

EVEREST BABCOCK & BROWN
ALTERNATIVE INVESTMENT TRUST

Everest Babcock & Brown Alternative Investment Trust • ARSN 112 129 218
Responsible entity • Everest Capital Investment Management Limited • ABN 96 112 731 978 • AFSL 288360
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19 August 2008

Company Announcements Office
Australian Stock Exchange

Everest Babcock & Brown Alternative Investment Trust (EBI)

Attached are the following half year results for the period ended 30 June 2008:

- Appendix 4D
- Financial Statements including Independent Review Report from Ernst & Young

Yours faithfully

A handwritten signature in black ink, appearing to read 'Azra Popo', is written over a light grey rectangular background.

Azra Popo
Company Secretary

Attachment

APPENDIX 4D

**Half Year Report
For the period ended 30 June 2008**

Name of Entity:	Everest Babcock & Brown Alternative Investment Trust
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1 REPORTING PERIOD AND PREVIOUS CORRESPONDING PERIOD

Current Reporting Period:	6 months to 30 June 2008
Previous Corresponding Period	6 months to 30 June 2007

2. RESULTS FOR ANNOUNCEMENT TO THE MARKET

		2008 A\$'000		2007 A\$'000			
2.1	Revenues/(loss) from continuing operations	down	164%	to	(31,195)	49,088	
2.2	Profit/(loss) from continuing operations after tax attributable to unitholders	down	195%	to	(41,219)	43,523	
2.3	Net profit/(loss) for the period attributable to unitholders	down	195%	to	(41,219)	43,523	
		Amount per security		Tax deferred		Amount per security	Tax deferred
2.4	Distributions						
	Final distribution	6.5¢		-		23.8¢	1.90¢
	Interim distribution	-		-		43.4¢	3.47¢
	Total	6.5¢		-		67.2¢	5.37¢

2.5 Record date for determining entitlements to the final 2008 distribution – 30 June 2008

Payment date for the distribution (on or about) – 29 August 2008

3 NET TANGIBLE ASSETS PER SECURITY

NTA per security as at 30 June 2008 (Ex distribution)	\$3.79
NTA per security as at 30 June 2007 (Ex distribution)	\$4.07

Additional Appendix 4D disclosure requirements can be found in the notes to the half year financial report.

This report is based on the consolidated half year report which has been subject to a review by Ernst & Young.



EVEREST BABCOCK & BROWN ALTERNATIVE INVESTMENT
TRUST
ARSN 112 129 218

INTERIM FINANCIAL REPORT

FOR THE HALF YEAR ENDED 30 JUNE 2008

Everest Babcock & Brown Alternative Investment Trust

ARSN 112 129 218

Financial Report for the Half-Year Ended 30 June 2008

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DIRECTORS' REPORT

The Directors of Everest Capital Investment Management Limited (ECIML), the Responsible Entity of Everest Babcock & Brown Alternative Investment Trust (EBI), present their report together with the consolidated financial report of EBI and its controlled entities (the consolidated entity) for the half-year ended 30 June 2008.

RESPONSIBLE ENTITY

The Responsible Entity of EBI is Everest Capital Investment Management Limited (ABN 96 112 731 978; AFSL 288360). The registered office and principal place of business of the Responsible Entity is Level 35, AMP Centre, 50 Bridge Street, Sydney, NSW 2000.

PRINCIPAL ACTIVITIES

The consolidated entity is a registered managed investment scheme domiciled in Australia.

The principal activities of the consolidated entity during the half-year were to achieve a combined exposure to:

- a diversified portfolio of leading international absolute return funds (Underlying Investment Portfolio); and
- direct investments in subordinated debt and equity co-investments which EBI invests in directly or through its 100% owned sub-trusts, EBI Income Fund and EBI Opportunities Fund.

The exposure to the Underlying Investment Portfolio and direct investments are together referred to as the Investment Portfolio.

