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Company Information

Directors
Harvey Parker, Chairman
Craig Baker, Managing Director and CEO
Dick David, Non-executive Director
Hugh Jones, Non-executive Director
Stephen Smith, Executive Director
Andrew Kemp (Alternate Non-executive Director for Dick David)

Secretary
Annette Abrahams

Registered Office
47-51 Pandanus Avenue
BRISBANE AIRPORT QLD 4007

Telephone: +61 7 3637 7000
Facsimile: +61 7 3860 4006

Share Register
ASX Perpetual Registrars Limited
Level 22, 300 Queen Street
BRISBANE QLD 4000

Telephone: +61 7 3228 4999
Facsimile: +61 2 8280 7454

Bankers
ANZ Corporate Bank
Level 3, 324 Queen Street
BRISBANE QLD 4000

Solicitors
McCullough Robertson Lawyers
Level 12
Central Plaza Two
66 Eagle Street
BRISBANE QLD 4000

Auditor
Johnston Rorke
Level 5, NAB House
255 Adelaide Street
BRISBANE QLD 4000

Stock Exchange Listing
The company is listed on the
Stock Exchange of Newcastle Ltd

Chairmans Report to Shareholders

for the year ended 30 June 2005

Your directors announced that the audited profit before tax for the year ended 30 June 2005 was $2,153,552 which represents an increase of 42% compared to the previous year.

The directors have recommended a fully franked final dividend of 6 cents a share to be paid in on 15 November 2005. The record date is 3 November 2005.

At the Extraordinary General Meeting held on 3 June 2005 the Shareholders approved the establishment and implementation of the Pacific Turbine Brisbane Limited Dividend Reinvestment Plan. For shareholders that elect to participate in the Dividend Reinvestment Scheme, the market price for a share is as follows:

'Market Price' of a Share, in respect of the Record Date, means the price determined by the Board to be:

(a) the weighted average market price of Shares sold on NSX (Stock Exchange of Newcastle Limited) during the period of 5 trading days immediately preceding and inclusive of the relevant Record Date (or such other period or periods as the Directors may from time to time determine); or

(b) if there has been no trading during this time, the average price calculated on the last 5 sales,

such amount to be determined by the Company by reference to information the Board approves for the purpose from time to time, and to be rounded up or down to the nearest full cent.

The company has only ten staff including the two executive directors and each staff member is a very important part of a focused and experienced team. I wished to extend to the staff my appreciation of their continuing commitment and expertise that has allowed the company to prosper.

My sincere appreciation and thanks to the board for their ongoing support.

I also wish to thank the shareholders for their continued interest and support for the company.

Harvey Parker
Chairman

Managing Directors Report to the Shareholders

for the year ended 30 June 2005

The financial year ended 30 June 2005 has been an extremely successful year.

Pacific Turbine Brisbane Limited (PTB) listed on the 10 March 2005 on Stock Exchange of Newcastle Limited (NSX) following the successful subscription of shares. It is very pleasing that while completing the listing process we were able to exceed the prospectus forecast by 17%.

The Company raised $4,107,563 of new capital in the period to March 2005 and completed the purchase of National Flight Services, Inc's Honeywell TPE331 rental engine pool. This has provided a platform to build a presence in the TPE331 engine business in the USA.

These engines have been successfully integrated into the Company's business, and have provided a valuable trading pool, and given the Company positive exposure in the world market. The rental engines are accessed by a number of TPE331 overhaul shops in North America and this exposure will provide positive leads for long term leases.

During April 2005, an agreement was reached with Trans Maldivian Airways (TMA) for a maintenance agreement for its fleet of PT6A engines. TMA has a fleet of 13 Twin Otter twin engine amphibious aircraft that use PT6A engines with the expectation that the fleet will continue to grow.

The agreement is in two parts - the "Hourly Engine Maintenance" Agreement and the Engine Care & Maintenance Agreement. Key highlights of this agreement are as follows:

- In respect of the Hourly Engine Maintenance Agreement:
  - PTB is responsible for off-wing hot section inspections and engine overhauls for PT6A engines owned by TMA;
  - TMA is responsible for normal line maintenance;
  - PTB is paid monthly based on hourly engine usage; and
  - The term of the agreement is five years.
- In respect of the Engine Care & Maintenance Agreement, PTB has become TMA's single point of contact for engine maintenance and management.

The company expects this model will be attractive to selected operators around the world.

The Company's vision is to be a significant owner of PT6A and TPE331 turbine engines through its trading and rental pool. These engines together with engines we control through Hourly Engine Maintenance arrangements will make PTB a significant player in the world market.

The control of engines will enable the Company to create alliances that will enable it to negotiate extremely favorable repair and overhaul terms. This will bring benefits to the company by decreasing the cost of ownership and increased the margins for engine sales made from the rental pool.

PTB continues to search worldwide for engines and engine pools that can be purchased at a price that fits the model.

At year end the Company had total assets of $11,417,152 and borrowings of $2,981,409 giving a gearing 26 %. The Company's level of gearing is not at a level that maximizes the creation of shareholder wealth. At the present growth stage of the Company, the Director's consider it more prudent to use a combination of equity and notes to fund the purchase of engine pools that are offshore. As the Company builds its engine pool and further demonstrates its capacity to use these assets to produce a superior rate of return, finance from more traditional sources will be sought to facilitate future growth.

The Company viewed the listing on the NSX as the first step toward an ASX listing. The NSX listing enabled the company to build its systems and processes for a smooth transition to the ASX .The Company has set March 2006 as a date to transition through to the ASX. To transition we will be required to add an additional 100+ new shareholders. Our advisers do not consider this to be too difficult. The company anticipates the additional equity market profile will create additional shareholder value. An ASX listing will enhance the Company's credibility in our dealings in the USA.

Craig Baker
Managing Director

Directors' Report

Your directors present the financial report of Pacific Turbine Brisbane Limited ("the Company") for the year ended 30 June 2005.

Directors

The names of directors in office at any time during or since the end of the year are:

Name	Position
CL Baker	Managing Director
SG Smith	Sales and Marketing Director
HR Jones	Director (non-executive)
GD Hills	Director (non-executive) - resigned 14 December 2004
H Parker	Director (non-executive), Chairman
RJ David	Director (non-executive) - appointed 17 December 2004
APS Kemp	Alternate Director (for RJ David) - appointed 17 December 2004

Principal Activities

The principal activities of the Company during the financial year were the provision of the following services in relation to the Pratt & Whitney PT6A and Honeywell TPE331 aircraft turbine engines:

- a specialist turbine engine repair and overhaul business based at Brisbane Airport, Australia;
- trading operations in Australia and internationally in aircraft turbine engines and related parts;
- the provision of finance for turbine engines sold to customers; and
- the rental of turbine engines to customers

There have been no significant changes in the nature of those activities during the year, except for the commencement of the rental of engines.

Review of Operations

The company was founded in 2001 and commenced trading in October 2001. At incorporation the Company acquired the Brisbane assets of Pacific Turbine Pty Ltd.

The company specializes in two turbine aircraft engine types the Pratt & Whitney PT6A and Honeywell TPE331. The company buys and sells TPE331 and PT6A engines and parts throughout the world. In addition, it provides finance, rentals and engine maintenance programs for its engine customers.

The company is CASA (Civil Aviation Safety Authority, Australia) approved to perform up to and including Pratt & Whitney PT6A and Honeywell TPE331 turbine engine overhauls. Currently the Brisbane repair and overhaul facility performs Pratt & Whitney hot section inspections and power section overhauls and up to full engine overhauls for the Honeywell TPE331 engines.

Aircraft turbine engines are a world commodity maintained in accordance with the manufacturer's maintenance program and supported by the relevant aviation regulatory authority.

The company listed on the Stock Exchange of Newcastle Ltd (NSX) in March 2005 and prior to listing issued 4,303,897 shares and raised $4,107,563 (before share issue costs) to expand the business. The capital raising enabled the company to complete the purchase of National Flight Services Inc's (NF) Honeywell TPE331 rental engine fleet. NF has four Honeywell TPE331 overhaul shops in North America. The rental engine fleet is used to support the overhaul shop's customer while the customer's engines are being overhauled.

NF and a number of Honeywell shops in North America have access to the TPE331 rental pool. The pool has provided engine trading and rental opportunities both in the Australia/New Zealand region and overseas.

Operating Results

The amount of the net profit of the Company for the financial year, after providing for income tax, was $1,510,388 (2004: $1,042,841), an increase of 45%.

Profit before tax for the year was $2,153,552 (2004: $1,512,685) an increase of 42% above the previous year. This represents an increase of 18% over the forecast net profit before tax of $1.83 million detailed in the Prospectus issued by the company in January 2005.

Financial Position

The net assets of the Company have increased by 176% from 30 June 2004 to $8,435,743 as at 30 June 2005. This increase has largely resulted from the share issues to fund the purchase of the TPE331 engines from National Flight Services, Inc and the addition of engines to the rental and trading pool.

Dividends

No dividends were recommended, provided or paid by the Company during the year. Since the end of the financial year, the directors have recommended the payment of a fully franked final dividend of 6 cents per fully paid ordinary totalling $702,234 to be paid on 15 November 2005 out of retained profits at 30 June 2005.

Significant Changes in State of Affairs

Other than the following there were no significant changes in the state of affairs of the Company.

- on 13 December 2004 the Company changed its status from a private to a public company;
- on 10 March 2005 the Company was admitted to the official list of the NSX;
- additional capital of $4,107,563 (excluding share issue costs of $233,413) was raised during the year; and
- purchase of the National Flight Services Inc rental engine fleet which are either used as rental engines or sold in trading operations.

After Balance Date Events

No matters or circumstances have arisen since the end of the financial year which have significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future years.

Future Developments, Prospects and Business Strategies

Trading conditions continue to be buoyant and the prospects for the continuing performance and growth of the Company remain sound. The Company is maintaining a very strong focus on its core competencies and had identified a number of further initiatives that are expected to enhance its prospects

The directors have excluded from this report any further information on the likely developments in the operations of the Company and the expected results of those operations in future financial years, as the directors have reasonable grounds to believe that it would be likely to result in unreasonable prejudice to the Company.

Environmental Issues

The company operates from Brisbane Airport and is required to meet Brisbane Airport Corporation environment regulations and the Commonwealth's Airports (Environment Protection) Regulations 1997. The company is subject to regular audit by these authorities. There have been no non-compliances to date.

