

PACIFIC TURBINE BRISBANE LTD

ABN 99 098 390 991

Results for Announcement to the Market Profit for the six months to 31 December 2005

Current period Result

Net profit after tax at 31 December 2005 was \$1,023,471. This represented an increase of 150% over the prior period result of \$409,350. This was achieved on growth in revenue from \$4,728,113 for the six months 31 December 2004 to \$6,828,136 for the six months 31 December 2005.

	Half-Year 31 December	Half-Year 31 December	Movement \$A'000	Movement %
	\$A'000	\$A'000		
Revenue from ordinary activities	6,828	4,728	2,100	44.4
Profit/(loss) from ordinary activities after tax attributable to members	1,023	409	614	150.1
Net profit/(loss) for the Year attributable to members	1,023	409	614	150.1

- Returns from Engine Pool: These have been in line with expectations and PTB is actively seeking appropriate engines to add to this pool.
- At period end net assets were \$ 8,908,610 (June 2005: \$ 8,482,326). The Company paid a fully franked dividend of 6 cents per share (\$ 702,234) during the period.
- Sales Revenue: as part of its business the Company buys engines for inventory, rebuilds them and sells them. It also buys engines for its rental pool and may at a later date sell them for a variety of reasons. Under the accounting standards, engines sold from the inventory are treated as sales while for engines sold from the engine pool only the profit or loss on sale is brought to account as Other Income.

	Half –Year	
	2005 (\$)	2004 (\$)
Revenue per Income Statement	6,828,136	4,728,113
Proceeds from disposal of rental engines	1,547,137	626,667
Total	8,375,273	5,354,780

- Cash Flow: During the period the Company's Cash Flow from Operating Activities was negative \$2,089,084 . One of the main contributors to this was the purchase of engines and parts for inventory of approximately \$1.3 million, a key part of PTB's business model.
- Liquidity: Cash on hand totaled \$597,153 at 31 December 2005. In addition, the Company had unused lines from its bankers of approximately \$2.1 million. The Note issue was partly completed at 31 December 2005 with \$1.45 million allotted. Since period-end an additional \$2.5 million has been committed completing the issue.

History and Current Operations

The Company was founded in 2001 and commenced trading in October 2001. It listed on the Stock Exchange of Newcastle Ltd (NSX) in March 2005.

The Company specialises in two turbine aircraft engine types the Pratt & Whitney PT6A and Honeywell TPE331, buying and selling TPE331 and PT6A engines and parts throughout the world. In addition, it provides finance, rentals, leases and engine maintenance for its engine customers.

Pacific Turbine Brisbane Ltd (PTB) 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.

Pacific Turbine Brisbane's engine pool continues to expand to meet the engine trading, rental and financing opportunities in the Australia/New Zealand region and overseas.

Initiatives in Current Period

- **Dallas Airmotive** : PTB has been appointed as Sales Representative for Australia and the surrounding region and a Dallas Airmotive Authorized Service Centre for Dallas Airmotive (DAI) of Dallas, Texas.

As a Sales Representative PTB will focus primarily on the PT6A powered aircraft that dominate the region, and also will represent DAI's full range of engine product lines and associated services.

As an Authorised Service Center, the Company will offer PT6A Hot Section Inspection services and support DAI field service efforts in the region. DAI will supply engine overhaul services and new parts support to the Company.

PTB's ability to provide finance for turbine engines for its customers is a valuable addition to the partnership.

Dallas Airmotive services 86% of the turbine engine models used in business and general aviation.

- **Landmark Aviation**: The Company has signed a contract with Landmark Aviation to jointly provide fixed price TPE331 overhauls. Landmark Aviation is a major USA based aviation company owned by the Carlyle Group.

These two initiatives will enhance profitability in the future by providing access to additional market opportunities that have not been available to the Company in the past.