The Responsible Entity uses leverage to enhance capital management and increase diversification. Leverage is achieved notionally via a total return equity swap (Leverage Facility) and directly through a loan facility provided to EBI Income Fund (Loan Facility).

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

Buy-Back

On 7 August 2007, EBI announced an on market buy-back of units and that it had applied to the Australian Securities and Investments Commission (ASIC) for appropriate relief. ASIC relief was granted for EBI to buy back a maximum of 6,048,356 units.

The buy-back was funded through the use of cash reserves and unused leverage capacity via EBI's existing facilities.

In addition, on 28 May 2008 at the AGM, the unitholders approved for the Responsible Entity, at its discretion, to conduct a further buy-back of up to 35,838,484 fully paid units in EBI during the 12 months following the passing of the resolution. This buy-back is to be conducted in the ordinary course of trading on the ASX at a price to be determined by the Responsible Entity but not exceeding 105% of the average market price of the units in the 5 trading days prior to any purchase.

EBI believes that the current market price significantly undervalues the true worth of EBI and that an on-market buy-back is an efficient use of capital which will generate unitholder value.

As at 30 June 2008, EBI has bought back and cancelled 5,824,470 units for the total consideration of \$17,103,375. Units were purchased at an average price of \$2.93 which represents a discount of 23% to the NTA at 30 June 2008 (\$3.80).

Further strategies to address the trading discount to NTA

Along with external adviser UBS, the non-executive and independent directors of EBI have conducted a review and assessed a range of strategic initiatives to develop an effective and equitable long term solution to EBI's current discount to NTA.

As announced at EBI's AGM on 28 May 2008 the Board of EBI has been working on a proposal to implement a discount control mechanism to address the trading discount to NTA. The proposal included a significant off-market buy-back and the introduction of a permanent discount control mechanism conditional on where EBI trades relative to its NTA.

The Board review has developed further and the Board is currently progressing an updated proposal which it believes will provide a superior outcome for unitholders.

DIRECTORS' REPORT (continued)

In the opinion of the Directors, there were no other significant changes in the state of affairs of the consolidated entity that occurred during the half-year.

REVIEW AND RESULTS OF OPERATIONS

During the half-year, the consolidated entity continued to engage in its principal activities, the results of which are disclosed in the attached half-year financial statements.

The results of the consolidated entity, as represented by the results of its operations, was as follows:

	Consolidated Half-year ended	
	30 June 2008 \$'000	30 June 2007 \$'000
Net operating profit/(loss) from continuing operations	(41,219)	43,523

EARNINGS PER UNIT

The basic and diluted earnings/(loss) per unit is (22.92) cents [2007: 44.55 cents]

VALUE OF ASSETS AND UNITS ISSUED

The total value of EBI's assets is \$1,179,650,000 [2007: \$1,308,930,000]. The total number of units issued as at 30 June 2008 is 179,192,421 [2007: 182,550,857].

DISTRIBUTION

2008 Final

EBI announced a distribution of \$11,699,473 which is equal to 6.5 cents per unit for the 6 month period to 30 June 2008. This distribution represents a payment of 100% of taxable income to unitholders. The taxable income arises from net foreign exchange gains from hedging the Investment Portfolio. The Distribution Reinvestment Plan (DRP) is not available for this distribution.

2008 Interim

On 14 January 2008 EBI announced there would not be an interim distribution for the period ending 31 December 2007.

2007 Final

On 30 August 2007 a distribution of \$43,523,594 which is equal to 23.8 cents per unit was paid to EBI unitholders for the 6 month period to 30 June 2007.

DIRECTORS' REPORT (continued)

Unitholders who elected to participate in the DRP for the period ended 30 June 2007 were issued units at an issue price of \$3.45 which represents a 2% discount to the volume weighted average price of securities for the period of five trading days from and including the ex-date.