Information on Current Directors

Harvey Parker (Non-Executive Chairman)
Harvey Parker was born in 1943 and has had a distinguished career spanning several industries. He has experience in the aviation industry as Managing Director of New Zealand Post and the Airpost Joint Venture. Presently he is the Chairman and also serves on the audit, remuneration and nominations committees of the Company.

He is a Non-Executive Director of The Volante Group a listed Company (since 2000)

Craig Louis Baker CA, BCA (Managing Director)
Craig Baker was born in 1946 and has had extensive experience in the aviation industry. He is a qualified accountant and has been involved in aviation businesses as a General Manager, Director and Finance Manager for over 20 years.

Along with Hugh Jones, he was involved in the development of Airwork (NZ) Ltd which has grown to become a major aviation provider in New Zealand with annual sales in excess of $80 million.

Craig's duties involve the overall management of the Company.

He has held no other director positions with other listed companies in the last three years.

Hugh Ross Jones (Non-Executive Director)
Hugh Jones was born in 1950 and has extensive experience in the aviation industry. He is the majority shareholder and Managing Director of Airwork (NZ) Ltd and has served a number of years on the board of the New Zealand Civil Aviation Authority. Presently he serves on the remuneration committee of the Company.

He has held no other director positions with other listed companies in the last three years.

Stephen Garry Smith (Sales and Marketing Director)
Stephen Smith was born in 1958 and has 15 years experience in the aviation industry as both a helicopter and fixed wing operator. Prior to joining Pacific Turbine Brisbane Limited, Stephen served as the Commercial Sales Manager for Pacific Turbine Pty Ltd, achieving excellent results.

His duties specifically include managing the sales and marketing strategies of the company.

He has held no other director positions with other listed companies in the last three years.

Ronald James (Dick) David (Non-Executive Director)
Dick David has 35 years experience in the transport industry. He built a business (now known as Australian Fuel Distributors Group) from a small BP fuel distributorship in Katherine, Northern Territory to a substantial Northern Australian transport company with sales revenue of over $100 million. It currently has seven branches across Northern Australia from Kununurra to Cairns. Mr. David sold a majority stake in the company to AMP Henderson Capital Investors. His elder son succeeded him as CEO and he remains on the board. He is a member of the audit and nominations committees of the Company.

He has held no other director positions with other listed companies in the last three years.

Andrew Peter Somerville Kemp B.Com, CA (Alternate Non-Executive Director for Dick David)
Andrew graduated in Commerce from the University of Melbourne and is a chartered accountant. After working for KPMG and Littlewoods Chartered Accountants in Melbourne and Sydney, he joined AIFC, the merchant banking affiliate of the ANZ Banking Group, in Sydney in 1978. From 1979 until 1985, Andrew was Queensland Manager of AIFC.

Andrew joined the North Queensland based Coutts Group as general manager early in 1985, and continued with this group until January 1987 when he formed Huntington Group.

Since 1980, Andrew has been involved in a range of listings, acquisitions and divestments. He has structured and implemented the ASX listing of eleven companies. He has advised clients on a wide range of investments and divestments over the last 20 years.

Andrew is currently a director of the following listed companies: S8 Limited (from February 2004), Silver Chef Limited (from April 2005) and Trojan Equity Limited (from May 2005). He was previously a director of Primelife Corporation Limited (August 1988 to December 2003) and Harbour Capital Ltd (November 2002 to June 2004).

Company Secretary

The following person held the position of company secretary at the end of the financial year:

Annette Abrahams Member of the Australian Institute of Chartered Accountants, B Com and B Compt (Hons), Chartered Accountant
Annette has 11 years experience as a Finance Controller and Chartered Accountant.

Annette has been employed by the Company since July 2003 and was appointed company secretary on 1 February 2005 replacing Craig Baker.

Remuneration Report

This report details the nature and the amount of remuneration of each director and specified executive of Pacific Turbine Brisbane Limited.

Remuneration policy

Non-executive Directors
Directors are to be paid out of Company funds as remuneration for their services, such sum as accrues on a daily basis as the Company in general meeting determines to be divided among them as agreed, or failing agreement, equally. The maximum aggregate amount which has been approved by shareholders for payment to non-executive directors is $50,000 per annum.

Directors' remuneration for their services as directors is by a fixed sum and not a commission on a percentage of profits or operating revenue. It may not be increased except at a general meeting in which particulars of the proposed increase have been provided in the notice convening the meeting to shareholders. There is provision for directors who devote special attention to the business of the Company or who perform services which are regarded as being outside the scope of their ordinary duties as directors, or who at the request of the board engage in any journey on Company business, to be paid extra remuneration determined by the board. Directors are also entitled to their reasonable travel, accommodation and other expenses incurred in attending Company or board meetings, or meetings of any committee engaged in the Company's business.

Any director may be paid a retirement benefit as determined by the Board, consistent with the Corporations Act 2001 and the NSX Listing Rules.

Executive pay

The remuneration committee is responsible for advising the board on remuneration and issues relevant to remuneration policies and practices including those of senior management and executive directors. The committee has responsibility for reviewing and evaluating market practices and trends in relation to remuneration, recommending remuneration policies, overseeing the performance and making recommendations on remuneration of members of senior management and executive directors.

Remuneration in each case is taken as including not only monetary payments (salaries), but all other non-monetary emoluments and benefits, retirement benefits, superannuation and incentive programs.

In each case the committee refers to the general market and industry practice (as far as directly relevant bench marks can be identified for comparative purposes) and the need to attract and retain high calibre personnel. The committee may choose to pay a discretionary bonus to staff (excluding executive directors). This bonus is paid on the basis that the Company continues to generate profits and is intended to reflect the additional effort made by the Company's staff to meet customer requirements. There are no set performance conditions that are required to be met.

The directors, specified executives and staff are entitled to participate in the Employee Share Option Scheme. No options have been given to directors, executives or staff under this scheme to date.

The remuneration policy together with the options package is to encourage the alignment of personal and shareholder interest.

Company Performance, Shareholder Wealth and Directors' and Executive Remuneration
The base salaries for the executives are substantially in accordance with the market for executives of similar levels.

The incentive for the executives was and is delivered through the options referred to in this report. The share price at 30 June 2005 and at the date of this report is less than or equal to the exercise price for the options.

	2005	2004	2003
Revenue ($'000)	11,063	10,715	6,648
Net profit ($'000)	1,510	1,043	1,046
Share price at year-end ($)	1.15	*	*
Dividend paid per share in respect of each financial year	6 cents	Nil	Nil

* The Company listed on Stock Exchange of Newcastle Ltd on 10 March 2005.

Details of Remuneration
The remuneration for each director and specified executive officer of the Company was as follows:

	Primary		Post-employment	Equity	Total
2005 Year	Cash salary and fees $	Non-cash benefits $	Super-annuation $	Options $	$
Directors					
CL Baker *(Managing Director)*	170,483	4,947	83,156	27,420	286,006
SG Smith *(Sales and Marketing Director)*	217,173	8,798	18,000	27,420	271,391
GD Hills(1) *(Non-Executive Director)*	-	-	-	-	-
HR Jones *(Non-Executive Director)*	7,000	-	-	-	7,000
H Parker *(Non-Executive Director)*	7,000	-	-	-	7,000
RJ David(2) *(Non-Executive Director)*	10,000	-	-	-	10,000
APS Kemp(2)(4) *(Non-Executive Director)*	57,653	-	-	20,565	78,218
Total Director	**469,309**	**13,745**	**101,156**	**75,405**	**659,615**
Specified Executive					
AL Abrahams(3) *(Company Secretary and Finance Manager)*	73,091	-	6,386	-	79,477
2004 Year Directors					
CL Baker *(Managing Director)*	126,855	7,775	59,705	-	194,335
SG Smith *(Sales and Marketing Director)*	206,671	4,838	14,062	-	225,571
GD Hills(1) *(Non-Executive Director)*	8,303	4,877	2,013	-	15,193
HR Jones *(Non-Executive Director)*	-	-	-	-	-
H Parker *(Non-Executive Director)*	-	-	-	-	-
Total Director	**341,829**	**17,490**	**75,780**	**-**	**435,099**
Specified Executive					
AL Abrahams *(Finance Manager)*	70,088	-	6,028	-	76,116

(1) Resigned employment in July 2003 and directorship 14 December 2004.
(2) Appointed 17 December 2004
(3) Appointed company Secretary 1 February 2005.
(4) APS Kemp's remuneration comprises amounts paid for services provided in respect of corporate advisory and capital raising strategy services.

There were no other executives in the current or prior year. No part of the primary or post employment remuneration is related to performance.

Options Issued as part of Remuneration for the Year Ended 30 June 2005

During the financial year options were granted to directors by the company as disclosed below. The options were issued free of charge and are exercisable at the price disclosed. Each option granted is convertible into one ordinary share in Pacific Turbine Brisbane Limited. The options were issued upon listing pursuant to the prospectus dated 4 January 2005. Options granted carry no dividend or voting rights. No options were exercised or lapsed during the year.

The terms and conditions of each grant of options affecting remuneration in this and future reporting periods are as follows:

	Granted number	Vested number	Grant date/ vesting date	Value per option at Grant date/ vesting date	Exercise price per share	First exercise date	Last exercise date
Directors							
CL Baker	200,000	200,000	10/03/2005	$0.14	$1.15	10/03/2006	10/03/2008
SG Smith	200,000	200,000	10/03/2005	$0.14	$1.15	10/03/2006	10/03/2008
APS Kemp	150,000	150,000	10/03/2005	$0.14	$1.15	10/03/2006	10/03/2008

The amounts disclosed for remuneration relating to options above are the assessed fair values at grant date of options granted to directors, allocated equally over the period from grant date to vesting date. Fair values at grant date are determined using a Binomial option pricing model and takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

Further details relating to options granted during the financial year are set out below:

Directors	Remuneration consisting of options	Value at grant date $
CL Baker	10%	27,420
SG Smith	10%	27,420
APS Kemp	26%	20,565

All options granted during the year vested during the year.

The options were granted upon listing on 10 March 2005 and include no ongoing vesting performance conditions but are considered to be a reasonable financial benefit to be applied as part of the reasonable remuneration applicable for their services having regard to the benefits the Company has and will gain from their continuing involvement with the Company.

Service Contracts

Major provisions of service agreements with the executive directors and specified executives as at 30 June 2005 are set out below.

CL Baker (Managing Director)

- Term of agreement – Minimum of three years commencing 17 December 2004
- Base annual salary – $220,000 plus 9% superannuation plus vehicle to be reviewed annually by the remuneration committee
- Notice period – Termination by a minimum of 12 months notice in writing by either party other than for gross misconduct. Termination payment is equivalent to one year's salary plus superannuation as noted above.