- **Notes Financing**: PTB has undertaken a unsecured note financing with sophisticated investors. At 31 December 2005, the Company had received applications for 2,498,800 notes with approximately \$1.45 million cash, the balance to be received by 30 June 2006. Subsequent to half-year a further 1,640,000 applications were received with \$1,580,000 cash. There is an equity incentive of one Pacific Turbine Brisbane Ltd Option with an exercise price of \$1.60 per share for every \$3.00 invested in the Notes.

The proceeds are to be used to fund our expanding engine pool and provide engine finance.

- **Move to ASX**: The Company is progressing with its move to the ASX and expects this to take place within this calendar year.

June 2006 Guidance

With trading conditions continuing to be strong, PTB is expecting the full year profit before tax to be between \$2.7 million and \$2.9 million.

PACIFIC TURBINE BRISBANE LIMITED

A handwritten signature in black ink, appearing to read 'CB', is positioned above the name Craig Baker.

CRAIG BAKER
MANAGING DIRECTOR

Dated 10 March 2006

PACIFIC TURBINE BRISBANE LTD
ABN 99 098 390 991

FINANCIAL REPORT

FOR THE HALF-YEAR ENDED
31 DECEMBER 2005

PACIFIC TURBINE BRISBANE LTD AND CONTROLLED ENTITIES

DIRECTORS' REPORT

Your directors present their report on the consolidated entity consisting of Pacific Turbine Brisbane Ltd ("the Company") and its controlled entities at the end of or during the half-year ended 31 December 2005.

Directors

The names of directors in office at any time during the half-year and up to the date of this report are:

Name	Position
CL Baker	Managing Director
SG Smith	Sales and Marketing Director
HR Jones	Director (non-executive)
H Parker	Director (non-executive), Chairman
RJ David	Director (non-executive)
APS Kemp	Alternate Director (for RJ David)

Review of Operations

Current period Result

Net profit after tax at 31 December 2005 was \$1,023,471. This represented an increase of 150% over the prior period result of \$409,350. This was achieved on growth in revenue from \$4,728,113 for the six months 31 December 2004 to \$6,828,136 for the six months 31 December 2005.

Comments on Financial Statements

- Returns from Engine Pool: These have been in line with expectations and PTB is actively seeking appropriate engines to add to this pool.
- At period end net assets were \$ 8,908,610 (June 2005: \$ 8,482,326). The Company paid a fully franked dividend of 6 cents per share (\$ 702,234) during the period.
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- Liquidity: Cash on hand totaled \$597,153 at 31 December 2005. In addition, the Company had unused lines from its bankers of approximately \$2.1 million. The Note issue was partly completed at 31 December 2005 with \$1.45 million allotted. Since period-end an additional \$2.5 million has been committed completing the issue.

Review of Operations (cont)

History and Current Operations

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PACIFIC TURBINE BRISBANE LTD AND CONTROLLED ENTITIES

DIRECTORS' REPORT

Auditor's Independence Declaration

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

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

A handwritten signature in black ink, appearing to be 'H Parker', written in a cursive style.

H Parker
Chairman

Brisbane
10 March 2006

Chartered Accountants

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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 review of the financial report of Pacific Turbine Brisbane Limited for the half-year ended 31 December 2005, I declare that, to the best of my knowledge and belief, there have been:

- i. no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- ii. no contraventions of any applicable code of professional conduct in relation to the review.

JOHNSTON RORKE
Chartered Accountants



R.C.N. WALKER
Partner

Brisbane, Queensland
10 March 2005

PACIFIC TURBINE BRISBANE LTD AND CONTROLLED ENTITIES

CONSOLIDATED INCOME STATEMENT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

	Note	Half-Year	
		2005 \$	2004 \$
Revenue	2	6,828,136	4,728,113
Other income	3	449,383	161,344
Changes in inventories		1,849,891	(41,840)
Purchase of inventories		(6,272,556)	(3,177,059)
Employee benefits expense		(544,788)	(555,207)
Depreciation and amortisation		(239,397)	(84,892)
Finance costs		(87,665)	(70,235)
Other expenses		(527,960)	(366,003)
		(5,822,475)	(4,295,236)
Profit before income tax expense		1,455,044	594,221
Income tax expense		(431,573)	(184,871)
Profit for the half-year		1,023,471	409,350
		Cents	Cents
Basic earnings per share (cents)	5	8.7	5.3
Diluted earnings per share (cents)	5	8.7	5.3