RISK MANAGEMENT

The directors of the Responsible Entity are the principal decision makers for matters involving the risk management framework for EBI. The Audit & Risk Management Committee monitors the risks across EBI. This monitoring includes reviews of adherence to investment guidelines, legal obligations and compliance and operational risks. Everest Capital Limited (the Manager) is primarily responsible for managing risk issues such as operational risk, disaster recovery, credit and counter party risk. The Manager has established a system for identifying, assessing, monitoring and managing material risk throughout the organisation. This system includes EBI's internal compliance and control system.

The Manager is responsible for risk management procedures and policies across EBI and its investments. These procedures include in depth due diligence analysis of underlying investment manager's or direct assets operational, compliance and risk management aspects, ongoing monitoring of performance, the adherence to disciplined research and portfolio construction policies and the measurement and maintenance of risk diversification across investment strategies, markets and managers.

The Manager is responsible for detailed due diligence relating to direct investments including business, industry, financial and credit analysis, comprehensive financial models and thorough review and negotiation of loan documentation, contracts and agreements. The Manager reviews the activities and information available for each investment on a regular basis.

Investment risks are regularly reviewed by the Manager's Risk Committee.

The Investment Committee of the Manager is the principal body for investment decisions and is responsible for dealing with issues arising from any investment risk. All investments must be approved by the Investment Committee which includes the Manager's most senior and experienced executives. A submission is made to the Investment Committee only after the investment team has conducted a rigorous analysis and due diligence on both the underlying investment on the construction of the portfolio, or on the potential investment and on any other investment decisions.

Further, the Responsible Entity has appointed an External Compliance Committee which consists of two external members and one internal. All three members of the Committee are investment professionals with extensive investment and compliance experience in the industry. The External Compliance Committee monitors to what extent the Responsible Entity and EBI comply with EBI's compliance plan, it evaluates the adequacy of the compliance plan and recommends changes where appropriate, reports breaches of the compliance plan, the Corporations Act or EBI's constitution to the Board and to ASIC if necessary.

DIRECTORS AND OFFICERS

The Directors and officers of the Responsible Entity during the half-year and until the date of this report are:

Name	Title
Trevor Gerber	Non-Executive Chairman
Marea Laszok	Independent Director
Warick Leeming	Independent Director
Peter Williams	Independent Director
Jeremy Reid	Executive Director
Azra Popo	Company Secretary and General Counsel
Brian O'Sullivan	Company Secretary and Chief Financial Officer (resigned 30 June 2008)
Gary Kalmin	Company Secretary and Head of Corporate Development (appointed 1 July 2008)
Aaron Budai	Chief Financial Officer (appointed 1 July 2008)

DIRECTORS' REPORT (continued)

MATTERS SUBSEQUENT TO THE END OF THE HALF-YEAR

No other matters or circumstances have arisen since 30 June 2008 that have significantly affected, or may significantly affect:

- (i) the operations of the consolidated entity in future financial periods, or
- (ii) the results of those operations in future financial periods, or
- (iii) the state of affairs of the consolidated entity in future financial periods.

The operations of the consolidated entity are not subject to any particular or significant environmental regulations under a Commonwealth, State or Territory law.

ROUNDING OF AMOUNTS TO THE NEAREST THOUSAND DOLLARS

The consolidated entity is an entity of the kind referred to in Class Order 98/0100 (as amended) issued by the Australian Securities and Investments Commission relating to the "rounding off" of amounts in the Directors' report and Half-Year Financial Report. Amounts in the Directors' report and Half-Year Financial Report have been rounded to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 6.

Signed in accordance with a resolution of the Directors



On behalf of the Board
Trevor Gerber
Non-Executive Chairman
Sydney, 19 August 2008

Auditor's Independence Declaration to the Directors of Everest Capital Investment Management Limited

In relation to our review of the financial report of Everest Babcock & Brown Alternative Investment Trust 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.

A handwritten signature in blue ink, appearing to read 'Mark O'Sullivan'.

Ernst & Young

A second handwritten signature in blue ink, appearing to read 'Mark O'Sullivan'.