SG Smith (Sales and Marketing Director)

- Term of agreement – Minimum of three years commencing 17 December 2004
- Base annual salary – $220,000 plus 9% superannuation plus vehicle to be reviewed annually by the remuneration committee
- Notice period – Termination by a minimum of 12 months notice in writing by either party other than for gross misconduct. Termination payment is equivalent to one year's salary plus superannuation as noted above.

No other directors or executives are subject to service agreements.

Meeting of Directors

Full Board
During the financial year, 13 meetings of directors were held. Attendances by each director during the year were as follows:

	Number of Meetings Held While a Director	Number of Meetings Attended
CL Baker	13	13
SG Smith	13	11
HR Jones	13	8
GD Hills	7	2
H Parker	13	12
RJ David	6	3
APS Kemp	6	6

Remuneration Committee

Members of the committee are as follows:

- H Parker
- HR Jones

No meetings of the Remuneration Committee were held during the year ended 30 June 2005 as the committee was established late in the financial year.

Audit and Risk Management Committee

Members of the committee are as follows:

- H Parker
- RJ David

No meetings of the audit committee were held during the year ended 30 June 2005 as the committee was established late in the financial year.

Nominations Committee

Members of the committee are as follows:

- H Parker
- RJ David

No meetings of the nominations committee were held during the year ended 30 June 2005 as the committee was established late in the financial year.

Share Options

Employee Share Option Scheme
In order to provide an incentive to the executives and employees of the Company, an Employee Share Option Scheme is in place. The incentive provided by the scheme will be of material benefit to the Company in encouraging the commitment and continuity of service of the recipients. By providing executives and employees with a personal financial interest in the Company, the Company will be able to attract and retain executive directors, key executives and employees in a highly competitive market. This is expected to result in future benefits accruing to the shareholders of the Company. Executive Directors are entitled to participate in the Employee Share Option Scheme, since they take part in the management of the Company.

No options have been issued under the plan up to the date of the report.

Shares Issued on Exercise of Options
No options have been exercised during the year and up to the date of the report.

Shares Under Option
At the date of this report, Pacific Turbine Brisbane Limited has unissued ordinary shares under option as follows:

Issue price	No. of ordinary shares	Expiry date of options
$1.15	550,000	10 March 2008

Directors' Interests

Director's shares and options in the Company at the date of this report are as follows:

	Ordinary Shares*	Share Options
CL Baker	1,806,000	200,000
SG Smith	1,776,000	200,000
HR Jones	1,776,000	–
H Parker	296,000	–
RJ David	212,000	–
APS Kemp	99,000	150,000

* includes personally related entities, for example APS Kemp includes 12000 shares held by an entity related to his brother.

Directors’ Report

Indemnification and Insurance of Directors Officers and Auditors

During or since the end of the financial year, the Company has not given any indemnity or entered into any agreement to indemnify, or paid or agreed to pay insurance premiums in relation to an officer or auditor, except as detailed below.

The company has Director and Officers insurance in place for all directors and officers of the company.

The insurance insures any person who is or has been an officer of the Company against certain liabilities in respect of their duties as an officer of the Company, and any other payments arising from or in connection with such proceedings, other than where such liabilities arise from conduct involving a willful breach of duty.

The policy prohibits disclosure of details of the cover and the amount of the premium paid.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.
No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the Corporations Act 2001

Non-Audit Services

The Company may decide to employ the auditor on assignments additional to statutory audit duties where the auditor’s expertise and experience with the Company are important.

The board of directors has considered the position and, in accordance with the advice received from the audit committee is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in Professional Statement F1, including reviewing or auditing the auditor’s own work, acting in a management or a decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risk and rewards.

A copy of the auditor’s signed independence declaration as required under section 307C of the Corporations Act 2001 is attached to this report.

During the year the following fees were paid or payable for services provided by the auditor of the company, Johnston Rorke.

	2005 $	2004 $
Audit services		
Audit and review of financial reports under the Corporations Act 2001	30,000	18,500
Other assurance services		
Preparation of independent accountant’s report on historical information for inclusion in prospectus issued in January 2005	20,000	-
Total remuneration for assurance services	50,000	18,500
Non-audit services		
Taxation advice and compliance	4,400	-
Total remuneration	**54,400**	**18,500**

This report is made in accordance with a resolution of the directors.

H Parker
Chairman

Brisbane
19 September 2005

Auditor's Independence Declaration

JOHNSTON RORKE JR

Chartered Accountants

Floor 5 National Bank House
255 Adelaide Street Brisbane Q 4000
GPO Box 1144 Brisbane Q 4001
Ph 07 3222 8444 / Fax 07 3221 7779
Website www.jr.com.au
Email jr@jr.com.au

The Directors
Pacific Turbine Brisbane Limited
47-51 Pandanus Avenue
BRISBANE AIRPORT QLD 4007

Auditor's Independence Declaration

As lead engagement partner for the audit of the financial report of Pacific Turbine Brisbane Limited for the year ended 30 June 2005, I declare that, to the best of my knowledge and belief, there have been:

i. no contraventions of the independence requirements of the Corporations Act 2001 in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

JOHNSTON RORKE
Chartered Accountants

R.C.N. WALKER
Partner

Brisbane, Queensland
19 September 2005

Scope of responsibility of the Board

Responsibility for the Company's proper corporate governance rests with the Board. The Board's guiding principle in meeting this responsibility is to act honestly, conscientiously and fairly, in accordance with the law, in the interests of Pacific Turbine Brisbane Limited's (PTB) shareholders with a view to building sustainable value for them and those of employees and other stakeholders.

The Board's broad function is to:

(a) chart strategy and set financial targets for the Company;

(b) monitor the implementation and execution of strategy and performance against financial targets; and

(c) appoint and oversee the performance of executive management and generally to take and fulfil an effective leadership role in relation to the Company.

Power and authority in certain areas is specifically reserved to the Board - consistent with its function as outlined above. These areas include:

(a) composition of the Board itself including the appointment and removal of Directors;

(b) oversight of the Company including its control and accountability system;

(c) appointment and removal of senior management and the Company secretary;

(d) reviewing and overseeing systems of risk management and internal compliance and control, codes of ethics and conduct, and legal and statutory compliance;

(e) monitoring senior management's performance and implementation of strategy; and

(f) approving and monitoring financial and other reporting and the operation of committees.

Composition of Board

The Board performs its role and function, consistent with the above statement of its overall corporate governance responsibility, in accordance with the following principles:

(a) the Board should comprise at least five directors;

(b) at least half of the Board should be non-executive directors independent from management; and

(c) the chairman of the Board should be one of the independent non-executive directors.

Board charter and policy

The Board has adopted a charter (which will be kept under review and amended from time to time as the Board may consider appropriate) to give formal recognition to the matters outlined above. This charter sets out various other matters that are important for effective corporate governance including the following:

(a) a detailed definition of 'independence';

(b) a framework for the identification of candidates for appointment to the Board and their selection;

(c) a framework for individual performance review and evaluation;

(d) proper training to be made available to Directors both at the time of their appointment and on an on-going basis;

(e) basic procedures for meetings of the Board and its committees - frequency, agenda, minutes and private discussion of management issues among non executive Directors;

(f) ethical standards and values - formalised in a detailed code of ethics and values;

(g) dealings in securities - formalised in a detailed code for securities transactions designed to ensure fair and transparent trading by Directors and senior management and their associates; and

(h) communications with shareholders and the market.

These initiatives, together with the other matters provided for in the Board's charter, are designed to 'institutionalise' good corporate governance and generally, to build a culture of best practice in PTB's own internal practices and in its dealings with others.

Audit and risk management committee

The purpose of this committee is to advise on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the Company. Its current members are Harvey Parker and Dick David.

The committee performs a variety of functions relevant to risk management and internal and external reporting and reports to the Board following each meeting. Among other matters for which the committee is responsible are the following:

(a) Board and committee structure to facilitate a proper review function by the Board;

(b) internal control framework including management information systems;

(c) corporate risk assessment and compliance with internal controls;

(d) internal audit function and management processes supporting external reporting;

(e) review of financial statements and other financial information distributed externally;

(f) review of the effectiveness of the audit function;

(g) review of the performance and independence of the external auditors;

(h) review of the external audit function to ensure prompt remedial action by management, where appropriate, in relation to any deficiency in or breakdown of controls;

(i) assessing the adequacy of external reporting for the needs of shareholders; and

(j) monitoring compliance with the Company's code of ethics.

Meetings are held at least three times each year. A broad agenda is laid down for each regular meeting according to an annual cycle. The committee invites the external auditors to attend each of its meetings.

Remuneration committee

The purpose of this committee is to assist the Board and report to it on remuneration and issues relevant to remuneration policies and practices including those for senior management and non-executive Directors. Its current members are Harvey Parker and Hugh Jones.

Among the functions performed by the committee are the following:

(a) review and evaluation of market practices and trends on remuneration matters;

(b) recommendations to the Board in relation to the Company 's remuneration policies and procedures;

(c) oversight of the performance of senior management and non-executive Directors; and

(d) recommendations to the Board in relation to the remuneration of senior management and non-executive Directors.

Meetings are held at least twice each year.

Nominations committee

The purpose of this committee is to assist the Board and make recommendations to it in relation to the appointment of new Directors. Its current members are Harvey Parker and Dick David.

Functions performed by the committee include the following:

(a) development of suitable criteria (as regards skills, qualifications and experience) for Board candidates;

(b) identification and consideration of possible candidates, and recommendation to the Board accordingly;

(c) establishment of procedures, and recommendations to the Chairman, for the proper oversight of the Board and management; and

(d) ensuring the performance of each Director is reviewed and assessed each year in accordance with procedures adopted by the Board.

Meetings are held at least annually.

Best practice commitment

The Company is committed to achieving and maintaining the highest standards of conduct and has undertaken various initiatives, as outlined in this section, that are designed to achieve this objective. PTB's corporate governance charter is intended to 'institutionalise' good corporate governance and, generally, to build a culture of best practice both in the Company's own internal practices and in its dealings with others.

The following are a tangible demonstration of the Company's corporate governance commitment.

Independent professional advice

With the prior approval of the Chairman, which may not be unreasonably withheld or delayed, each Director has the right to seek independent legal and other professional advice concerning any aspect of the Company's operations or undertakings in order to fulfil their duties and responsibilities as Directors. Any costs incurred are borne by the Company.

