Australia	-	25.0
Yennora Industrial JV	2,196	1,656	Australia	50.0	50.0
EUROPEAN REAL ESTATE					
BGP Investment Sarl	101,784	204,893	Luxembourg	50.0	50.0
IPI Agrupacion Baco S.L. (JV)	1,932	2,427	Spain	50.0	50.0
UBM Hotel Gdansk[4]	794	(142)	Poland	50.0	50.0
US REAL ESTATE					
Babcock & Brown Alliance Investor LLC	-	8,661	US	25.6	25.6
Babcock & Brown Double Creek Member LLC[1]	4,534	-	US	65.0	-
Babcock & Brown GPT Alliance I LLC[4]	(9,300)	(3,110)	US	50.0	50.0
Babcock & Brown GPT Alliance II LLC	6,462	7,223	US	50.0	50.0
Babcock & Brown GPT Holding (No. 1) LLC	16,204	387	US	50.0	50.0
Babcock & Brown GPT REIT, Inc	8,038	7,898	US	50.0	50.0
LVMB/Babcock & Brown Holdings LLC	4,311	9,082	US	33.3	50.0
Sterling/Babcock & Brown LP[1]	10,003	10,968	US	75.0	75.0
Sterling/Babcock & Brown GP LLC[1]	100	110	US	75.0	75.0
WDC/Babcock Fairways LLC[3,4]	-	(768)	US	-	50.0

11. INVESTMENTS IN JOINT VENTURES (CONTINUED)

Name	Carrying value		Country of incorporation	Ownership interest by consolidated entity	
	June 2008 $'000	December 2007 $'000		June 2008 %	December 2007 %
AUSTRALIAN INFRASTRUCTURE AND PROJECT FINANCE					
NPBB Pty Ltd[4]	(150)	(95)	New Zealand	50.0	50.0
Newgen Power Pty Ltd	7,096	7,117	Australia	50.0	50.0
Cooma Windpower Pty Ltd	-	-	Australia	50.0	50.0
Glen Innes Windpower Pty Ltd	-	-	Australia	50.0	50.0
International Infrastructure Management Pty Ltd	513	7,273	Australia	50.0	50.0
Natural Fuels Australia Ltd	-	-	Australia	50.0	-
Western Australia Southern Biomass Pty Ltd	-	-	Australia	50.0	50.0
EUROPEAN INFRASTRUCTURE AND PROJECT FINANCE					
Biomethan Schopstal GmbH	18	-	Germany	40.0	-
CRE Projekt	4,250	-	Italy	49.0	-
Infracare Group Limited	13,994	-	UK	50.0	100.0
Parque Eolico de Jarreta S.L.	1,017	-	Spain	32.2	-
Parque Eolico La Carracha S.L.	1,173	-	Spain	33.1	-
SachsenFonds Wind GmbH	20	-	Germany	49.0	-
SGP GmbH & Co KG	1,382	-	Germany	30.0	-
SGP-Verwaltungsgesellschaft GmbH	12	-	Germany	30.0	-
US INFRASTRUCTURE AND PROJECT FINANCE					
BWP Wind GP Inc	-	-	Canada	50.0	50.0
BWP Wind LP	1	1	Canada	50.0	50.0
STRUCTURED FINANCE					
B Squared Trading Advisors LLC	-	114	US	30.0	30.0
Life Trading Holdco LLC	15,728	17,078	US	50.0	50.0
OPERATING LEASING					
MV Technical Sales LLC	2,538	2,994	US	50.0	50.0
Top Flight Holdings LLC	49,537	54,619	US	50.0	50.0
Total investment in joint ventures	**276,524**	**387,560**			

1 Babcock & Brown control 50% of the voting power of the company
2 Babcock & Brown control 33.3% of the voting power of the company
3 Investment sold
4 Investments in joint ventures with a carrying value below zero continue to recognise equity accounted losses to the extent of other interests, such as notes receivable

	Half-year ended June 2008 $'000	Year ended December 2007 $'000	Half-year ended June 2007 $'000
Contribution by joint venture entities to net profit			
The material individual joint venture entity contributions to net (loss)/profit were:			
NewGen Power Pty Ltd	(504)	7,117	11,049
BGP Investment Sarl	(114,796)	50,841	50,417