Mark O'Sullivan
Partner
19 August 2008

INCOME STATEMENT

		Consolidated		
		Half-year ended		
		30 June	30 June	
		2008	2007	
Notes		\$'000	\$'000	
Continuing operations				
Investment income				
	Net gains/(losses) on financial instruments designated as fair value through profit or loss	3	(40,369)	48,076
	Interest income		9,647	2,827
	Foreign exchange gain/(loss) on loans and receivables		(4,161)	(2,039)
	Other investment income/(expense)		259	-
	Dividend/Distribution income		3,429	224
	Total investment income/(loss)		(31,195)	49,088
Expenses				
	Responsible entity fees	10	8,130	5,326
	Other operating expenses	2	710	239
	Total operating expenses		8,840	5,565
	Operating profit/(loss) from continuing operations		(40,035)	43,523
Financing costs				
	Interest expense		(1,184)	-
	Distributions to unitholders		(11,699)	(70,040)
	Changes in net assets attributable to unitholders		(52,918)	(26,517)
	Profit/(loss) attributable to:			
	Unitholders		(41,219)	43,523

		Consolidated		
		Half-year ended		
		30 June	30 June	
		2008	2007	
		Cents	Cents	
Continuing operations				
	Basic and diluted earnings per unit in cents	3	(22.92)	44.55

The above income statement should be read in conjunction with the accompanying notes.

BALANCE SHEET

	Notes	Consolidated As at	
		30 June 2008 \$'000	31 December 2007 \$'000
Current assets			
Cash and cash equivalents		34,641	10,831
Receivables	7	9,567	2,442
Financial assets designated as fair value through profit or loss	5	7,123	13,079
Loans and receivables	4	25,077	99,118
Total current assets		76,408	125,470
Non-current assets			
Financial assets designated as fair value through profit or loss	5	1,044,676	1,114,256
Loans and receivables	4	58,566	69,204
Total non-current assets		1,103,242	1,183,460
Total assets		1,179,650	1,308,930
Current liabilities			
Distributions payable		11,699	-
Payables	8	8,739	6,045
Total current liabilities		20,438	6,045
Non-current liabilities			
Financial liabilities designated as fair value through profit or loss	6	478,356	559,916
Total non-current liabilities		478,356	559,916
Total liabilities (excluding net assets attributable to unitholders)		498,794	565,961
Net assets attributable to unitholders	9	680,856	742,969
Represented by:			
Units on issue		734,682	743,877
Undistributed income		(53,826)	(908)
		680,856	742,969

The above balance sheet should be read in conjunction with the accompanying notes.

Everest Babcock & Brown Alternative Investment Trust
Statements of changes in net assets attributable to unitholders
For the half-year ended 30 June 2008

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

	Consolidated		
	Units on issue	Undistributed income	Total
	\$'000	\$'000	\$'000
At 1 January 2008	743,877	(908)	742,969
Issue of units	-	-	-
Distributions paid/payable	-	(11,699)	(11,699)
Units cancelled through buy-back	(9,195)	-	(9,195)
Profit/(loss) for the half-year attributable to unitholders	-	(41,219)	(41,219)
As at 30 June 2008	734,682	(53,826)	680,856

	Consolidated		
	Units on issue	Undistributed income	Total
	\$'000	\$'000	\$'000
At 1 January 2007	255,176	26,516	281,692
Issue of units	4,550	-	4,550
Proceeds from Capital Raising	503,228	-	503,228
Distribution paid/payable	-	(70,040)	(70,040)
Units cancelled through buy-back	-	-	-
Profit/(loss) for the half-year attributable to unitholders	-	43,524	43,524
Transaction costs	(19,043)	-	(19,043)
As at 30 June 2007	743,911	-	743,911

The above statements of changes in net attributable to unitholders should be read in conjunction with the accompanying notes.