Code of ethics and values

The Company has developed and adopted a detailed code of ethics and values to guide Directors in the performance of their duties.

Code of conduct for transactions in securities

The Company has developed and adopted a formal code to regulate dealings in securities by Directors and senior management and their associates. This is designed to ensure fair and transparent trading in accordance with both the law and best practice.

Charter

The code of ethics and values and the code of conduct for transactions in securities (referred to above) both form part of the Company's corporate governance charter which has been formally adopted, which complies with NSX corporate governance guidelines and best practice recommendations.

Corporate Governance Statement

for the year ended 30 June 2005

The ASX document, 'Principles of Good Corporate Governance and Best Practice Recommendations' ('Guidelines') applying to listed entities was published in March 2003 by the ASX Corporate Governance Council with the aim of enhancing the credibility and transparency of Australia's capital markets.

The Board has assessed the Company's current practice against the Guidelines and outlines its assessment below:

Principle 1 – Lay solid foundations for management and oversight

The role of the Board and delegation to management have been formalised as described above in this section and will continue to be refined, in accordance with the Guidelines, in light of practical experience gained in operating as a listed company. PTB complies with the Guidelines in this area.

Principle 2 – Structure the Board to add value

Of the five Company Directors, Harvey Parker, Hugh Jones and Dick David are non-executive Directors.

Together, the Directors have a broad range of experience, expertise, skills, qualifications and contacts relevant to the business of the Company.

Principle 3 – Promote ethical and responsible decision making

The Board has adopted a detailed code of ethics and values and a detailed code of conduct for transactions in securities as referred to above. The purpose of these codes is to guide Directors in the performance of their duties and to define the circumstances in which both they and management, and their respective associates, are permitted to deal in securities.

The Board will ensure that restrictions on dealings in securities are strictly enforced. Both codes have been designed with a view to ensuring the highest ethical and professional standards, as well as compliance with legal obligations, and therefore compliance with the Guidelines.

Principle 4 – Safeguard integrity in financial reporting

The audit and risk committee (with its own charter) complies with the Guidelines. All the members of the audit committee are financially literate.

Principle 5 – Make timely and balanced disclosure

PTB's current practice on disclosure is consistent with the Guidelines. Policies and procedures for compliance with NSX Listing Rules disclosure requirements are included in the Company's corporate governance charter.

Principle 6 – Respect the rights of shareholders

The Board recognises the importance of this principle and strives to communicate with shareholders both regularly and clearly – both by electronic means and using more traditional communication methods. Shareholders are encouraged to attend and participate at general meetings. The Company's auditors will always attend the annual general meeting and will be available to answer shareholders' questions. The Company's policies comply with the Guidelines in relation to the rights of shareholders.

Principle 7 – Recognise and manage risks

The Board, together with management, has constantly sought to identify, monitor and mitigate risk. Internal controls are monitored on a continuous basis and, wherever possible improved. The whole issue of risk management is formalised in the Company's corporate governance charter (which complies with the Guidelines in relation to risk management) and will continue to be kept under regular review. Review takes place at both committee level (audit and risk management committee), with meetings at least three times each year and at Board level.

Principle 8 – Encourage enhanced performance

The corporate governance charter adopted by the Board requires individual performance review and evaluation to be conducted formally on an annual basis. The Board acknowledges that performance can always be enhanced and will continue to seek and consider ways of further enhancing performance both individually and collectively. PTB's practice complies with the Guidelines in this area.

Principle 9 – Remunerate fairly and responsibly

PTB's current practices in this area are reviewed regularly and comply with the Guidelines. Remuneration of Directors and executives is fully disclosed in the annual report. The remuneration committee, which advises and reports to the Board, is appropriately constituted in that members of the remuneration committee are non-executive directors with experience in corporate governance best practice.

Principle 10 – Recognise the legitimate interests of stakeholders

The Board recognises the importance of this principle (which it believes represents not only sound ethics but also good business sense and commercial practice) and continues to develop and implement procedures to ensure compliance with legal and other obligations to legitimate stakeholders. The Company and its policies and practices comply with the Guidelines in this area.

Statement of Financial Performance

for the year ended 30 June 2005

	Note	2005 $	2004 $
Revenues from ordinary activities			
Revenue from ordinary activities	2	11,063,249	10,715,370
Expenses from ordinary activities			
Changes in inventories		(219,077)	(215,741)
Purchase of inventories		6,219,728	7,596,727
Employee benefits and related costs		1,065,430	1,037,824
Carrying value of property, plant and equipment disposed		631,196	1,333
Net foreign exchange losses		38,471	77,383
Depreciation and amortisation		231,606	65,193
Borrowing costs		131,372	131,853
Other expenses		810,971	508,113
		8,909,697	9,202,685
Profit from ordinary activities before income tax expense	3	2,153,552	1,512,685
Income tax expense	4	(643,164)	(469,844)
Net profit	**16**	**1,510,388**	**1,042,841**

		Cents	
Basic earnings per share (cents)	18	16.4	
Diluted earnings per share (cents)	18	16.4	

The statement of financial performance should be read in conjunction with the accompanying notes.

Statement of Financial Position

for the year ended 30 June 2005

	Note	2005 $	2004 $
Current Assets			
Cash assets		1,346,434	115,051
Receivables	5	3,300,732	3,475,498
Inventories	6	2,000,022	1,780,945
Other	7	90,142	154,256
Total Current Assets		**6,737,330**	**5,525,750**
Non-Current Assets			
Receivables	5	657,862	752,575
Property, plant and equipment	8	4,021,960	392,614
Deferred tax assets	9	–	75,866
Total Non-Current Assets		4,679,822	1,221,055
Total Assets		**11,417,152**	**6,746,805**
Current Liabilities			
Payables	10	812,761	1,095,754
Interest-bearing liabilities	11	1,003,013	1,492,973
Current tax liabilities	12	243,739	300,536
Provisions	13	137,024	124,454
Other	14	87,647	123,080
Total Current Liabilities		**2,284,184**	**3,136,797**
Non Current Liabilities			
Interest-bearing liabilities	11	522,895	497,978
Deferred tax liabilities	12	104,308	–
Provisions	13	70,022	60,825
Total Non-Current Liabilities		697,225	558,803
Total Liabilities		2,981,409	3,695,600
Net Assets		**8,435,743**	**3,051,205**
Equity			
Contributed equity	15	3,878,150	4,000
Retained profits	16	4,557,593	3,047,205
Total Equity		**8,435,743**	**3,051,205**

The statement of financial position should be read in conjunction with the accompanying notes.

Statement of Cash Flows

for the year ended 30 June 2005

	Note	2005 $	2004 $
Cash Flow From Operating Activities			
Cash receipts in the course of operations		10,626,532	8,316,580
Cash payments in the course of operations		(8,687,126)	(9,510,076)
Interest received		199,047	94,761
Borrowing costs paid		(131,372)	(131,853)
Income taxes paid		(519,787)	(511,799)
Net cash provided by/(used in) operating activities	**17**	**1,487,294**	**(1,742,387)**
Cash Flow From Investing Activities			
Payments for property, plant and equipment		(4,592,788)	(83,156)
Payments for deposit on property, plant and equipment		–	(71,684)
Proceeds on disposal of property, plant and equipment		927,770	–
Net cash used in investing activities		**(3,665,018)**	**(154,840)**
Cash Flow From Financing Activities			
Proceeds from borrowings		1,151,744	1,943,365
Repayment of borrowings		(1,184,291)	(500,020)
Repayment of lease liabilities		(43,973)	(46,963)
Proceeds from issue of shares		4,107,563	–
Share issue transaction costs		(233,413)	–
Repayment of director loans		–	(75,000)
Net cash provided by financing activities		3,797,630	1,321,382
Net increase/(decrease) in cash held		1,619,906	(575,845)
Cash at the beginning of the year		(359,557)	216,288
Cash at the end of the year	**17**	**1,260,349**	**(359,557)**

The statement of cash flows should be read in conjunction with the accompanying notes.

1. Summary of Significant Accounting Policies

This financial report is a general purpose financial report prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

It is prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. The accounting policies have been consistently applied, unless otherwise stated.

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial report.

(a) Income Tax

Tax effect accounting procedures are followed whereby the income tax expense in the statement of financial performance is matched with the accounting profit after allowing for permanent differences. The future tax benefit relating to tax losses is not carried forward as an asset unless the benefit is virtually certain of realisation. Income tax on cumulative timing differences is set aside to the deferred income tax liability or future income tax benefit accounts at the rates which are expected to apply when those timing differences reverse.

(b) Cash

For the purposes of the Statement of Cash Flows, cash includes cash at bank and on hand as well as highly liquid investments with short periods to maturity which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

(c) Acquisition of Assets

The purchase method of accounting is used for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their market price as at acquisition date. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

(d) Receivables

Sales made on credit and due 30 days are included in trade debtors at the amounts receivable, net of a provision for amounts estimated to be uncollectable.

Extended credit receivables (under hire purchase agreements) are recognised at the amount equal to the aggregate of the present value of the minimum hire purchase payments and the present value of any unguaranteed residual expected to accrue to the benefit of the company at the end of the hire purchase term. The asset is reduced by the principal component of hire purchase receipts. The interest component is credited to the statement of financial performance on an accruals basis.

(e) Inventories

Inventories are stated at the lower of cost and net realisable value. Costs are assigned to individual items of stock on an actual cost basis.

(f) Leased Non-Current Assets

As Lessee

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incident to ownership of leased non-current assets, and operating leases under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the interest expense.

The lease asset is amortised on a straight-line basis over the term of the lease, or where it is likely that the company will obtain ownership of the asset, the life of the asset. Refer note 1(h) for the expected useful lives.

Operating lease payments are charged to the statement of financial performance in the periods in which they are incurred, as this represents the pattern of benefits derived from the leased assets.

As Lessor

For operating leases, the leased asset (rental engines) is classified as a non-current asset and depreciated in accordance with the depreciation policy set out in note 1(h). Rental revenue is recognised in accordance with policy set out in note 1(p).

(g) Leasehold Improvements

The cost of improvements to or on leasehold properties is amortised over the unexpired period of the lease or the estimated useful life of the improvement to the company, whichever is the shorter.

(h) Depreciation of Property, Plant and Equipment

Depreciation is generally calculated on a straight-line or diminishing value basis so as to write off the net cost or revalued amount of each item of property, plant and equipment (excluding land and rental engines) over its expected useful life to the company. For rental engines, depreciation is based on the estimated operating hours.