11. INVESTMENTS IN JOINT VENTURES (CONTINUED)

(B) INVESTMENTS IN JOINT VENTURE ASSETS

Name	Principal activity	Interest in output June 2008 %	Interest in output December 2007 %
Babcock & Brown Camden Joint Venture	Property developer	50.0	50.0
Coomera Constructions Joint Venture	Property developer	42.5	42.5
Palm Cove Developments	Property developer	25.0	25.0
Schofield Joint Venture	Property developer	50.0	50.0
Tribeca Developments Joint Venture	Property developer	50.0	50.0
Tribeca Finance Joint Venture	Provide financing to property development joint venture	50.0	50.0
Tribeca Joint Venture	Land holder and property developer	50.0	50.0

12. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

As announced to the ASX on 28 February 2008, Babcock & Brown has commenced marketing for sale a number of its European wind assets including its investment in the "Enersis" operating wind portfolio. As at 31 December 2007, the investment in Babcock & Brown Riva Holdings Sarl (referred to as "Enersis") was classified as an investment in associate. The transaction is forecast to be completed during the second half of 2008. These assets, and the liabilities directly associated with these assets, have been classified as 'non-current assets held for sale' and 'liabilities directly associated with non-current assets held for sale' in accordance with AASB 5 "Non-current Assets Held for Sale and Discontinued Operations".

The major classes of assets and liabilities held for sale at 30 June 2008 are:

	30 June 2008 $'000
ASSETS	
Cash and cash equivalents	13,375
Fees receivable	5,489
Other receivables	92,756
Notes receivable	36,176
Power generation assets	162,107
Assets under development	283,382
Investments in associates	230,426
Property and equipment	9,278
Other assets	9,284
Deferred tax assets	16,012
Derivative financial instruments	4,404
Intangible assets and goodwill	24,112
	886,801
LIABILITIES	
Accounts payable and accrued liabilities	27,962
Deferred income	3,326
Interest bearing liabilities	374,454
Deferred tax liabilities	13,359
	419,101

All balances are included within the Infrastructure segment except for cash and cash equivalents, deferred tax assets, deferred tax liabilities, $31 million of the "other receivables", and $3 million of the accounts payable and accrued liabilities that are not allocated to any segment.

13. INTEREST BEARING LIABILITIES

	June 2008 $'000	December 2007 $'000	June 2007 $'000
Corporate facilities:			
BBIPL Corporate Facility	2,386,798	1,918,820	1,828,274
BBSN (ASX Code BNBG)	415,365	414,450	414,242
BBSN2 (NZX Code BNB010)	179,348	199,048	204,211
Senior Bridge Facility	206,438	227,036	-
Total corporate facilities	**3,187,949**	**2,759,354**	**2,446,727**
Transportation equipment:			
Aircraft notes payable - secured against finance leases	108,091	121,942	129,524
Aircraft notes payable - secured against planes	834,685	707,167	889,841
Rail notes payable	367,065	403,555	251,731
Other transportation equipment notes payable	115,543	17,652	-
Total transportation equipment notes payable	**1,425,384**	**1,250,316**	**1,271,096**
Real estate:			
Secured by mortgage over real estate	2,590,505	3,256,792	2,560,028
Secured by notes receivable	96,677	163,872	155,956
Other real estate notes payable	57,131	149,570	-
Total real estate note payable	**2,744,313**	**3,570,234**	**2,715,984**
Infrastructure:			
Secured against infrastructure assets	737,229	1,045,589	1,652,481
Secured by notes receivable	250,000	-	-
Secured by shares in infrastructure companies	399,698	-	-
Finance leases	-	-	450
Secured over infrastructure assets and cash	-	1,439,722	-
Total infrastructure notes payable	**1,386,927**	**2,485,311**	**1,652,931**
Other:			
Secured by marketable securities	283,075	631,078	460,683
Corporate and Structured Finance notes payable	94,941	215,904	38,196
Secured by semi-conductor equipment	79,384	83,879	45,325
Secured by renewable assets including solar	387,212	306,919	176,406
Unsecured loan from associated entity	-	-	200,263
Other	26,285	54,572	18,043
Total other notes payable	**870,897**	**1,292,352**	**938,916**
Total interest bearing liabilities	**9,615,470**	**11,357,567**	**9,025,654**
Current	2,547,319	2,902,014	2,073,494
Non-current	7,068,151	8,455,553	6,952,160
Total interest bearing liabilities	**9,615,470**	**11,357,567**	**9,025,654**

13. INTEREST BEARING LIABILITIES (CONTINUED)

CORPORATE FACILITIES

BBIPL Corporate Facility

Babcock & Brown has a $2.8 billion revolving line of credit of which $2,535 million (31 December 2007: $2,109.8 million) was drawn at 30 June 2008 in cash and letters of credit. Babcock & Brown can draw in several currencies.