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

PACIFIC TURBINE BRISBANE LTD AND CONTROLLED ENTITIES

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2005

	Note	31 December 2005 \$	30 June 2005 \$
Current Assets			
Cash and cash equivalents		597,153	1,346,434
Receivables		4,695,222	3,300,732
Inventories		3,849,913	2,000,022
Other		138,508	90,142
Total Current Assets		9,280,796	6,737,330
Non-Current Assets			
Receivables		1,035,542	657,862
Property, plant and equipment		4,437,265	4,004,530
Deferred tax assets		6,262	-
Intangible assets		14,118	17,430
Total Non-Current Assets		5,493,187	4,679,822
Total Assets		14,773,983	11,417,152
Current Liabilities			
Payables		1,496,340	826,241
Interest-bearing liabilities		1,106,842	1,003,013
Current tax liabilities		321,171	243,739
Provisions		141,283	137,024
Other – unearned revenue		296,406	87,647
Total Current Liabilities		3,362,042	2,297,664
Non-Current Liabilities			
Interest-bearing liabilities		2,430,333	522,895
Deferred tax liabilities		-	44,245
Provisions		72,998	70,022
Total Non-Current Liabilities		2,503,331	637,162
Total Liabilities		5,865,373	2,934,826
Net Assets		8,908,610	8,482,326
Equity			
Contributed equity	4	4,044,949	3,948,174
Reserves		83,677	75,405
Retained profits		4,779,984	4,458,747
Total Equity		8,908,610	8,482,326

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

PACIFIC TURBINE BRISBANE LTD AND CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

	Contributed Equity		Reserve – Share Based Payments	Retained Profits	Total
	Share Capital	Other Equity Securities			
	\$	\$	\$	\$	\$
At 1 July 2004	4,000	-	-	3,038,784	3,042,784
Profit for the period	-	-	-	409,350	409,350
Issue of share capital (net of transaction costs)	1,061,468	-	-	-	1,061,468
At 31 December 2004	1,065,468	-	-	3,448,134	4,513,602
At 1 July 2005	3,948,174	-	75,405	4,458,747	8,482,326
Profit for the period	-	-	-	1,023,471	1,023,471
Employee share options	-	-	8,272	-	8,272
Dividends paid	39,985	-	-	(702,234)	(662,249)
Value of conversion rights on notes (net of tax)	-	56,790	-	-	56,790
At 31 December 2005	3,988,159	56,790	83,677	4,779,984	8,908,610

The consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

PACIFIC TURBINE BRISBANE LTD AND CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

	Half-Year	
	2005	2004
	\$	\$
Cash Flow From Operating Activities		
Cash receipts in the course of operations	5,520,633	4,535,258
Cash payments in the course of operations	(7,195,617)	(3,911,550)
Interest received	102,552	95,538
Interest paid	(87,665)	(72,614)
Income taxes paid	(428,987)	(146,279)
Net cash provided by/(used in) operating activities	(2,089,084)	500,353
Cash Flow From Investing Activities		
Payments for property, plant and equipment	(1,688,496)	(1,805,361)
Proceeds on disposal of property, plant and equipment	1,547,137	271,570
Net cash used in investing activities	(141,359)	(1,533,791)
Cash Flow From Financing Activities		
Proceeds from borrowings	1,990,406	743,833
Repayment of borrowings	(1,192,973)	(523,938)
Repayment of lease liabilities	(16,737)	(23,698)
Proceeds from issue of shares	-	1,112,563
Share issue transaction costs	-	(72,993)
Proceeds on issue of notes	1,448,800	-
Dividends paid	(662,249)	-
Net cash provided by financing activities	1,567,247	1,235,767
Net increase/(decrease) in cash and cash equivalents held	(663,196)	202,329
Cash and cash equivalents at the beginning of the half-year	1,260,349	(359,557)
Cash and cash equivalents at the end of the half-year	597,153	(157,228)