The expected useful lives are as follows:

Class	Life	Basis
Leasehold improvements	5 years	SL
Leasehold improvements - leased	6 years	SL
Plant and equipment	3 - 10 years	DV
Plant and equipment - leased	6 - 8 years	DV
Rental engines	5,500 - 7,000 hours	Actual hours as a proportion of estimated total operating hours

Certain items of plant and equipment, primarily rental engines, are required to be overhauled on a regular basis. This is managed as part of an ongoing major cyclical maintenance program. The costs of this maintenance are charged as expenses as incurred, except where they relate to the replacement of a component of an asset, in which case the costs are capitalised and depreciated in accordance with the above. Other routine operating maintenance, repair and minor renewal costs are also charged as expenses as incurred.

(i) Recoverable Amount of Non-Current Assets

The recoverable amount of an asset is the net amount expected to be recovered through the net cash inflows arising from its continued use and subsequent disposal.

Where the carrying amount of a non-current asset is greater than its recoverable amount, the asset is written down to its recoverable amount. The expected net cash flows included in determining recoverable amounts of non-current assets are not discounted to their present values.

(j) Foreign Currency Translation

Foreign currency transactions are initially translated into Australian currency at the rate of exchange at the date of the transaction. At balance date amounts payable and receivable in foreign currencies are translated into Australian currency at rates of exchange current at that date. Resulting exchange differences are recognised in determining the profit for the period.

(k) Payables

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the company. Trade creditors are unsecured and are usually settled within 30 days of recognition.

(l) Interest-Bearing Liabilities

Interest-bearing liabilities are recognised in the statement of financial position at the principal amount. Interest, where applicable, is charged as an expense as it accrues and is included in trade creditors and accruals.

(m) Employee Benefits

Wages and salaries and annual leave

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

Long service leave

The liability for long service leave expected to be settled within 12 months of the reporting date is recognised and is measured in accordance with the above. The liability for long service leave expected to be settled more than 12 months from the reporting date is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and period of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash flows.

Superannuation

Contributions are made by the company to accumulation superannuation funds. Contributions are charged as expenses as they are incurred.

(n) Borrowing Costs

Borrowing costs are recognised as expenses in the period in which they are incurred. Borrowing costs include:

- interest on bank overdrafts and short-term and long-term borrowings;
- amortisation of discounts and premiums relating to borrowings;
- amortisation of ancillary costs incurred in connection with the arrangement of borrowings; and
- finance lease charges.

(o) Unearned Revenue

Unearned revenue includes amounts received in advance from customers. Such amounts are recorded as revenue in the statement of financial performance when goods and services are provided.

(p) Revenue Recognition

Revenue from the sale of goods is recognised at time of delivery to customers.

Revenue from repairs is recognised at the time the service is performed.

Revenue from sale of goods and provision of services under maintenance contracts is recognised in accordance with the stage of completion method unless the outcome of the contract cannot be reliably estimated. Where it is probable that a loss will arise from the contract, the excess of total costs over revenue is recognised as an expense immediately. When the outcome of the contract cannot be reliably estimated, contract costs are recognised as an expense as incurred, and where it is probable that costs will be recovered, revenue is recognised to the extent of costs incurred.

Interest on extended credit receivables (under hire purchase agreements) is recognised progressively by the company over the hire purchase term to achieve a constant periodic rate of return on the carrying amount of the receivable (hire purchase receivable).

Rental revenue from engines is recognised on a basis representative of the pattern of service rendered through the provision of the relevant engine. In other words, rental revenue is based on an hourly rate and hours of usage.

(q) Goods and Services Tax

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

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

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

(r) Comparatives

Where necessary comparative figures have been adjusted to conform with changes in presentation for the current financial year.

(s) General

This financial report covers Pacific Turbine Brisbane Limited as an individual entity. Pacific Turbine Brisbane Ltd is a public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

47-51 Pandanus Avenue
BRISBANE AIRPORT QLD 4007

The company changed status from a proprietary company to a public company on 13 December 2004 resulting in a change in name from Pacific Turbine Brisbane Pty Ltd to Pacific Turbine Brisbane Limited.

2. Revenue

	2005 $	2004 $
Revenue from operating activities		
Sale of engines	4,530,625	7,209,755
Sale of parts	3,978,499	3,132,904
Services	328,540	272,908
Rental of engines	620,041	–
	9,457,705	10,615,567
Revenue from outside the operating activities		
Insurance recovery	330,120	–
Interest		
– Extended credit receivables (hire purchase agreements)	164,778	92,874
– Other	34,269	1,887
Debt forgiveness – shareholder loans (note 14)	123,080	–
Proceeds on disposal of property, plant and equipment	927,770	–
Other	25,527	5,042
	11,063,249	**10,715,370**

3. Profit from Ordinary Activities

Profit from ordinary activities before income tax expense includes the following specific items:

	2005 $	2004 $
Cost of sale of goods	6,000,651	7,380,986
Depreciation		
– Plant and equipment	41,659	42,889
– Rental engines	148,930	–
Amortisation		
– Leasehold improvements	21,340	569
– Leased leasehold improvements	12,513	13,125
– Leased plant and equipment	7,164	8,610
Operating lease rentals – minimum lease payments		
– Premises	45,565	43,429
– Equipment	2,536	2,536
Bad and doubtful debts – trade debtors	–	11,601
Significant items		
Proceeds on disposal of property, plant and equipment	927,770	–
Carrying value of property, plant and equipment disposal	(631,196)	(1,333)
Gain/(loss) on disposal of property, plant and equipment	296,574	(1,333)
Insurance recovery	330,120	–
Write down of rental engine	(100,000)	–
	230,120	–
Debt forgiveness – shareholder loans	123,080	–

4. Income Tax

The income tax expense for the financial year differs from the amount calculated on the profit. The differences are reconciled as follows:

	2005 $	2004 $
Profit from ordinary activities before income tax expense	2,153,552	1,512,685
Income tax calculated at 30% (2004: 30%)	646,066	453,806
Tax effect of permanent differences:		
- Non-deductible expenditure	11,103	9,485
- Deductible issue costs	(14,005)	-
Income tax adjusted for permanent differences	643,164	463,291
Under provision in prior year	-	6,553
Income tax expense	643,164	469,844
Franking Credits		
Franking credits available for subsequent financial years	1,828,223	1,365,233

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:
(a) franking credits that will arise from the payment of the current tax liability;
(b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date; and
(c) franking credits that may be prevented from being distributed in subsequent financial years.

Dividends Not Recognised at Year End

Since year end the directors have recommended the payment of a final dividend of 6 cents per fully paid ordinary share, fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 15 November 2005 out of retained profits at 30 June 2005, but not recognised as a liability at year end is

	2005 $	2004 $
	702,234	-

5. Receivables

	2005 $	2004 $
Current		
Trade debtors	2,328,012	1,902,256
Provision for doubtful debts	(40,054)	(40,054)
	2,287,958	1,862,202
Maintenance contract receivables	63,383	-
Extended credit receivables (hire purchase agreements)	905,176	1,613,296
Other debtors	44,215	-
	3,300,732	3,475,498
Non-Current		
Maintenance contract receivables	147,893	-
Extended credit receivables (hire purchase agreements)	509,969	752,575
	657,862	752,575

Maintenance contract receivables represent amounts owed by customers under maintenance contracts. The agreements requires fixed monthly payments over the term of the contract.

Extended credit receivables (hire purchase agreements) represent amounts owed by customers for engines sold by the company to those customers. The amounts owed by customers are secured under hire purchase agreements between the company and the customer. The amounts are repayable by the customers by monthly instalments of principal and fixed interest over periods of 1 to 2 years with no unguaranteed residual value. Furthermore the agreements do not include any contingent rentals. The receivables are secured as the rights to the engine revert to the company in event of default. The engines are maintained and insured by the customers and at the end of the term of the agreement are retained by the customers.

Amounts Receivable

Payments in relation to the hire purchase agreements are receivable as follows:-

	2005 $	2004 $
Within one year	971,319	1,748,463
Later than one year but not later than five years	534,400	782,187
Minimum lease payments	1,505,719	2,530,650
Future finance revenue		
Within one year	(66,143)	(135,167)
Later than one year but not later than five years	(24,431)	(29,612)
	(90,574)	(164,779)
	1,415,145	2,365,871
Representing receivables		
Current	905,176	1,613,296
Non-current	509,969	752,575
	1,415,145	2,365,871

6. Inventories

	2005 $	2004 $
Work in progress – at cost	190,280	403,789
Finished goods – at cost	1,809,742	1,407,156
	2,000,022	1,810,945
Provision for obsolescence	-	(30,000)
	2,000,022	1,780,945

Finished goods includes both completed engines and engine parts ready for sale. Work in progress includes engines undergoing reconditioning in preparation for sale as well as incomplete repair jobs.

7. Other Assets – Current

	2005 $	2004 $
Prepayments	70,142	70,451
Deposits	20,000	83,805
	90,142	154,256

8. Property, Plant and Equipment

	2005 $	2004 $
Leasehold improvements – at cost	97,447	95,151
Accumulated amortisation	(21,909)	(569)
	75,538	94,582
Leasehold improvements under finance lease – at cost	73,533	73,533
Accumulated amortisation	(30,649)	(18,136)
	42,884	55,397
Plant and equipment - at cost	306,733	266,656
Accumulated depreciation	(147,723)	(91,465)
	159,010	175,191
Plant and equipment under finance lease - at cost	47,535	98,127
Accumulated amortisation	(11,798)	(30,683)
	35,737	67,444
Rental engines - at cost	3,957,721	-
Accumulated depreciation and write-down	(248,930)	-
	3,708,791	-
	4,021,960	**392,614**

Reconciliations

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current financial year are set out below:

	Leasehold Improvements		Plant & Equipment		Rental Engines	
	At Cost $	Under Lease $	At Cost $	Under Lease $	At Cost $	Total $
Carrying amount at 1 July 2004	94,582	55,397	175,191	67,444	-	392,614
Additions	2,296	-	17,401	-	4,572,451	4,592,148
Transfers	-	-	24,543	(24,543)	-	-
Disposals	-	-	(16,466)	-	(614,730)	(631,196)
Write-down	-	-	-	-	(100,000)	(100,000)
Depreciation/amortisation	(21,340)	(12,513)	(41,659)	(7,164)	(148,930)	(231,606)
Carrying amount 30 June 2005	**75,538**	**42,884**	**159,010**	**35,737**	**3,708,791**	**4,021,960**

Rental Arrangements

Rental engines are generally rented to customers under agreements with rentals payable monthly and no fixed term. As such, the agreements are cancellable. The rent is calculated on the basis of an hourly rate and hours of usage. There are no minimum hours of usage set out in the relevant agreements. As such, in accordance with AASB 1008 "Leases" the rental income comprises of contingent rentals not minimum lease payments (2005: $620,041; 2004: $nil). Accordingly, there are no fixed lease commitments receivable.