As indicated in the ASX announcement of 30 June 2008, Babcock & Brown's banking syndicate agreed that the market capitalisation review clause was to be removed altogether from its corporate facilities. The syndicate also agreed to waive its right to review as a consequence of the review event first triggered on 13 June 2008. The corporate facility is classified as a non-current interest bearing liability at 30 June 2008.

Babcock & Brown Subordinated Notes

Babcock & Brown has issued a number of Subordinated Notes which are listed on either the ASX or NZDX. All the notes are subordinated to the BBIPL Corporate Facility. Further details of these notes are set out in the Babcock & Brown Limited Financial Report for the year ended 31 December 2007.

Senior Bridge Facility

On 15 November 2007, Babcock & Brown entered into a US $200 million facility, which is fully drawn and matures on 29 April 2010.

TRANSPORTATION EQUIPMENT

Babcock & Brown finances aircraft and railcar purchases with short-term and long-term borrowings from various banks. $942.8 million (31 December 2007: $829.1 million) and $367.1 million (31 December 2007: 403.6 million) of notes payable are obligations of special purpose subsidiaries established to own aircraft and railcars, respectively. The lenders have recourse to the assets of the subsidiaries and, in some cases, these notes are guaranteed by Nomura Babcock & Brown, a third party guarantor. In addition BBIPL has provided certain performance undertakings in relation to the borrowers.

REAL ESTATE

Babcock & Brown finances real estate purchases with short, medium and long-term borrowings. The real estate notes payable are secured by various Babcock & Brown real estate properties. The lenders have recourse to the individual real estate assets and entities relating to the specific transaction. BBIPL has also given undertakings to inject equity into the project specific entities in certain circumstances.

INFRASTRUCTURE

Infrastructure notes payable are secured by operational and construction related wind farm, hydro, solar, and public private partnerships projects and assets in US, Europe and Australia. The lenders have recourse to the individual assets and entities relating to the transaction. BBIPL has also given undertakings to inject equity into the project specific entities in certain circumstances and has given performance undertakings in relation to a limited number of project specific entities. In addition, Babcock & Brown has drawn down on facilities totalling $399 million which are secured over shares in various infrastructure entities and has given certain commitments to contribute equity in certain circumstances. The loan secured over notes receivable is non-recourse to Babcock & Brown.

OTHER

Babcock & Brown has loans that are secured by marketable securities. Several of the marketable securities are accounted for using the equity method because of the size of Babcock & Brown's ownership interest.

14. CONTRIBUTED EQUITY

	June 2008 $'000	December 2007 $'000	June 2007 $'000
(A) ISSUED, PAID UP AND AUTHORISED CAPITAL			
Ordinary shares fully paid	1,907,765	1,590,478	1,489,483

(B) MOVEMENTS IN SHARES ON ISSUE

	Date	Number of shares	Consolidated $'000
As at 30 June 2006		**249,199,465**	**695,527**
Exercise of options	12 Sep 2006	70,000	350
Shares issued	22 Sep 2006	18,784,538	375,691
Shares issued in respect of dividend re-investment plan	3 Oct 2006	443,704	8,642
Transfer from share based payment reserve		-	694
Equity raising costs		-	(1,416)
As at 31 December 2006		**268,497,707**	**1,079,488**
Exercise of options	2 March 2007	170,528	853
Shares issued	15 March 2007	15,714,932	396,016
Shares Issued in respect of dividend re-investment plan	11 April 2007	479,666	12,339
Issue of shares to employee trusts	17 May 2007	4,169,139	-
Issue of shares to employee trusts	20 June 2007	590,471	-
Adjustment for tax benefit recognised on initial equity raising costs		-	793
Equity raising costs		-	(6)
As at 30 June 2007		**289,622,443**	**1,489,483**
Shares issued	17 Sep 2007	1,185,100	28,205
Shares issued	19 Sep 2007	470,000	11,195
Shares issued in respect of the dividend re-investment plan	3 Oct 2007	494,897	11,472
Shares issued in respect of underwriting of the dividend re-investment plan	9 Oct 2007	2,152,138	50,457
Adjustment for tax benefit recognised on initial equity raising costs		-	(334)
As at 31 December 2007		**293,924,578**	**1,590,478**
Exercise of options	29 February 2008	176,475	882
Shares issued as result of placement	2 April 2008	16,120,000	220,000
Shares issued in respect of dividend re-investment plan	9 April 2008	1,065,749	14,536
Issue of options	10 April 2008	-	6,500
Shares issued	23 April 2008	9,329,117	119,599
Issue of shares to employee trusts	23 April 2008	8,918,422	-
Shares acquired for awards to employee trusts	24 April 2008	-	(101,555)
Shares issued	15 May 2008	3,765,879	59,426
Equity raising costs		-	(2,101)
As at 30 June 2008		**333,300,220**	**1,907,765**