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

PACIFIC TURBINE BRISBANE LTD AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

1. Summary of Significant Accounting Policies

This general purpose financial report for the interim half-year reporting period ended 31 December 2005 has been prepared in accordance with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2005 and any public announcements made by Pacific Turbine Brisbane Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

(a) Basis of preparation of half-year financial report

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Application of AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards

This interim financial report is the first Pacific Turbine Brisbane Limited interim financial report to be prepared in accordance with AIFRSs. AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* has been applied in preparing these financial statements.

Financial statements of Pacific Turbine Brisbane Limited until 30 June 2005 had been prepared in accordance with previous Australian Generally Accepted Accounting Principles (AGAAP). AGAAP differs in certain respects from AIFRS. When preparing the Pacific Turbine Brisbane Limited interim financial report for the half-year ended 31 December 2005, management has amended certain accounting, valuation and consolidation methods applied in the previous AGAAP financial statements to comply with AIFRS. With the exception of financial instruments, the comparative figures were restated to reflect these adjustments. The Group has taken the exemption under AASB 1 to only apply AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement* from 1 July 2005.

Reconciliations and descriptions of the effect of transition from previous AGAAP to AIFRSs on the Group's equity and its net profit are given in note 10.

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss, certain classes of property, plant and equipment and investment property.

(b) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Pacific Turbine Brisbane Limited ("company" or "parent entity") as at 31 December 2005 and the results of all subsidiaries for the half-year then ended. Pacific Turbine Brisbane Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity. For details of the subsidiaries refer note 6.

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

PACIFIC TURBINE BRISBANE LTD AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

1. **Summary of Significant Accounting Policies (continued)**

(b) Principles of consolidation (continued)

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

(c) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Pacific Turbine Brisbane Limited's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

(e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. Revenue is recognised for the major business activities as follows:

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably. Risks and rewards are considered passed to the buyer at time of delivery to customers.

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

Revenue from 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. 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.

PACIFIC TURBINE BRISBANE LTD AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

1. Summary of Significant Accounting Policies (continued)

(e) Revenue recognition (continued)

Interest on extended credit receivables (under hire purchase agreements) is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

Rental income 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.

(f) Unearned revenue

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

(g) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

PACIFIC TURBINE BRISBANE LTD AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

1. **Summary of Significant Accounting Policies (continued)**

(h) Leased assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

As lessor

Amounts due from lessees under finance leases are recorded as receivables. Finance lease receivables are initially recognised at amounts equal to the net investment in the lease. Finance lease payments receivable are allocated between interest revenue and reduction of the lease receivable over the term of the lease in order to reflect a constant periodic rate of return on the net investment outstanding in respect of the lease.

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(q). Rental income from operating leases is recognised as set out in note 1(e).

As lessee

Assets held under finance leases are initially recognised at their fair value or, if lower, at amounts equal to present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the consolidated entity's general policy on borrowing costs. Refer to note 1(t).

Finance leased assets are amortised on a straight line basis over the estimated useful life of the asset.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(i) Acquisitions of assets

The purchase method of accounting is used to account for all acquisitions of assets (including business combinations) regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

PACIFIC TURBINE BRISBANE LTD AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

1. Summary of Significant Accounting Policies (continued)

(j) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

(k) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(l) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are due for settlement no more than 30 days.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

(m) Inventories

Inventories are stated at the lower of cost and net realisable value. Costs are assigned to individual items of stock by specific identification. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(n) Other financial assets

From 1 July 2004 to 30 June 2005

The Group has taken the exemption available under AASB 1 to apply AASB 132 and AASB 139 only from 1 July 2005. The Group has applied previous AGAAP to the comparative information on financial instruments within the scope of AASB 132 and AASB 139. For further information on previous AGAAP refer to the annual report for the year ended 30 June 2005.