9. Deferred Tax Assets – Non-Current

	2005 $	2004 $
Future income tax benefit	–	75,866

10. Payables

	2005 $	2004 $
Trade creditors and accruals	812,761	1,023,430
Other creditors	–	72,324
	812,761	1,095,754

11. Interest-Bearing Liabilities

	2005 $	2004 $
Current		
Secured		
Bank overdraft	86,085	474,608
Bank loans	895,434	974,867
Lease liabilities	21,494	43,498
	1,003,013	1,492,973
Non-Current		
Secured		
Bank loans	515,364	468,478
Lease liabilities	7,531	29,500
	522,895	497,978

The bank overdraft and bank loans are secured by way of a registered mortgage debenture over all assets and undertakings of the company, chattel mortgages over specific engines (subject to hire purchase agreements) and limited personal guarantees by two directors.

Lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

Assets Pledged as Security
All the assets of the company are pledged as security for the facilities as noted above.

12. Tax Liabilities

	2005 $	2004 $
Current		
Income tax	243,739	300,536
Non-Current		
Deferred tax liabilities	104,308	–

13. Provisions

	2005 $	2004 $
Current		
Employee benefits	137,024	124,454
Non-Current		
Employee benefits	70,022	60,825
Aggregate employee benefits and related on-cost liabilities		
Trade creditors and accruals – current	26,931	30,091
Provision for employee benefits		
– current	137,024	124,454
– non-current	70,022	60,825
	233,977	215,370
Number of employees at end of financial year	10	10

14. Other Liabilities - Current

	2005 $	2004 $
Deferred revenue	87,647	-
Director/shareholder loans - unsecured	-	123,080
	87,647	123,080

Deferred revenue relates to maintenance contract revenue received in advance under maintenance contracts which is invoiced based on a pre-determined formula each month over the term of the contract.

Director/shareholder loans were forgiven during the 2005 financial year. These loans were previously unsecured, interest free and with no fixed repayment date. The loans were provided at around the time the company began trading for the purpose of funding initial working capital. It was agreed during the 2005 financial year that the loans would not be repaid.

15. Contributed Equity

	2005 $	2004 $
Share Capital		
11,703,897 ordinary shares fully paid (2004: 2,000 A class and 2,000 C class shares fully paid)	3,878,150	4,000

Movements in Ordinary Share Capital

	Note	No of shares	Issue Price $	$
Opening balance 1 July 2004		–		–
Conversion of A and C class shares	a)	4,000		4,000
Additional shares arising from share split	a)	7,396,000		–
Private share placement	b)	1,308,897	0.85	1,112,563
Public offer	c)	2,995,000	1.00	2,995,000
Share issue costs		–		(233,413)
Closing balance 30 June 2005		11,703,897		3,878,150

There were no movements in share capital during 2004.

Notes

a) In November 2004, the "A" and "C" class shares were converted into ordinary shares. The ordinary shares were then restructured by a 1,850 for 1 share split resulting in the share capital increasing from 4,000 to 7,400,000 ordinary shares.

b) In November 2004 1,308,897 ordinary shares were issued at $0.85 per share to private investors raising $1,112,563 cash.

c) In February 2005 2,995,000 ordinary shares were issued at $1.00 per share pursuant to a prospectus dated 4 January 2005 raising $2,995,000 cash.

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to vote, and upon a poll each share is entitled to one vote.

A class shares were entitled to one vote each. C class shares were not entitled to voting rights. Both classes had rights to dividends and proceeds on winding up.

Options

As at balance date the number of options to purchase ordinary shares in the company was as follows:

	No. of Options	Exercise Price	Expiry Date
Options – directors	550,000	$1.15	10 March 2008

The options were issued upon listing on 10 March 2005 and can be converted into ordinary shares on a one for one basis for cash. They are exercisable 12 months after issue and expire 3 years after issue. No options have been exercised since issue date.

An employee share option scheme was approved by shareholders on 3 June 2005. Up to 30 June 2005 no options had been issued under the plan. Refer to note 20 for details.

16. Retained Profits

	2005 $	2004 $
Retained profits at the beginning of the year	3,047,205	2,004,364
Net profit	1,510,388	1,042,841
Retained profits at the end of the year	4,557,593	3,047,205

17. Cash Flow Information

(a) Reconciliation of Cash

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:

	2005 $	2004 $
Cash assets	1,346,434	115,051
Bank overdraft	(86,085)	(474,608)
	1,260,349	(359,557)

(b) Reconciliation of Net Cash Flow from Operating Activities to Net Profit after Income Tax Expense

	2005 $	2004 $
Net profit	1,510,388	1,042,841
Depreciation and amortisation	231,606	65,193
(Gain)/loss on disposal of property, plant and equipment	(296,574)	1,333
Write-down of property, plant and equipment	100,000	–
Forgiveness of director/shareholders loans	(123,080)	–
Changes in operating assets and liabilities		
(Increase)/decrease in:		
Receivables	269,479	(2,360,473)
Inventories	(219,077)	(215,741)
Future income tax benefit	75,866	(14,065)
Other assets	(7,570)	(33,588)
Increase/(decrease) in:		
Trade creditors and accruals	(210,669)	224,291
Employee benefits	21,767	7,304
Deferred revenue	87,647	(431,592)
Provision for income taxes payable	(56,797)	(27,890)
Deferred tax liabilities	104,308	–
Net cash flow from operating activities	1,487,294	(1,742,387)

(c) Non-cash Investing and Financing Activities

The director/shareholder loans of $123,080 were forgiven during the 2005 year.

(d) Finance Facilities

	2005 $	2004 $
Available facilities		
Bank overdraft	500,000	500,000
Bank loans – chattel mortgage	2,500,000	2,500,000
– foreign currency	446,084	–
– multi option	1,000,000	–
	4,446,084	3,000,000
Amounts utilised		
Bank overdraft	86,085	474,608
Bank loans – chattel mortgage	964,714	1,443,345
– foreign currency	446,084	–
– multi option	–	–
	1,496,883	1,917,953
Unused facilities		
Bank overdraft	413,915	25,392
Bank loans – chattel mortgage	1,535,286	1,056,655
– foreign currency	–	–
– multi option	1,000,000	–
	2,949,201	1,082,047

Bank overdraft
The bank overdraft facility is subject to annual review, may be drawn at any time and may be terminated by the bank without notice. The interest rate is variable and is based on prevailing market rates.

Bank loans
The chattel mortgage loans are repayable by monthly instalments of principal and fixed interest over a period of 2 years from each draw down date.

The foreign currency loan is denominated in US dollars, is repayable by quarterly principal and fixed interest repayments to clear the facility in full by the termination date on 14 January 2008.

The multi-option facility when drawn is to be fully amortised over the term of the loan with principal and interest repayments to be on a monthly basis.

The bank loan facilities are subject to annual review.

18. Earnings Per Share

	2005
Basic earnings per share	16.4 cents
Diluted earnings per share	16.4 cents
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	9,236,707
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	9,236,707

Information concerning earnings per share:

- Earnings for the purpose of calculating basic and diluted earnings per share is the net profit.
- Options are considered to be potential ordinary shares.
- The average market price of ordinary shares during the reporting period did not exceed the exercise price of the options and as such were not considered dilutive. Accordingly the options are not included in the calculation of diluted earnings per share.
- In accordance with AASB 1027 "Earnings Per Share" the number of shares used as denominator in calculating basic and diluted earnings per share is determined on the basis the share split had occurred on 1 July 2004.
- The company converted from a private company to a listed company in 2005. As a result in accordance with AASB 1027 "Earnings per Share" 2004 comparatives have not been shown as there is no relevant basis for comparison.

19. Directors and Executives Disclosures

Directors

The following persons were directors of Pacific Turbine Brisbane Limited during the financial year:

Name	Position
CL Baker	Managing Director
SG Smith	Sales and Marketing Director
HR Jones	Non-Executive Director
H Parker	Non-Executive Director
GD Hills	Non-Executive Director - resigned 14 December 2004
RJ David	Non-Executive Director - appointed 17 December 2004
APS Kemp	Alternate Director (for RJ David) - appointed 17 December 2004

Executives (other than directors) with the greatest authority for strategic direction and management

The following persons were the executives with the greatest authority for the strategic direction and management of the company ("specified executives") during the financial year.

Name	Position
AL Abrahams	Company Secretary (appointed 1 February 2005) and Finance Manager

There were no other specified executives during the current or prior year.

Remuneration of directors and specified executives

Details relating to remuneration of directors and specified executives are included in the Remuneration Report contained in the Directors' Report.

Equity instrument disclosures relating to directors

Option provided as remuneration

During the financial year options were granted to directors by the company as disclosed below. The options were issued free of charge and are exercisable at the price disclosed. Each option granted is convertible into one ordinary share in Pacific Turbine Brisbane Limited.

Directors	Granted number	Vested number	Grant date/ vesting date	Value per option at grant date	Exercise price per share	First exercise date	Last exercise/ expiry date
CL Baker	200,000	200,000	10/03/2005	$0.14	$1.15	10/03/2006	10/03/2008
SG Smith	200,000	200,000	10/03/2005	$0.14	$1.15	10/03/2006	10/03/2008
APS Kemp	150,000	150,000	10/03/2005	$0.14	$1.15	10/03/2006	10/03/2008

The options were issued upon listing pursuant to the prospectus dated 4 January 2005. Options granted carry no dividend or voting rights. No remuneration expense is recognised at the time of granting options. The options vested upon listing and there were no further vesting conditions.

There were no other options granted to directors or specified executives.

No remuneration options were exercised during the year.

Option holdings

The number of options over ordinary shares in the company held during the financial year by each director and specified executive of Pacific Turbine Brisbane Limited, including their personally-related entities are set out below.

Directors	Balance at 1/07/04	Granted as remuneration	Options exercised	Options lapsed	Balance at 30/06/05
CL Baker	-	200,000	-	-	200,000
SG Smith	-	200,000	-	-	200,000
HR Jones	-	-	-	-	-
H Parker	-	-	-	-	-
GD Hills	-	-	-	-	-
RJ David	-	-	-	-	-
APS Kemp	-	150,000	-	-	150,000
Specified Executive					
AL Abrahams	-	-	-	-	-

The options vested and exercise dates are disclosed under the heading "Options provided as remuneration" above.