(C) TERMS AND CONDITIONS OF CONTRIBUTED EQUITY

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company. The ordinary shares have no par value.

(D) SHARES HELD BY THE COMPANY

As at 30 June 2008, 38,221,138 shares on issue in the company are held by the Executive Achievement Share and Incentive Executive Trusts (31 December 2007: 21,466,988 shares) These shares are held for use in employee share based payment arrangements, and are not included within consolidated equity.

15. NOTES TO THE CASH FLOW STATEMENTS

	Half-year ended 30 June 2008 $'000	Half-year ended 30 June 2007 $'000
(A) RECONCILIATION OF THE NET PROFIT AFTER TAX TO THE NET CASH FLOWS FROM OPERATIONS		
Net profit after tax	161,012	254,086
NON-CASH ITEMS		
Depreciation and amortisation expense	51,895	39,574
Amortisation of loan fees	10,287	4,648
Net profit on sale of investment and trading assets	(96,998)	(126,998)
Net profit on sale of subsidiaries and associates	(206,865)	(139,270)
Net profit on sale of financial assets	(24,683)	(16,513)
Net foreign currency gain	(44,097)	(10,034)
Unrealised loss/(gain) on financial assets	17,237	(9,183)
Unrealised loss/(gain) on interest rate swaps	8,941	(30,464)
Unrealised loss/(gain) on investment property	8,485	(62,753)
Share of associates net losses/(profits)	164,054	(122,978)
Amortisation of finance lease income	(4,942)	(5,897)
Provision for impairment	82,402	26,897
Deferred income	3,403	20,935
Share option expenses	55,855	53,413
Non-cash fee income received in exchange for investment in associate	-	(130)
CHANGES IN ASSETS AND LIABILITIES		
Fees from financing transactions	(172,469)	8,847
Other receivables	65,949	(118,104)
Deferred income tax receivable	(102,915)	(30,176)
Accrued interest added to notes receivable	(97,654)	(34,223)
Other assets	(89,665)	(87,057)
Accrued interest added to notes payable	(22,048)	46,791
Accounts payable and accrued liabilities	(196,888)	(20,175)
Current income tax payable	57,788	43,360
Deferred income tax payable	(54,287)	18,601
Other liabilities	190,160	15,031
Net cash flows used in operating activities	**(236,043)**	**(281,772)**
(B) RECONCILIATION OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents balance comprises		
Cash assets	1,195,325	786,368
Cash included within assets held for sale	13,375	-
Short-term trading securities	-	539
Closing cash and cash equivalents[1]	**1,208,700**	**786,907**
(C) FINANCING FACILITIES AVAILABLE		
At reporting date, the following financing facilities had been negotiated and were available:		
Total bank facilities[2]	3,602,245	2,966,503
Bank facilities used at reporting date	(3,335,845)	(2,513,281)
Bank facilities unused at reporting date	**266,400**	**453,222**

1 Included within cash at 30 June 2008 was restricted cash of $589 million (30 June 2007: $395 million), and $13 million cash and cash equivalents classified as held for sale (see Note 12).

2 Financing facilities exclude limited recourse facilities secured against single assets or special purpose subsidiaries.