PACIFIC TURBINE BRISBANE LTD AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

1. Summary of Significant Accounting Policies (continued)

(n) Other financial assets (continued)

Adjustments on transition date: 1 July 2005

The nature of the main adjustments to make this information comply with AASB 132 and AASB 139 are that, with the exception of held-to-maturity investments and loans and receivables which are measured at amortised cost (refer below), fair value is the measurement basis. Fair value is inclusive of transaction costs. Changes in fair value are either taken to the income statement or an equity reserve (refer below). At the date of transition (1 July 2005) changes to carrying amounts are taken to retained earnings or reserves.

From 1 July 2005

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

(i) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss on initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. The policy of management is to designate a financial asset if there exists the possibility it will be sold in the short term and the asset is subject to frequent changes in fair value. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in receivables in the balance sheet.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

PACIFIC TURBINE BRISBANE LTD AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

1. Summary of Significant Accounting Policies (continued)

(o) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest-rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the balance sheet date.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(p) 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 Group, whichever is the shorter.

(q) Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation is generally calculated on a straight-line or diminishing value basis to allocate the cost, net of residual values, of each item of property, plant and equipment (excluding land and rental engines) over its estimated useful life to the Group. For rental engines, depreciation is based on the estimated operating hours.

The estimated 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

PACIFIC TURBINE BRISBANE LTD AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

1. Summary of Significant Accounting Policies (continued)

(q) Property, plant and equipment (continued)

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.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1 (j)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

(r) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial period which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(s) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

The fair value of the liability portion of a convertible note is determined using a market interest rate for an equivalent non-convertible note. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the note. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(t) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

PACIFIC TURBINE BRISBANE LTD AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

1. **Summary of Significant Accounting Policies (continued)**

(u) Employee benefits

(i) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date 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. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits 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 periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Superannuation

The Group makes contributions to accumulation superannuation funds. Contributions are recognised as an expense as they become payable.

(iv) Share-based payments

Share-based compensation benefits are provided to employees via the Pacific Turbine Brisbane Limited Employee Share Option Plan.

Share options granted before 7 November 2002 and/or vested before 1 January 2005

No expense is recognised in respect of these options. The shares are recognised when the options are exercised and the proceeds received allocated to share capital.

Share options granted after 7 November 2002 and vested after 1 January 2005

The fair value of options granted under the Pacific Turbine Brisbane Limited Employee Share Option Plan is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is determined using a Binomial option pricing model that takes into account the exercise price, the term 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.

The fair value of the options granted excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets and performance and service criteria). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

(v) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from proceeds.

PACIFIC TURBINE BRISBANE LTD AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

1. Summary of Significant Accounting Policies (continued)

(w) Dividends

Provision is made for the amount of any dividend declared on or before the end of the half-year but not distributed at balance date.

(x) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the half-year, adjusted for bonus elements in ordinary shares issued during the half-year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(y) 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 amounts of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

	Half-Year	
	2005	2004
	\$	\$
2. <u>Revenue</u>		
Sales revenue		
Sale of engines	4,138,266	2,893,582
Sale of parts	1,735,403	1,420,696
Services	147,009	137,411
	6,020,678	4,451,689
Other revenue		
Rental of engines	642,547	155,359
Interest		
- Extended credit receivables (hire purchase agreements)	79,852	93,948
- Other	22,700	1,590
Other	62,359	25,527
	6,828,136	4,728,113
3. <u>Other Income</u>		
Net gain on disposal of property, plant and equipment	449,383	161,344

PACIFIC TURBINE BRISBANE LTD AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

4. Contributed Equity **31 Dec 2005** **30 June 2005**

Share Capital

11,738,632 ordinary shares fully paid (June 2005: 11,703,897 ordinary shares fully paid) 3,988,159 3,948,174