CASH FLOW STATEMENT

	Consolidated	
	30 June 2008 \$'000	30 June 2007 \$'000
Notes		
<i>Cash flows from operating activities</i>		
Dividends received	570	-
Interest received	9,474	1,210
Other income received	173	-
Payment of Responsible Entity and other fees	(9,115)	(3,745)
Interest paid	(1,775)	-
GST (paid)/received	80	(791)
Net cash inflow/(outflow) from operating activities	(593)	(3,326)
<i>Cash flows from investing activities</i>		
Proceeds from sale of investments	155,954	144,908
Purchase of investments	(84,954)	(619,885)
Net cash inflow/(outflow) from investing activities	71,000	(474,977)
<i>Cash flows from financing activities</i>		
Net proceeds from Capital Raising	-	484,185
Units cancelled through buy-back	(9,512)	-
Distributions paid	-	(21,967)
Proceeds from borrowings	13,779	-
Repayments of borrowings	(50,860)	-
Net cash inflow/(outflow) from financing activities	(46,593)	462,218
Net increase/(decrease) in cash and cash equivalents	23,814	(16,085)
Cash and cash equivalents at beginning of the half-year	10,831	22,187
Effects of foreign currency exchange rate changes on cash and cash equivalents	(4)	(2)
Cash and cash equivalents at the end of the half-year	34,641	6,100

The above cash flow statement should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

GENERAL INFORMATION

The consolidated entity consists of Everest Babcock & Brown Alternative Investment Trust (the Trust), an Australian registered managed investment scheme and its subsidiaries. EBI is listed on the ASX. The Trust was constituted on 7th April 2005.

The Responsible Entity of EBI is Everest Capital Investment Management Limited. The Responsible Entity's registered office is Level 35, 50 Bridge Street, Sydney, NSW 2000.

The financial statements were authorised for issue by the Directors on 19 August 2008.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

1 Summary of significant accounting policies

(a) Basis of preparation

This general purpose financial report for the half-year ended 30 June 2008 has been prepared in accordance with accounting standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The half-year financial report does not include all the notes of the type normally included in an annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that the half-year financial report be read in conjunction with the Annual Report released to unitholders on 28 February 2008 and considered together with any public announcements made by the Trust during the half-year ended 30 June 2008 and up to the date of signing of this financial statement.

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

(b) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2008 reporting period. The directors' assessment of the impact of these new standards (to the extent relevant to the consolidated entity) and interpretations is set out below:

(i) AASB 132 *Financial Instruments: Presentation and AASB 2008-2 Amendments of Australian Accounting standards - Puttable Financial Instruments and Obligations Arising on Liquidation (Revised AASB 132)*.

AASB132 is applicable for the reporting periods beginning on or after 1 January 2009. As the Trust is obligated to distribute all of its taxable income in accordance with the Trust's Constitution, there will be no change to classification of unitholders' funds as a liability and therefore no impact on profit or loss and equity.

Since 1 January 2008 the Trust has adopted the following Standards and Interpretations, mandatory for annual periods beginning on or after 1 January 2008. Adoption of these Standards and Interpretations did not have any effect on the financial position or performance of the Group.

- AASB 2007-1 - Amendments to Australian Accounting Standards arising from AASB interpretation 11
- AASB 2007-4 AASB 132
- AASB 2007-7 *Amendments to Australian Accounting Standards (AASB 1, 2, 3, 4, 5, 107 & 128)*
- AASB Interpretation 11 - *Group and Treasury Share transactions*
- AASB 2008-2 - *Amendments to Australian Accounting Standards - Puttable Financial Instruments and Obligations arising on Liquidation*
- AASB 2008-3 - *Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127*

2 OTHER INCOME AND EXPENSE

	Consolidated Half-year ended	
	30 June 2008 \$'000	30 June 2007 \$'000
Other expenses		
Professional fees	85	24
Directors remuneration	125	79
Fund administration and custody expenses	164	51
Other general and administrative expenses	291	22
Auditors remuneration	45	63
Total other operating expenses	710	239

3 EARNINGS PER UNIT

Basic earnings per unit is profit/(loss) attributable to unitholders in EBI divided by the weighted average number of units on issue.