16. RESERVES AND RETAINED EARNINGS

	Half-year ended 30 June 2008 $'000	Half-year ended 30 June 2007 $'000
Retained earnings	**878,932**	**550,379**
Share based payments reserve	425,283	168,786
Foreign currency translation reserve	(281,029)	(172,754)
Cash flow hedge reserve	(5,054)	62,514
Available for sale financial asset reserve	(10,202)	38,137
Share acquisition reserve	(824,543)	(667,759)
Other reserves of associates	(30,649)	1,135
Total reserves	**(726,194)**	**(569,941)**
MOVEMENTS		
(A) RETAINED EARNINGS		
Balance at beginning of the financial period	818,455	403,658
Net profit attributable to members of Babcock & Brown Ltd	150,920	199,593
Dividends paid	(90,443)	(52,872)
Balance at end of the financial period	**878,932**	**550,379**
(B) SHARE-BASED PAYMENTS RESERVE		
Balance at beginning of the financial period	238,824	113,872
Share options and bonus deferral rights expense[1]	41,724	53,413
Issue of share awards in lieu of cash bonus	144,735	-
Adjustment for tax and accounting value differences	-	1,501
Balance at the end of the financial period	**425,283**	**168,786**
(C) FOREIGN CURRENCY TRANSLATION RESERVE		
Balance at beginning of the financial period	(133,366)	(26,236)
Loss on translation of overseas controlled entities	(147,663)	(146,518)
Balance at the end of the financial period	**(281,029)**	**(172,754)**
(D) CASH FLOW HEDGE RESERVE		
Balance at beginning of financial period	5,579	16,099
Net (loss)/gain on cashflow hedges, net of tax	(22,410)	47,555
Transfer to net profit	11,777	(1,140)
Balance at end of the financial period	**(5,054)**	**62,514**
(E) AVAILABLE FOR SALE FINANCIAL ASSETS RESERVE		
Balance at beginning of the financial period	3,994	14,128
Transfer to net profit	(4,218)	2,672
Unrealised (loss)/gain net of tax	(9,978)	21,337
Balance at end of the financial period	**(10,202)**	**38,137**
(F) SHARE ACQUISITION RESERVE[2]		
Balance at beginning of the financial period	(704,037)	(327,695)
Premium paid for acquisition of BBIPL shares	(120,506)	(340,064)
Balance at the end of the financial period	**(824,543)**	**(667,759)**
(G) OTHER RESERVES OF ASSOCIATES		
Balance at beginning of the financial period	2,577	(5,670)
Unrealised (loss)/gain net of tax	(33,226)	6,805
Balance at the end of the financial period	**(30,649)**	**1,135**

1 Includes $8.6 million reversal of bonus deferral rights expense relating to Fund Bonus Deferral Rights that were issued in lieu of Bonus Deferral Rights as part of the settlement of the 2007 bonus. As a cash settled share based payment transaction, the fund bonus deferral rights expense is not included within the share based payments reserve.

2 As the initial consolidation of BBL and BBIPL was affected by the reverse acquisition of Babcock & Brown Holdings Inc (BBH) no goodwill was recognised in relation to this acquisition. The acquisition of the BBIPL minority interest is not a business combination under Accounting Standard AASB 3 Business Combinations. Accordingly, the premium paid for purchases from Class B minority shareholders are recognised directly in equity.

17. COMMITMENTS

	June 2008 $'000	December 2007 $'000
CAPITAL EXPENDITURE COMMITMENTS		
Estimated capital expenditure contracted for at reporting date, but not provided for, payable		
Not later than one year	2,848,864	2,013,336
Later than one year and not later than five years	3,382,666	3,505,617
Later than five years	190,768	477,429
Aggregate capital expenditure commitments at reporting date	**6,422,298**	**5,996,382**
Material classes of capital commitments at balance date include:		
Acquisition of aircraft:		
- Less than one year	351,430	529,794
- One to five years	1,763,941	1,929,765
- Greater than five years	190,768	363,861
Acquisition of real estate held for sale:		
- Less than one year	104,170	39,628
- One to five years	-	4,128
Acquisitions of wind turbines:		
- Less than one year	1,647,876	776,081
- One to five years	1,448,193	585,422
Construction of Public Private Partnerships (PPP) assets:		
- Less than one year	101,544	235,583
- One to five years	77,804	986,301
- Greater than five years	-	113,568

18. CONTINGENT ASSETS AND LIABILITIES

FEE INCOME

Babcock & Brown has completed financing transactions that may result in future fee or income payments to Babcock & Brown in addition to those received at the financing closing. Because the future payments are contingent with a risk that no additional payments will be received by Babcock & Brown, such payments are not recorded in Babcock & Brown's financial statements until they are received.