Other equity securities

Value of conversion rights (net of tax) 56,790 -
4,044,949 3,948,174

Movements in Share Capital	Note	No of shares	Issue Price	\$
			\$	
Opening balance 1 July 2005		11,703,897		3,948,174
Dividend reinvestment scheme	(c)	34,735	1.15	39,985
Closing balance 31 December 2005		<u>11,738,632</u>		<u>3,988,159</u>
Opening balance 1 July 2004	(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
Share issue costs (net of tax)		-		(51,095)
Closing balance 31 December 2004		<u>8,708,897</u>		<u>1,065,468</u>

- 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) Issue of shares pursuant to dividend reinvestment scheme (refer note 9).

5. Earnings Per Share

	Half-year	
	2005	2004
	cents	cents
Basic earnings per share	8.7	5.3
Diluted earnings per share	8.7	5.3
	Number of	Number of
	Shares	Shares
Weighted average number of shares used in calculating basic earnings per share	11,712,581	7,756,534
Effect of dilutive securities:		
• Director options	8,039	-
Weighted average number of ordinary shares and potential ordinary shares used in calculating diluted earnings per share	<u>11,720,620</u>	<u>7,756,534</u>

PACIFIC TURBINE BRISBANE LTD AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

6. Controlled Entities

During the December 2005 half-year Pacific Turbine Brisbane Limited incorporated three subsidiaries as follows:

Name	Place of Incorporation	Date of Incorporation	Equity Holding	Cost of Parent Entity Investment
				\$
PTB Finance Limited	Victoria, Aust	14 October 2005	100%	1,000
PTB Rentals Australia Pty Ltd	Victoria, Aust	14 October 2005	100%	1,000
Pacific Turbine, Inc	Texas, USA	29 September 2005	100%	10,000
				<u>12,000</u>

7. Unsecured Notes and Options

During the December 2005 half-year the consolidated entity issued 1,448,800 unsecured notes at \$1 per note raising \$1,448,800 cash. Applications were received for 2,498,800 notes which includes 1,050,000 notes which are to be received by 30 June 2006 and not recognised at 31 December 2005. The notes are repayable on 30 November 2008. Interest of 11.5% per annum is payable monthly in arrears. Noteholders also received one option issued by Pacific Turbine Brisbane Limited for every \$3 invested in the notes (being 482,932 options). The options are exercisable between 31 May 2008 and the expiry date of 30 November 2008 at an exercise price of \$1.60 per share. The options are transferable.

Subsequent to 31 December 2005 a further 1,580,000 unsecured notes were issued at \$1 per note, raising a further \$1,580,000 cash. Applications were received for 1,640,000 notes with the balance to be received within 6 months.

The notes are presented in the balance sheet as follows:

	Half-year 2005
	\$
Face value of notes issued	1,448,800
Other equity securities – value of conversion rights*	(84,090)
Transaction costs attributable to liability component	(48,054)
Non-current liability	<u>1,316,656</u>

* Value of conversion rights were calculated by applying a market rate of 14%. The value of conversion rights recognised in equity have been reduced by the transaction costs attributable to the equity component and tax.

8. 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.

9.

Dividends

	Half-Year	
	2005	2004
	\$	\$
Dividends paid during the half-year		
Final dividend of 6 cents per share fully franked paid 15 November 2005 (2004: Nil)	702,234	-

Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment scheme during the half-year were as follows:

Paid in cash	662,249	-
Satisfied by the issue of shares	39,985	-
	<u>702,234</u>	<u>-</u>

PACIFIC TURBINE BRISBANE LTD AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

10. Impact of Adopting Australian Equivalents to IFRS

The impacts of adopting AIFRS on the total equity and profit after tax as reported under Australian Accounting Standards applicable before 1 January 2005 ("AGAAP") are illustrated below.