Share holdings

The numbers of shares in the company held during the financial year by each director and specified executive of Pacific Turbine Brisbane Limited, including their personally-related entities, are set out below.

	Balance at 1/7/04	Conversion (refer note 15)	Share split (refer note 15)	Private Share Placement (refer note 15)	Public Offer (refer note 15)	Shares sold on market	Balance at date of resignation	Balance at 30/6/05
Directors								
CL Baker								
- *A class*	480	(480)	-	-	-	-	-	-
- *C class*	480	(480)	-	-	-	-	-	-
- *Ordinary*	-	960	1,775,040	-	30,000	-	-	1,806,000
SG Smith								
- *A class*	480	(480)	-	-	-	-	-	-
- *C class*	480	(480)	-	-	-	-	-	-
- *Ordinary*	-	960	1,775,040	-	-	-	-	1,776,000
HR Jones								
- *A class*	480	(480)	-	-	-	-	-	-
- *C class*	480	(480)	-	-	-	-	-	-
- *Ordinary*	-	960	1,775,040	-	-	-	-	1,776,000
H Parker								
- *A class*	80	(80)	-	-	-	-	-	-
- *C class*	80	(80)	-	-	-	-	-	-
- *Ordinary*	-	160	295,840	-	-	-	-	296,000
GD Hills								
- *A class*	480	(480)	-	-	-	-	-	-
- *C class*	480	(480)	-	-	-	-	-	-
- *Ordinary*	-	960	1,775,040	-	-	-	(1,776,000)	-
RJ David								
- *Ordinary*	-	-	-	250,000	-	(38,000)	-	212,000
APS Kemp								
- *Ordinary*	-	-	-	85,000	14,000	-	-	99,000
Specified Executive								
AL Abrahams								
- *Ordinary*	-	-	-	-	-	-	-	-

Shareholding includes personally related entities, for example, APS Kemp includes 12,000 shares held by an entity related to his brother.

Shares issued under the prospectus were under the same terms and conditions as for other shareholders.

No shares were granted as remuneration or received on exercise of options during the year.

Shares issued under the private share placement (November 2004) were at a price of 85 cents per share and offered under the same terms and conditions as to other parties who invested under the placement offered.

Loans to directors and specified executives

There were no loans to directors or specified executives during the current or previous reporting period.

Other transactions with directors and specified executives

The company purchased or sold various aircraft spare parts from/to Airwork (NZ) Ltd (a company associated with CL Baker and H R Jones). In addition, the company pays for items on behalf of Airwork (NZ) Ltd which are then recharged to that company at cost.

HR Jones and SG Smith provided the company with loans in previous years to assist in the funding of the company's initial working capital. These debts were forgiven during the current financial year.

Certain relatives of CL Baker and SG Smith are employed by the company.

All transactions were under normal commercial terms and conditions, unless otherwise stated.

Aggregate amounts of each of the above types of other transactions with directors and specified executives of the company:

	2005 $	2004 $
Amounts recognised as revenue		
Debt forgiveness – SG Smith	24,040	–
– HR Jones	99,040	–
Sale of spare parts (CL Baker, HR Jones)	–	7,044
	123,080	7,044
Amounts recognised as expense		
Purchases of spare parts (CL Baker, HR Jones)	8,795	12,589
Remuneration paid to employees related to the directors (CL Baker, SG Smith)	27,864	31,525
	36,659	44,114
Other		
Amounts recharged (CL Baker, HR Jones)	412	400
Repayments of director loans		
– SG Smith	–	75,000
Aggregate amounts receivable/payable arising from the above types of transactions		
– current receivables	148	39,665
– current trade creditors and accruals	–	59,272
– current directors loans		
SG Smith	–	24,040
HR Jones	–	99,040
	–	123,080

20. Employee Share Option Scheme

The establishment of the Employee Share Option Scheme was approved by shareholders on 3 June 2005. All staff are eligible to participate in the plan, including executive directors.

Options are granted under the plan for no consideration. The exercise price will be the amount specified by directors at the time of issue. The exercise period is the period specified by directors at the time of issue. Options under the plan may not exceed 5% of the total number of issued shares of the company at the date of issue.

Options lapse if prior to or during the exercise period the employee is terminated or resigns. If a person dies, becomes disabled, or is made redundant prior to the exercise period the option lapses. If a person dies, becomes disabled, or is made redundant during the exercise period special rules apply that allow options to be exercised.

Options granted under the scheme carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share. Amounts receivable on the exercise of options are recognised as share capital.
No remuneration expense is recognised at the time of granting options.

As at balance date no options had been issued under the plan.

21. Auditors Remuneration

Remuneration of the auditor of the company for:

	2005 $	2004 $
Audit or review of the financial report	30,000	18,500
Other assurance services	20,000	–
Total audit and other assurance services	50,000	18,500
Taxation services	4,400	–
Total remuneration	54,400	18,500

Other assurance services for 2005 includes the provision of an independent accountant's report on the historical financial information provided in the Prospectus issued in January 2005.

There was no other remuneration paid to related practices of the auditor.

22. Commitments for Expenditure

(a) Finance leases

Commitments in relation to finance leases are payable as follows:

	2005 $	2004 $
Within one year	22,673	47,646
Later than one year but not later than five years	7,695	30,851
Minimum lease payments	30,368	78,497
Future finance charges	(1,343)	(5,499)
	29,025	72,998
Representing lease liabilities:		
Current	21,494	43,498
Non-current	7,531	29,500
	29,025	72,998

Finance leases comprise leases of property, plant and equipment, under normal commercial finance lease terms and conditions.

(b) Operating leases

Commitments in relation to non-cancellable operating leases contracted for at the reporting date but not recognised as liabilities are payable as follows:

	2005 $	2004 $
Within one year	44,625	46,173
Later than one year but not later than five years	112,076	156,635
	156,701	202,808

Operating leases mainly comprise a lease of premises from the Brisbane Airport Corporation which has a term up to February 2009 with no option to renew (although the company may rent from month to month after expiry). Under the relevant lease, rental is subject to periodic review to market and/or increases of the higher of CPI or 5% per annum. The operating leases are under normal commercial operating lease terms and conditions.

(c) Capital commitments

Commitments for capital expenditure contracted for but not recognised in the financial statements are payable as follows:

	2005 $	2004 $
Within one year	–	655,000

(d) Remuneration commitments

Commitments for payment of salaries and other remuneration under long-term employment contracts in existence at the reporting date but not recognised as liabilities payable:

	2005 $	2004 $
– not later than one year	479,600	–

Remuneration commitments comprises the minimum amounts payable to C Baker and S Smith upon termination under their service agreements.

23. Financial Instruments

Net Fair Value

The net fair values of financial assets and financial liabilities approximate their carrying values.

Credit Risk

The credit risk on financial assets which have been recognised in the statement of financial position is generally the carrying amount, net of any provisions.

The company does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments at balance date except as follows:

- The majority of customers are involved in the airline operation industry.
- There are a number of individually significant receivables. For example, at 30 June 2005 the largest 10 debtors comprised approximately 64% (2004: 72%) of total receivables (the largest debtor alone comprised 10% (2004: 11%).
- The receivables are concentrated in four main geographical areas. Refer to note 24 for further information.

  At balance date cash was either held with ANZ or National Australia Bank.

Interest Rate Risk

The company's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and financial liabilities is set out below.

	Effective Weighted Average Interest Rate %	Floating Interest Rate $	Fixed Interest Rate Maturing		Non-Interest Bearing $	Total $
			1 year or less $	1 to 5 years $		
2005						
Financial assets						
Cash assets	2.0%	1,345,408	-	-	1,026	1,346,434
Trade and other debtors	-	-	-	-	2,332,173	2,332,173
Maintenance contract receivables	-	-	-	-	211,276	211,276
Extended credit receivables	10%	-	905,176	509,969	-	1,415,145
Total financial assets		1,345,408	905,176	509,969	2,544,475	5,305,028
Financial liabilities						
Payables	-	-	-	-	812,761	812,761
Bank overdraft	8.2%	86,085	-	-	-	86,085
Bank loans	8.0%	-	895,434	515,364	-	1,410,798
Lease liabilities	7.9%	-	21,494	7,531	-	29,025
Total financial liabilities		86,085	916,928	522,895	812,761	2,338,669

	Effective Weighted Average Interest Rate %	Floating Interest Rate $	Fixed Interest Rate Maturing		Non-Interest Bearing $	Total $
			1 year or less $	1 to 5 years $		
2004						
Financial assets						
Cash assets	0.6%	109,113	-	-	5,938	115,051
Trade and other debtors	-	-	-	-	1,862,202	1,862,202
Extended credit receivables	8.3%	-	1,613,296	752,575	-	2,365,871
Total financial assets		109,113	1,613,296	752,575	1,868,140	4,343,124
Financial liabilities						
Payables	-	-	-	-	1,095,754	1,095,754
Bank overdraft	8.0%	474,608	-	-	-	474,608
Bank loans	8.5%	-	974,867	468,478	-	1,443,345
Lease liabilities	8.0%	-	43,498	29,500	-	72,998
Director loans	-	-	-	-	123,080	123,080
Total financial liabilities		474,608	1,018,365	497,978	1,218,834	3,209,785

Derivative Financial Instruments
The company does not normally use derivative financial instruments.

24. Segment Information

Business Segments (Primary Reporting)
The company operates in a single business segment, being the repair, rental and sale of aircraft turbine engines and related parts.

Geographical Segments (Secondary Reporting)
The company's management and operations are based in Brisbane, Australia. Its customers, however, are located in four main geographical markets – Australia/New Zealand, Pacific Islands, Maldives and United States of America.

The following table shows the distribution of the company's sales, receivables and rental engines by those geographical markets –

	Segment Revenues From Sales to External Customers		Segment Receivables		Rental Engines		Purchase of Property, Plant and Equipment	
	2005 $	2004 $	2005 $	2004 $	2005 $	2004 $	2005 $	2004 $
Australia/NZ	4,265,497	5,763,370	1,698,782	2,404,416	1,530,050	–	1,613,039	155,480
Pacific Islands	1,865,898	3,133,148	915,498	1,561,092	282,801	–	888,899	–
USA	2,248,205	824,630	306,293	51,311	1,895,940	–	2,090,210	–
Maldives	1,563,947	835,684	640,176	181,510	–	–	–	–
Other	441,928	58,735	353,630	29,744	–	–	–	–
	10,385,475	10,615,567	3,914,379	4,228,073	3,708,791	–	4,592,148	155,480
Unallocated	677,774	99,803	44,215	–	–	–	–	–
Total	11,063,249	10,715,370	3,958,594	4,228,073	3,708,791	–	4,592,148	155,480

Rental engines are attributed either to the geographic market in which the customer who rents the engine at year-end is based or, for non-rented engines, where they are physically located.