CLAIMS

Because of the nature of its business activities, Babcock & Brown is from time to time subjected to legal actions, contractual disputes, employment claims, and assessments of tax deficiencies. The contingencies typically arise in the normal course of Babcock & Brown's business and as a result of regular, periodic reviews by taxing authorities. In the opinion of management, after consultation with legal counsel, the ultimate resolution of these matters is either not practicable to determine and/or is not expected to have a material adverse effect on the consolidated financial statements.

INDEMNITIES

In certain transactions in which Babcock & Brown acted as a sponsor or principal, Babcock & Brown has agreed to indemnify other parties to the transactions should certain events occur, based on representations and covenants made by Babcock & Brown. Management believes that the probability of Babcock & Brown incurring a material loss as a result of the indemnifications is remote and that any potential liability is not material.

GUARANTEES

Babcock & Brown and its related parties have entered into a number of performance and financial guarantees in relation to transactions that they are undertaking. Babcock & Brown and its related parties have obligations to pay amounts or otherwise fulfil obligations to unrelated third parties under these guarantees should conditions not be met or specified events occur.

The total amount guaranteed by Babcock & Brown and its related parties under the financial guarantees is $161.1 million (31 December 2007: $28.4 million). Of this amount, $3.3 million (31 December 2007: $nil) could be recovered from other transaction parties. As at the date of this report, no matter or circumstance has come to the attention of Directors which would indicate that the financial guarantee obligations of Babcock & Brown or its related parties will be called upon.

18. CONTINGENT ASSETS AND LIABILITIES (CONTINUED)

LETTERS OF CREDIT

As at 30 June 2008 Babcock & Brown had provided letters of credit totalling $287.0 million (31 December 2007: $349.2 million). No amounts had been drawn against these letters of credit.

BANK GUARANTEES

At 30 June 2008 Babcock & Brown had bank guarantees outstanding to third parties totalling $23.7 million (31 December 2007 $15.1 million). These guarantees are supported by cash on deposit with banks.

SHARE OF ASSOCIATES' AND JOINT VENTURES' CONTINGENT ASSETS AND LIABILITIES

A number of Babcock & Brown's associates and joint ventures have issued financial and performance guarantees. They are also occasionally subjected to legal actions, contractual disputes, employment claims, and assessments of tax deficiencies. The contingencies typically arise in the normal course of the associates' and joint ventures' businesses.

In the opinion of management, after consultation with legal counsel, the ultimate resolution of these matters will not have a material adverse effect on the consolidated financial statements of Babcock & Brown.

19. BUSINESS COMBINATIONS

(A) SUMMARY OF ACQUISITIONS

Aggregate details of the fair value of the assets and liabilities and goodwill acquired by business combinations in the half-year ended 30 June 2008 are set out below:

	Total $'000
Purchase consideration (refer to (B) below):	
- Cash paid	146,140
- Deferred consideration	3,481
- Direct costs relating to the acquisition	3,833
Cost of business combinations	**153,454**
Fair value of net identifiable assets acquired (refer to (C) below)	113,163
Goodwill[1]	**40,291**

1 Goodwill relates to the synergies existing within the acquired businesses and synergies expected to be achieved as a result of combining with the rest of the Group.

(B) PURCHASE CONSIDERATION OF ACQUISITIONS

	Total $'000
Outflow of cash to acquire subsidiary, net of cash acquired:	
Cash consideration	146,140
Less: Cash balances acquired	(6,898)
Plus: Direct costs relating to acquisition	3,833
Outflow of cash	**143,075**

19. BUSINESS COMBINATIONS (CONTINUED)

(C) NET IDENTIFIABLE ASSETS ACQUIRED

	Total	
	Acquiree's carrying amount $'000	Fair Value $'000
Cash	6,898	6,898
Other receivables	15,504	10,343
Notes receivable	11,409	7,031
Investments in financial assets	377,497	377,307
Investment properties	1,029	5,787
Biofuel assets	94,497	106,566
Property and equipment	9,794	25,391
Transportation equipment	36,708	139,960
Assets under development	277	5,099
Deferred tax assets	7,334	13,820
Intangible assets	15,833	-
Other assets	28,884	30,431
Accounts payable and accrued liabilities	(45,138)	(43,382)
Interest bearing liabilities	(525,172)	(524,917)
Other liabilities	(4,073)	(2,609)
Deferred tax liabilities	(2,000)	(44,562)
Net assets	**29,281**	**113,163**
Minority interests	-	-
Net identifiable assets acquired	**29,281**	**113,163**