i. Reconciliation of total equity as presented under AGAAP to that under AIFRS

	Consolidated		
	As at 30 June 2005 \$	As at 31 Dec 2004 \$	As at 1 July 2004 \$
Total equity under AGAAP	8,435,743	4,503,137	3,051,205
Changes in retained profits:			
Straight lining of operating lease rental expense (A)	(13,480)	(13,205)	(12,030)
Tax effect of straight lining operating lease rental expense (A)	4,044	3,962	3,609
Tax effect of share issue costs (B)	(14,005)	(2,190)	-
Share based payments (C)	(75,405)	-	-
Changes in contributed equity and reserves:			
Tax effect of share issue costs (B)	70,024	21,898	-
Share based payments (C)	75,405	-	-
Total equity under AIFRS	<u>8,482,326</u>	<u>4,513,602</u>	<u>3,042,784</u>

ii. Reconciliation of profit after tax as presented under AGAAP to that under AIFRS

	Year ended 30 June 2005 \$	Half-year ended 31 Dec 2004 \$
Profit after tax under AGAAP	1,510,388	412,362
Straight lining of operating lease rental expense (A)	(1,450)	(1,175)
Tax effect of straight lining operating lease rental expense (A)	435	353
Tax effect of share issue costs (B)	(14,005)	(2,190)
Share based payments (C)	<u>(75,405)</u>	<u>-</u>
Profit after tax under AIFRS	<u>1,419,963</u>	<u>409,350</u>

- (A) Under previous AGAAP payments made under operating leases were expensed as incurred. Under AIFRS operating lease expense is recognised on a straight-line basis over the term of the lease. On transition to AIFRS the straight-lining of rentals resulted in a liability of \$12,030 being recognised with a related deferred tax asset of \$3,609. For the six months ended 31 December 2004 and for the year ended 30 June 2005, the effect is to increase operating lease rentals by \$1,175 and \$1,450 respectively on the amount previously reported under AGAAP.
- (B) Under previous AGAAP the tax benefit of certain items such as share issue costs were treated as a permanent difference with a reduction in income tax expense. Under AIFRS the tax benefit of these items is initially recognised as a credit to equity and a deferred tax asset. This has resulted in a reversal of the tax benefit recognised in income tax expense under AGAAP.
- (C) Under AGAAP no expenses were recognised for options issued to employees. Under AIFRS the options are expensed. The effect of this is at 30 June 2005 is a decrease in retained profits of \$75,405 and a corresponding increase in reserves.

In addition to the above certain software assets were reclassified from property, plant and equipment to intangible assets upon transition.

iii. Explanation of material adjustments to the cashflow statement

There are no material differences between the cash flow statements under AIFRS and those presented under AGAAP.

PACIFIC TURBINE BRISBANE LTD AND CONTROLLED ENTITIES

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 Standard AASB 134: Interim Financial Reporting, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2005 and of its performance, as represented by the results of its operations and its cash flows, for the half-year ended on that date; and

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

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



H Parker
Chairman

Brisbane
10 March 2006

INDEPENDENT REVIEW REPORT

To the Members of Pacific Turbine Brisbane Limited

Scope

We have reviewed the financial report being the Directors' Declaration, Consolidated Income Statement, Consolidated Balance Sheet, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows and Notes to the Financial Statements of Pacific Turbine Brisbane Limited (the company) for the half-year ended 31 December 2005. The financial report includes the consolidated financial statements of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year. The company's directors are responsible for the financial report. We have performed an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB 134: *Interim Financial Reporting* and other mandatory professional reporting requirements in Australia and statutory requirements, so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and performance as represented by the results of its operations and its cash flows, and in order for the company to lodge the financial report with the Stock Exchange of Newcastle and the Australian Securities & Investments Commission.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is limited primarily to inquiries of company personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Independence

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

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Pacific Turbine Brisbane Limited is not in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2005 and of its performance for the half-year ended on that date; and
 - (ii) complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

JOHNSTON RORKE
Chartered Accountants



RCN WALKER

Brisbane, Queensland
10 March 2006 Partner