

TAXATION STATEMENT GUIDE

IMPORTANT INFORMATION

Babcock & Brown Power (**BBP**) comprises Babcock & Brown Power Limited (BBPL) and Babcock & Brown Power Trust (**BBPT**). Babcock & Brown Power Services Limited is the Responsible Entity for BBPT. An investment in BBP is an investment in a stapled security comprising a share in BBPL and a unit in BBPT.

The purpose of this Taxation Statement Guide (the **Guide**) is to provide you, as a security holder in BBP, with general information regarding the tax implications (if any) arising from your investment in BBPT and BBPL. This information will be relevant if and when you dispose of any of your BBP securities.

As previously announced, no final distribution was paid by BBP for 2009.

This Guide has been prepared on the basis of taxation laws prevailing at the date of this Guide. This Guide is intended to assist security holders in meeting their Australian income tax compliance obligations. Security holders are not entitled to rely on this information in relation to managing their specific tax affairs. Security holders should obtain their own tax advice in relation to the taxation implications associated with their investment in BBP.

This Guide uses technical tax terms in describing both the character of security holders and the nature of their investment in BBP that are important in determining the taxation consequences of receiving distributions from BBP and the taxation consequences of disposing of their investment in BBP. Where these terms are not described in the body of this Guide, a brief explanation as to their meaning is set out in Appendix 1. In some instances it may be difficult to determine how these terms apply to you and your investment. If this is the case, you should seek professional advice from your accountant or taxation adviser.

BBP Stapled Securities acquired through the Alinta Share Scheme

If you acquired BBP Stapled Securities through participating in the Alinta Share Scheme, please refer to the following sources regarding the tax implications associated with the Alinta Scheme of Arrangement (the 'Share Scheme') under which the Consortium consisting of Babcock & Brown Infrastructure, Babcock & Brown Power, Babcock & Brown Wind Partners and Singapore Power International Pte Limited acquired the issued share capital of Alinta Limited ('Alinta'):

- Your Alinta Share Scheme Participant Tax Statement (Statement) (posted to you in August 2008);
- The Alinta Share Scheme Participant Taxation Guide which accompanied the Statement;
- The Alinta Scheme Booklet (available on the Alinta Offer Website: www.alintaoffer.com); and
- The B&B Online Alinta Share Scheme Participant Tax Calculator. The calculator and information regarding eligibility of Participants to use the calculator can be accessed from the following websites listed below:

www.babcockbrown.com
www.bbinfrastructure.com
www.bbpower.com
www.infigenenergy.com

1.0 2009 DISTRIBUTION

No interim or final distribution was paid by BBPT for the year ended 30 June 2009.

2.0 DIVIDENDS RECEIVED FROM BBPL

No interim or final dividend has been declared by BBPL for the year ended 30 June 2009.

3.0 IMPLICATIONS OF DISPOSAL OF YOUR INVESTMENT IN BBP

The taxation implications associated with the disposal of any part of your investment in BBP will vary depending on whether you are an Australian Tax Resident or a Non-Tax Resident and whether you hold your investment on Revenue or Capital account. Appendix 1 contains a brief description of factors that may assist you in determining whether you are an Australian Tax Resident and whether you hold your investment on Revenue or Capital account.

3.1 Nature of Stapled Securities

For Australian CGT purposes, each stapled security is considered to comprise two separate assets, being a share in BBPL, and a unit in BBPT. If you dispose of any part of your investment in BBP you will need to do a separate CGT calculation for each of your respective investments in BBPL, and BBPT.

This means that technically you will need to split your acquisition cost and your sales proceeds between the shares in BBPL, and the units in BBPT. However, in most cases the aggregate of the two separate calculations will produce the same net result as if the disposal were treated as the disposal of a single security.

3.2 Australian Tax Resident Security Holders

3.2.1 Capital Account

If you dispose of any part of your investment in BBP, a CGT calculation needs to be performed. One of the components of that CGT calculation is the cost base of your investment. In addition to your acquisition cost, you should include other items of expenditure in your cost base. For example, it is possible to increase the cost base of your investment by including such things as stamp duty and brokerage fees. It should also be noted that your cost base will be reduced by any tax deferred distributions that you have received (as discussed below).

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For example, for security holders that acquired their investment through the IPO, the CGT cost base of a unit in BBPT, excluding the impact of any distributions received, is calculated based upon the initial investment in BBP of \$2.50 allocated between the two securities on the basis of 70% to BBPT, and 30% to BBPL.

This allocation gives rise to a cost base in the security holder's BBPT units of at least \$1.75 per unit and a cost base in the security holder's shares in BBPL of at least \$0.75 per share. The combined cost bases of one unit in BBPT and one share in BBPL would have equated to, at least, the cost of the initial subscription in BBP ie. \$2.50. Please note that there may be other costs incurred by a security holder which also form part of the cost base of their securities.

The tax deferred distributions paid in respect of stapled securities issued in the IPO are as follows:

		Record Date	Payment Date
2007 Final Distribution	\$0.14 per unit	29 June 2007	17 September 2007
2008 Interim Distribution	\$0.13 per unit	31 December 2007	17 March 2008
Total Distributions	\$0.27 per unit		

Therefore, given the tax deferred nature of the distributions to date, an investor who has held their investment in BBP since the IPO would reduce their original cost base by \$0.27 per unit held in BBPT, being the aggregate amount of tax deferred distributions received to date.

Accordingly, for these IPO security holders, the CGT cost base of their units in BBPT will be at least \$1.48 per unit (i.e. \$1.75 less \$0.27).