(D) ACQUISITION DETAILS

Entity Name[1]	Business activity	Acquisition date	Percentage acquired %	Net Profit/ (Loss) Since Acquisition $'000[2]
CMC Industries Inc	Rail	10 January 2008	100	-
CMC Railroad Inc	Rail	10 January 2008	100	-
Crown Self Storage	Property	17 March 2008	100	-
Apulia Suiluppo Fotovoltaico Srl	Photovoltaic projects	19 March 2008	100	-
Babcock & Brown Environmental Investments Limited	Ethanol	30 April 2008	100	-
BEI US, Inc	Ethanol	30 April 2008	100	-
Butler Ridge LLC	Wind Development	30 April 2008	100	-
Southern Oil Limited	Ethanol	30 April 2008	100	-
Monroe Wind LLC	Wind Development	9 May 2008	100	-
Tricom Holdings Limited	Investment & Trading House	27 June 2008	100	-

1 The accounting for acquisitions is provisional due to conversion of local financial statements into AIFRS and finalisation of purchase price allocations.

2 Due to many of these entities not preparing financial statements in accordance with AIFRS, it is not possible to accurately calculate the revenue and net profit that would be attributable to these acquisitions for the 6 months ended 30 June 2008.

(E) MATERIAL ACQUISITIONS SUBSEQUENT TO BALANCE DATE

There have been no acquisitions subsequent to balance date which have a material impact to the balance sheet of the Group.

20. SIGNIFICANT SUBSIDIARIES DECONSOLIDATED DURING THE PERIOD

The following significant subsidiaries were deconsolidated during the half-year ended 30 June 2008:

Name of Subsidiary	Date of Deconsolidation
Babcock & Brown Development Investments Limited	31 January 2008
Babcock & Brown Residential Property 15 Sarl and Co KG	31 January 2008
Babcock & Brown Retail Property 24 Sarl and Co KG	31 January 2008
EOF Munenchen GmbH & Co Wohnanlage Zweite KG	29 February 2008
Northern Diabolo Holdings Sarl	23 April 2008
Babcock & Brown Vivilmare Srl	7 May 2008
Babcock & Brown Towrail BV	7 May 2008
Infracare Group Limited	11 June 2008
CHP Holding Unit Trust	25 June 2008
Shere Group Limited	27 June 2008
Trans Bay Funding LLC	27 June 2008
Tricom Holdings Limited	29 June 2008

The results of the subsidiaries above did not have a material impact to the results of the Group in either the current or prior period.

Details of aggregate assets and liabilities for entities deconsolidated or disposed of in the current half-year were:

	Deconsolidated carrying amount $'000
Cash[1]	1,366,051
Other receivables	6,196
Investments in financial assets	373,807
Assets under development	283,768
Real estate assets held for sale	215,668
Property and equipment	20,071
Investment in associates and joint venture entities	103,272
Deferred tax assets	9,166
Goodwill	17,464
Other assets	56,559
Accounts payable and accrued liabilities	(99,332)
Interest bearing liabilities[1]	(2,205,014)
Other liabilities	(26,489)
Deferred tax liabilities	(2,168)
Minority interests	12,293
Total carrying value of assets and liabilities disposed of or deconsolidated	**131,312**
Cash received	363,698
Investment retained	67,057
Cash received net of cash disposed	**(1,002,353)**

1 Included in these balances were balances of $1,354 million of cash and $1,387 million of interest bearing liabilities associated with CHP Holding Unit Trust (Royal Childrens' Hospital Melbourne)

21. EVENTS OCCURRING AFTER REPORTING DATE

BOARD AND MANAGEMENT CHANGES

On the date of this report, Babcock & Brown announced a number of significant changes to the Babcock & Brown Board. Following those changes the Board consists of Elizabeth Nosworthy (Independent Chairman), Ian Martin, Michael Larkin (Managing Director and CEO), Joe L. Roby, Dieter Rampl, Jim Babcock and Phil Green. Patrick Handley has agreed to join the Board and will serve as Chairman of the Audit and Risk Management Committee.

LISTED SECURITIES ACCOUNTED FOR AS ASSOCIATES

Babcock & Brown accounts for its investments in associates and joint venture entities ("equity accounted investments") (including listed funds managed by Babcock & Brown and Everest Babcock & Brown) at the lower of the equity accounted amount and recoverable amount as described in Note 1(G) in the 31 December 2007 Financial Statements. As described in Note 1(E), due to reporting timeframes, the results of Babcock & Brown for the half year ended 30 June 2008 include estimates of likely results of these investments (including assessments of whether the underlying investments will be required to impair any of their non-current assets). These estimates reflect management's best knowledge of those impairments, if any, and where such impairments have been finalised and announced, the amount of such impairments.