	Consolidated As at	
	30 June 2008	30 June 2007
Continuing operations		
Profit/(loss) attributable to unitholders (\$'000)	(41,219)	43,523
Basic and diluted earnings per unit in cents	(22.92)	44.55
Weighted average number of units on issue ('000)	179,814	97,694

4 LOANS AND RECEIVABLES

Loans and receivables consist of subordinated debt assets.

	Consolidated As at	
	30 June 2008 \$'000	31 December 2007 \$'000
Current loans and receivables	25,077	99,118
Total current loans and receivables	25,077	99,118
Non-current loans and receivables	60,257	70,895
Less provision for impairment	(1,691)	(1,691)
Total non-current loans and receivables	58,566	69,204
Total loans and receivables	83,643	168,322

5 FINANCIAL ASSETS DESIGNATED AS FAIR VALUE THROUGH PROFIT OR LOSS

	Consolidated	
	As at	
	30 June 2008 Fair value \$'000	31 December 2007 Fair value \$'000
Current		
Derivatives (foreign currency contracts)	1,797	1,834
Listed equities	5,326	11,245
Total current financial assets designated as fair value through profit or loss	7,123	13,079
Non-current		
Unlisted managed fund	35,371	-
Underlying Investment Portfolio	1,009,305	1,114,256
Total non-current financial assets designated as fair value through profit or loss	1,044,676	1,114,256
Total financial assets designated as fair value through profit or loss	1,051,799	1,127,335

The Responsible Entity, on behalf of EBI, has entered into a total return equity swap, referred to in this Report as the Leverage Facility. The Leverage Facility is denominated in US dollars and provides EBI with an exposure to a leverage portfolio of leading international absolute return funds, foreign exchange contracts and cash (Underlying Investment Portfolio).

Foreign currency contracts are used by EBI to economically hedge against foreign currency exchange risks.

6 FINANCIAL LIABILITIES DESIGNATED AS FAIR VALUE THROUGH PROFIT OR LOSS

	Consolidated	
	As at	
	30 June 2008 Fair value \$'000	31 December 2007 Fair value \$'000
Non-current		
Swap payable (Leverage)	477,844	519,712
Loan Facility	-	39,800
Interest rate swap	512	404
Total non-current	478,356	559,916
Total financial liabilities designated as fair value through profit or loss	478,356	559,916

The Swap payable reflects the fair value of the leverage provided under the Leverage Facility.

7 RECEIVABLES

	Consolidated As at	
	30 June 2008 \$'000	31 December 2007 \$'000
Interest receivable	1,966	1,793
Dividend receivable	3,067	263
GST recoverable	306	386
Outstanding settlements	4,173	-
Other receivables	55	-
Total receivables	9,567	2,442

No loss has been recognised in respect of receivables during the half-year ended 30 June 2008 [2007: nil].

8 PAYABLES

	Consolidated As at	
	30 June 2008 \$'000	31 December 2007 \$'000
Amounts owing to Responsible Entity	4,194	4,606
Outstanding settlements	3,382	-
Fund administration and custody expenses	378	202
Other payables	785	1,237
Total payables	8,739	6,045

9 UNITS ON ISSUE

Movements in number of units and net assets attributable to unitholders during the half-year were as follows:

	Consolidated As at			
	30 June 2008 No.	31 December 2007 No.	30 June 2008 \$'000	31 December 2007 \$'000
Opening balance	182,550,857	61,135,171	742,969	281,692
Units issued upon reinvestment of distributions	-	3,388,323	-	12,501
Units issued from Capital Raising	-	120,493,397	-	503,229
Units cancelled through buy-back	(3,358,436)	(2,466,034)	(9,195)	(7,909)
Change in net assets attributable to unitholders	-	-	(52,918)	(27,424)
Transaction costs	-	-	-	(19,120)
Closing balance	179,192,421	182,550,857	680,856	742,969

10 RELATED PARTY TRANSACTIONS

Responsible Entity

The Responsible Entity of Everest Babcock & Brown Alternative Investment Trust is Everest Capital Investment Management Limited.