As there have been no capital returns by BBPL since the IPO, the CGT cost base for these IPO security holders in the shares in BBPL should remain at \$0.75 per share (at least).

For security holders who did not acquire their investment through the IPO, additional information regarding the determination of the relative cost bases of shares in BBPL and units in BBPT is provided on the BBP website (www.bbpower.com).

A capital gain will arise where your sale proceeds exceed your cost base. A capital loss will arise where your sale proceeds are less than your reduced cost base. Your reduced cost base is the same as your cost base with the exception of interest payments for which you have not claimed deductions (which will be a rare event in practice).

If you are an individual, a complying superannuation fund or a trust that holds BBP securities and you have held your investment in BBP for at least 12 months, any capital gain (after offsetting any capital losses) that you make may be reduced by 50% (for individuals either directly or through a trust) or 33¹/₃% (for superannuation funds). You should seek professional advice to determine your eligibility for this reduction.

3.2.2 Revenue Account

If your investment in BBP is held on Revenue account and you dispose of any part of that investment, you will need to undertake an income tax calculation.

Security holders that hold their investment on Revenue account should consult their tax adviser in relation to the implications associated with their investment, including those associated with the disposal of their investment.

Whether or not you hold your investment on Revenue account, you will need to undertake the above noted CGT calculation (with the exception of security holders whose BBP securities are trading stock at the time of the disposal).

3.3 Non-Tax Resident Security Holders

3.3.1 Capital Account

As discussed above, capital gains or losses of Non-Tax Residents are disregarded for Australian CGT purposes unless, broadly, the relevant CGT asset is taxable Australian real property, an 'indirect Australian real property interest' or an asset used by the Non-Tax Resident in carrying on business through a permanent establishment in Australia.

An indirect Australian real property interest exists at a time when a Non-Tax Resident, together with its associates, holds 10% or more of the membership interests in an entity (eg. shares in a company or units in a trust) at that time or throughout a 12 month period in the 2 years before that time and more than 50% of the underlying market value of the entity's assets is attributable to taxable Australian real property.

The relevant membership interests held by Non-Tax Residents are the shares in BBPL, and the units in BBPT. The membership interests are not taxable Australian real property. Furthermore, holding shares in BBPL, and units in BBPT should not of itself constitute carrying on business in Australia through a permanent establishment.

While it is clear that the units in BBPT should not constitute indirect Australian real property interests, BBP has not determined whether the shares in BBPL constitute indirect Australian real property interests. However, as far as BBP is aware (as at 30 June 2009), no Non-Tax Resident security holder (together with its associates) is likely to have (or to have had for more than 12 months in the last 2 years) 10% or more of the shares in BBPL, and the units in BBPT. On this basis, Non-Tax Resident security holders should generally not be subject to Australian CGT upon the disposal of shares in BBPL, and units in BBPT. If you are a Non-Tax Resident and you, together with your associates, hold (or have held) 10% or more of the shares in BBPL you should consult your tax adviser in relation to this matter.

3.3.2 Revenue Account

If your investment in BBP is held on Revenue account and you dispose of that investment, you will need to undertake an income tax calculation.

Security holders that hold their investment on Revenue account should consult their tax adviser in relation to the implications associated with their investment, including those associated with the disposal of their investment.

APPENDIX 1

KEY TECHNICAL TAX TERMS

AUSTRALIAN TAX RESIDENT AND NON-TAX RESIDENT

'Australian Tax Resident'

If you are an **individual** you will be considered to be an Australian Tax Resident if you satisfy any one of the following tests:

- you reside in Australia under ordinary concepts. This will include a general examination of your facts to consider whether you can be considered to dwell permanently or at least for a considerable period of time in Australia;
- you are an Australian citizen and have no permanent place of abode outside Australia;
- you have been in Australia for more than half of the income year (i.e. greater than 183 days in the period 1 July to 30 June) and your usual abode is not outside Australia; or
- you are a member of a Commonwealth Superannuation Scheme (broadly, if you work for the Australian public service).

A **corporate entity** will be considered to be an Australian Tax Resident if any of the following tests are satisfied:

- it is incorporated in Australia;
- it carries on business in Australia and its central management and control is in Australia; or
- it carries on business in Australia and has its voting power controlled by Australian resident shareholders.

A **trust or superannuation** fund will be considered an Australian Tax Resident if its trustee is a resident of Australia according to the above tests.

'Non-Tax Resident' of Australia

You will be considered a non-resident of Australia for Australian tax purposes if you do not fall within one of the tax residency tests referred to above.

You should note that Tax Treaties between Australia and other countries may alter your residency status and in some circumstances you may be considered a dual resident. You should seek professional advice to determine your tax residence if you consider that a relevant Tax Treaty entered into between Australia and your country of residence may apply to you.

You should also note that your tax residency status can change and is tested each financial year.

CAPITAL ACCOUNT AND REVENUE ACCOUNT

'Capital'

Broadly, an investment will be held on 'capital account' where the intention is to hold the investment so as to benefit from both distributions from the investment and the capital growth of the investment. An intention to hold an investment for an extended period of time is generally indicative of an investment held on capital account.

It is expected that the majority of security holders will hold their investments in BBP on capital account.

'Revenue'

Generally, an investment is held on 'revenue account' if it was acquired with the intention of making a profit on resale, or if the investment forms part of or is incidental to a business carried on by the security holder. An intention **not** to hold the investment for a long period of time would be indicative of an investment held on revenue account. Share traders usually hold their investments on revenue account.

This is a highly complex area of taxation law. If you are not able to accurately determine whether you hold your investment on capital or revenue account, we recommend that you seek professional assistance in determining the taxation implications associated with your investment in BBP.