All other segment assets are attributed to Australia

25. Impact of Adopting Australian Equivalents to IFRS
The company is in the process of transitioning its accounting policies and financial reporting from current Australian Accounting Standards (AGAAP) to Australian equivalents of International Financial Reporting Standards (AIFRS), which will be applicable for the financial year ending 30 June 2006. Priority has been given to the preparation of an opening balance sheet in accordance with AIFRS as at 1 July 2004, which will form the basis of accounting for AIFRS in the future.

Set out below are the key areas in which accounting policies are expected to change on adoption of AIFRS and the best estimate of the quantitative impact of the changes based on work performed to date.

The issues and figures disclosed are management's best estimate of the material impact of the changes as at the date of preparing the 30 June 2005 financial report. The actual effects of transition to AIFRS may differ from the estimates disclosed due to (a) ongoing work being undertaken; (b) potential amendments to AIFRS's and Interpretations thereof being issued by the standard-setters and IFRIC; and (c) emerging accepted practice in the interpretation and application of AIFRS and UIG Interpretations.

The tables below show the impact of the adjustments under AIFRS as at 1 July 2004 and for the year ended 30 June 2005. The adjustments are indicative only and actual results may vary.

(a) Reconciliation of equity as presented under AGAAP to that under AIFRS

	Notes	30 June 2005 A $	1 July 2004 B $
Total equity under AGAAP		8,435,743	3,051,205
Adjustments to retained earnings (net of tax)			
Tax benefit of share issue costs	(1)	(14,005)	-
Share-based payment expense	(2)	(75,405)	-
Straight lining of operation lease rental	(3)	(9,432)	(8,419)
		8,336,901	3,042,786
Adjustments to other reserves (net of tax)			
Tax benefit of share issue costs	(1)	70,025	-
Share-based payment expense	(2)	75,405	-
Total equity under AIFRS		**8,482,331**	**3,042,786**

A This column represents the cumulative adjustments as at the date of transition to AIFRS and those for the year ended 30 June 2005

B This column represents the adjustments as at the date of transition to AIFRS

(b) Reconciliation of net profit under AGAAP to that under AIFRS

Year ended 30 June 2005	Notes	2005 $
Net profit as reported under AGAAP		1,510,388
Adjustment to income tax expense	(1)	(14,005)
Share-based payment expense	(2)	(75,405)
Straight lining of operation lease rental (net of tax)	(3)	(1,013)
Net profit under AIFRS		1,419,965

(1) Income Tax

Under AASB 112 "Income Taxes", there is a requirement that the company adopt a balance sheet approach to income tax accounting rather than the current income statement approach. Additionally, the tests for the recognition of deferred tax assets, such as future income tax benefits, will be based on where realisation of the benefit is "probable" rather than where realisation of the benefit can be regarded as being assured beyond any reasonable doubt or virtually certain.

Income tax relating to items recognised directly in equity is itself recognised directly in equity. Included in the financial report are transaction costs relating to capital raisings which are recognised directly in equity. These costs will be deductible for taxation purposes over five years. The adjustment at 30 June 2005 under AIFRS is an increase in deferred tax assets of $56,020 with a corresponding increase in equity. The impact on the 2005 statement of financial performance had it been prepared under IFRS is to increase income tax expense by $14,005 (being reversal of the tax benefit recognised under AGAAP relating to share issue transaction costs).

(2) Share Based Payments

Under AASB 2 "Share-Based Payment" equity based compensation paid to directors and employees and to other counterparties in return for goods and services shall be measured at either the fair value of the goods/services or the fair values of the equity instruments granted in accordance with AASB 2. This amount will be expensed in the statement of financial performance. This will result in a change to the current accounting policy where no expense is recognised for equity based compensation paid to directors and employees.

During the 2005 year 550,000 options were granted as equity based remuneration and vested as disclosed in note 19 and the Remuneration Report of the Directors' Report. The resulting expense and increase in option premium reserve for the 2005 year had it been prepared under AIFRS is $75,405.

(3) Premises Operating Lease
Under AASB 117 the accounting for the company's premises lease which has a determinable escalation clause has been adjusted to reflect a straight line basis which is not required under AGAAP

(4) Other disclosures under AIFRS

Property, Plant & Equipment
Included in property, plant & equipment is computer software (purchased) with a written down value of $22,210. These assets will be transferred to intangibles on transition to AIFRS and continued to be amortised over their useful life. This is a reclassification only.

Premises Operating Lease
In accordance with AASB 117 the accounting for the premises lease which has a determinable escalation clause has been adjusted to reflect a straight line basis.

Impairment of Assets
Under AASB 136 "Impairment of Assets", the recoverable amount of an asset will be determined as the higher of fair value less costs to sell and value in use. Where applicable, value in use will be determined on a discounted cash flow basis. The existing policy is to assess the recoverable amount of an asset on the basis of undiscounted cash flows. Reliable estimation of future financial effects of this change in accounting policy is impracticable because the conditions under which future impairment will be assessed are not yet known. However, it is likely that this change will lead to impairments being recognised more often than under the existing policy. No impairment loss as at transition date and 30 June 2005 has been identified by the directors.

Financial Instruments
The company has elected to apply the first-time adoption exemption to defer the date of transition of AASB 132 Financial Instruments: Disclosure and Presentation and AASB 139 Financial Instruments: Recognition and Measurement to 1 July 2005. Accordingly, there are no quantitative impacts on the 30 June 2005 financial statements. Management is in the process of determining the impact that adopting these standards would have on the opening balance sheet at 1 July 2005. Based on a preliminary assessment, no material issues have been identified to date.

The financial instruments project team is in the process of determining the impact that adopting these standards would have on the opening balance sheet at 1 July 2005. Based on a preliminary assessment, no material issues have been identified.

Format of financial statements
In addition to the transitional adjustments detailed above, which will impact the measurement and recognition of certain items, the adoption of IFRS will introduce a number of changes to the format of the income statement, balance sheet and other financial statement disclosures.

Directors' Declaration

In the opinion of the directors:

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

(i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(ii) giving a true and fair view of the company's financial position as at 30 June 2005 and of its performance, as represented by the results of its operations and its cash flows, for the financial year ended on that date; 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.

The directors have been given the declarations by the Chief Executive Officer required by section 295A of the Corporations Act 2001.

This declaration is made in accordance with a resolution of the directors.

H Parker
Chairman

Brisbane
19 September 2005

JOHNSTON RORKE JR
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Scope

The financial report, remuneration disclosures and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Pacific Turbine Brisbane Limited (the company) for the year ended 30 June 2005.

The company has disclosed information about the remuneration of directors and executives ("remuneration disclosures"), as required by Accounting Standard AASB 1046 Director and Executive Disclosures by Disclosing Entities, under the heading "remuneration report" in pages 6 to 8 of the directors' report, as permitted by the Corporations Regulations 2001.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report. The directors are also responsible for the remuneration disclosures contained in the directors' report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement and the remuneration disclosures comply with Accounting Standard AASB 1046 and the Corporations Regulations 2001. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's financial position, and of its performance as represented by the results of its operations and cash flows and whether the remuneration disclosures comply with Accounting Standard AASB 1046 and the Corporations Regulations 2001.

We formed our audit opinion on the basis of these procedures, which included:

- examining on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report and remuneration disclosures, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

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

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, provided to the directors of the company would be in the same terms if provided to the directors as at the date of this audit report.

Independent Audit Report to Members of Pacific Turbine Brisbane Limited

JOHNSTON RORKE JR

Chartered Accountants

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Audit Opinion

In our opinion:

1. the financial report of Pacific Turbine Brisbane Limited is in accordance with:

    (a) the Corporations Act 2001, including:

    (i) giving a true and fair view of the company's financial position as at 30 June 2005 and of its performance for the year ended on that date; and

    (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

    (b) other mandatory financial reporting requirements in Australia; and

2. the remuneration disclosures that are contained in pages 6 to 8 of the directors' report comply with Accounting Standard AASB 1046 and the Corporations Regulations 2001.

JOHNSTON RORKE
Chartered Accountants

RCN WALKER
Partner

Brisbane, Queensland
19 September 2005

The shareholder information set out below was applicable as at 31 August 2005

(a) Distribution of Shareholders

Category (size of Holding)	Number of Shareholders
	Ordinary Shares
1 – 1,000	-
1,001 – 5,000	190
5,001 – 10,000	80
10,001 – 100,000	54
100,001 and over	13
	337

(b) The number of ordinary shareholdings held in less than marketable parcels is nil.

(c) The names of the substantial shareholders (including related entities) listed in the company's register are:

	Number of Ordinary Shares Held	Percentage %
CL Baker	1,776,000	15.2
SG Smith	1,776,000	15.2
HR Jones	1,776,000	15.2
GD Hills	1,776,000	15.2

(d) Voting Rights

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

(e) 20 Largest Shareholders — Ordinary Shares

	Number of Ordinary Fully Paid Shares Held	% Held of issued Ordinary Capital
H Jones	1,776,000	15.17%
C Baker	888,000	7.59%
J Flintoft	888,000	7.59%
G Hills	888,000	7.59%
M Hills	888,000	7.59%
S Martin	888,000	7.59%
S Smith	888,000	7.59%
ANZ Nominees Limited	413,047	3.53%
H Parker	296,000	2.53%
River Capital Pty Ltd	250,000	2.14%
David Family Superannuation Family Trust	212,000	1.81%
Chimaera Capital Limited	202,647	1.73%
Byband Capital Pty Ltd	200,000	1.71%
Harvels Pty Ltd	100,000	0.85%
Colex Pty Ltd	100,000	0.85%
S Hadley	80,000	0.68%
Moresnet Pty Ltd	70,000	0.60%
L & R Simonetti	60,000	0.51%
JF & GH Shadforth	60,000	0.51%
I Jones & J Polley	60,000	0.51%
	9,207,694	78.67%

(f) The NSX will impose escrow on the non-cash component of those shares issued for cash below $0.80 according to the standard ASX escrow cash formula for a period of 12 months from the commencement of trading.

The NSX will impose escrow for 24 months on the non-cash component of those securities issued to Directors for consideration of below $0.80 per share.