As at 30 June 2008 and as at the date of this report, Babcock & Brown had no intention or requirement to dispose of any interest in its equity accounted investments. As a consequence, the Directors believe the long term value of the Company's investments in these listed entities remains appropriate and the fall in market value of those investments subsequent to 30 June 2008 does not materially impact the carrying values of such investments in Babcock & Brown's balance sheet as at 30 June 2008. As indicated in Note 1(E) this fall in market value provides evidence of potential impairment of Babcock & Brown's investments in these funds. In accordance with the requirements of AASB 128 "Investment in Associates" Babcock & Brown has completed a review to ensure that the carrying value of its investment in these entities is recoverable. Where appropriate these reviews included an assessment of recovery from Babcock & Brown's share of expected underlying cash flows. These cash flows are predicated on the business plans of the associates which typically contemplate the long term use of the underlying assets.

The market value of the various listed funds managed by Babcock & Brown and Everest Babcock & Brown at 30 June 2008 and 18 August 2008 and associated book value at 30 June 2008 was:

	Book value at 30 June 2008 $million	Market value of 30 June 2008 $million	Market value of 18 August 2008 $million
Babcock & Brown Capital Limited	70.7	56	46
Babcock & Brown Wind Partners Trust	61.5	154	140
Babcock & Brown Infrastructure Group	223.6	125	125
Babcock & Brown Japan Property Trust	25.3	17	18
Babcock & Brown Communities Group	56.3	28	23
Babcock & Brown Residential Land Partners	12.5	6	5
Babcock & Brown Power Limited	130.6	46	18
Babcock & Brown Public Partnerships Ltd	60.4	72	71
Babcock & Brown Global Investments Limited	30.6	27	15
Babcock & Brown Air Limited	94.4	53	64
Everest Babcock & Brown Ltd	56.7	36	36

STRATEGIC REVIEW

On the date of this report Babcock & Brown confirmed the appointment of Deutsche Bank and Goldman SachsJBWere as advisors to assist it with the refocus of its business including a strategic review of its listed managed funds with a view to removing the gap between the underlying asset values and the current trading prices and to respond to market concerns regarding the listed fund structure. Actions resulting from the review may result in future changes in operations of the Group.

21. EVENTS OCCURRING AFTER REPORTING DATE (CONTINUED)

MARKET PRICE OF BABCOCK & BROWN

The market price of Babcock & Brown Limited's shares has declined significantly from the closing share price as at 30 June 2008 of $7.50 per share and closed at 19 August 2008 at $3.45 per share. The interim result has been impacted by primarily non cash write downs and impairment provisions which reflected market conditions and management intentions at balance date. The continued general deterioration in market conditions from 30 June 2008 could have a consequential impact on the ability to realise assets for the amount that might otherwise have been achieved in normal market conditions. Any decision to realise assets is expected to be taken in an orderly manner.

There exists a risk that the deterioration in the Babcock & Brown Limited share price could result in negative counterparty sentiment and impact the Group's ability to attract and retain staff, both of which could adversely impact the Group's future operations.

There have been no other significant events or transactions that have arisen since 30 June 2008 which in the opinion of the Directors, would affect significantly the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity.

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Babcock & Brown Limited, I state that in the opinion of the Directors:

(a) the financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:

  (i) giving a true and fair view of the financial position as at 30 June 2008 and of the performance for the half-year ended on that date of the consolidated entity; and

  (ii) complying with Accounting Standard AASB 134 "Interim Financial Reporting" and Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

PHILLIP GREEN
Director
Sydney, 21 August 2008

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To the members of Babcock & Brown Limited

Report on the Half Year Financial Report

We have reviewed the accompanying half year financial report of Babcock & Brown Limited, which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the half year ended on that date, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half year end or from time to time during the half year.

Directors' Responsibility for the Half Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half year 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 half year 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 half year 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 30 June 2008 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Babcock & Brown Limited and the entities it controlled during the half year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. 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.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is attached to the Directors' Report.

ERNST & YOUNG

Conclusion

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

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2008 and of its performance for the half year ended on that date; and

(ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Ernst & Young

Mark O'Sullivan
Partner
Sydney
21 August 2008