(a) Responsible Entity's/Manager's fees and Performance fees

In accordance with EBI's Constitution, the Responsible Entity receives a total fee of 1.25% (exclusive of GST, net of tax credits available to the consolidated entity) per annum on EBI's assets.

The Responsible Entity is also entitled to receive an annual performance fee equal to 20% of the amount by which the actual total securityholder return exceeds a notional 10% pa compounded pre tax total securityholder return, less the aggregate of any performance fees previously received by the Responsible Entity. Total securityholder return is calculated in accordance with a formula in EBI's Constitution.

All related party transactions are conducted on normal commercial terms and conditions. The transactions during the half-year and amounts payable at half-year end between the consolidated entity and the Responsible Entity were as follows:

	Consolidated	
	As at	
	30 June	30 June
	2008	2007
	\$'000	\$'000
Management fees for the half-year ended to the Responsible Entity	8,130	5,326

Performance fees for the half-year ended to the Responsible entity were Nil [2007: Nil].

(b) Investments in unlisted funds managed by Everest Capital Limited

EBI has invested 39,496,659 units valued at \$35,371,000 within a zero fee paying class in the Everest Babcock & Brown Income Fund (EBBIF) at 30 June 2008. The Responsible Entity of EBBIF is Everest Capital Limited. This investment allows EBI to achieve its intention of accessing a diversified portfolio of assets and gaining exposure to direct investments in subordinated debt.

(c) Other related party transactions

As previously discussed, to address the trading discount to NTA external adviser UBS along with the non-executive and independent directors of EBI have conducted a review and assessed a range of strategic initiatives to develop an effective and equitable long term solution to EBI's current discount to NTA. As part of these procedures and in addition to his annual director fees, Trevor Gerber (Chairman) will be paid a further \$90,000 (inc GST) to compensate Mr Gerber for the extensive time spent on this review throughout the period.

11 SEGMENT INFORMATION

EBI operates in one business segment, being investment management. EBI also operates from one geographic location, being Australia, from where its investing activities are managed.

12 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

No significant events have occurred since the half-year ended 30 June 2008 which would impact on the financial position of the consolidated entity disclosed in the balance sheet as at 30 June 2008 or on the results and cash flows of the consolidated entity for the half-year ended on that date.

13 CONTINGENT ASSETS AND LIABILITIES AND COMMITMENTS

There are no commitments or contingencies as at 30 June 2008.

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Everest Capital Investment Management 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 consolidated entity's financial position as at 30 June 2008 and of its performance, for the half-year ended on that date.
 - (ii) comply with Accounting Standard AASB 134 and the *Corporations Regulations 2001*; and
- (b) there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.



On behalf of the Board,
Trevor Gerber
Non-Executive Chairman
Sydney, 19 August 2008

To the unitholders of Everest Babcock & Brown Alternative Investment Trust

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Everest Babcock & Brown Alternative Investment Trust (the Trust), which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in net assets attributable to unitholders and cash flow statement for the half-year ended on that date, other selected explanatory notes, and the directors' declaration, of the consolidated entity. The consolidated entity comprises the Trust 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 Responsible Entity 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 Everest Babcock & Brown Alternative Investment Trust 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 Responsible Entity a written Auditor's Independence Declaration, a copy of which is attached to the Directors' Report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Everest Babcock & Brown Alternative Investment Trust 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*.

A blue ink signature of Mark O'Sullivan, written in a cursive style.

Ernst & Young

A blue ink signature of Mark O'Sullivan, written in a cursive style.

Mark O'Sullivan
Partner
Sydney
19 August 2008



**EVEREST BABCOCK & BROWN
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