

PACIFIC TURBINE BRISBANE LTD

ABN 99 098 390 991

NSX Preliminary Final Report

30 June 2006

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Results for Announcement to the Market

Summary of Financial Information

The Company achieved total revenues of \$16,982,000 with a profit after tax of \$1,938,000 for the year to 30 June 2006.

With total assets of \$19,816,000 the Company held cash reserves of \$1,590,000 at 30 June 2006.

Full Year Comparison

	12 months ended 30 June 2006 \$A'000	12 months ended 30 June 2005 \$A'000	Movement \$A'000	Movement %
Revenue	16,982	10,135	6,847	67.6
Profit/(loss) after tax attributable to members	1,938	1,420	518	36.5
Net profit/(loss) for the Year attributable to members	1,938	1,420	518	36.5

- 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.

	12 months ended 30 June	
	2006 \$A'000	2005 \$A'000
Revenue per Income Statement	16,982	10,135
Proceeds from disposal of rental engines	2,497	928
Total	19,479	11,063

- Cash Flow: During the period the Company's Cash Flow from Operating activities was negative \$4.099 million. One of the main contributors to this was the purchase of engines and parts for inventory of approximately \$2.782 million, a key part of PTB's business model.

Dividends

		Amount per security Cents	Franked amount per security at 30% tax
Final Dividend	Current Year	6 cents	Fully Franked
	Previous Year	6 cents	Fully Franked

No interim dividends were paid.

		Current Year A\$'000	Previous Year A\$'000
Total dividend	Ordinary shares	893	702

Dividend Reinvestment Plan (DRP)

Shareholders may participate in the DRP in respect of all of their Shares entered in the Register or a specific number of Shares. The Board may set a limit on the number of Shares which Shareholders may nominate for Participation in the DRP.

The DRP applies only in respect of an Eligible Dividend payable to a Participant in respect of a fully paid Participating Share

Significant Dates

	Date
Annual Report and Notice of Proxy mailed by	23 October 2006
Annual General Meeting *	24 November 2006
Dividend Record Date	17 November 2006
Dividend Payable Date	30 November 2006

* The Annual General Meeting will be held at McCullough Robertson on Level 11, Central Plaza Two, 66 Eagle Street, Brisbane on 24 November 2006 at 10:00am.

Highlights of Results

	Note	Current Year A\$'000	Previous Year A\$'000
Sales and rental revenue		16,320	9,910
Revenue from Interest		243	199
Other Revenue		419	26
Total Revenue	2	16,982	10,135
Other income	2	677	297
Expenses	2	(14,883)	(8,355)
Profit/(loss) before tax		2,776	2,077
Income tax		(838)	(657)
Net Profit after tax		1,938	1,420
Cash Assets		1,590	1,346
Property, Plant and Equipment		5,278	4,005
Other Assets		12,948	6,065
Liabilities		(9,850)	(2,934)
Net Assets		9,966	8,482
Assets in Financial Book		7,939	5,124
Return on average shareholders funds		21 %	24.6%

Review of Operations

Background

Pacific Turbine Brisbane Ltd (“PTB”) was established in 2001, when it was incorporated to acquire the Brisbane assets of Pacific Turbine Pty Ltd ACN 079 166 653. It focused on providing services in relation to the Pratt & Whitney PT6A and Honeywell TPE331 light turbine engines.

The Company undertook:

- specialist turbine engine repair and overhaul based at Brisbane Airport, Australia;
- trading operations in Australia and internationally in aircraft turbine engines and related parts; and
- the provision of finance for PT6A and TPE331 turbine engines for customers.

Pacific Turbine raised approximately \$4 million in equity in November 2004 (pursuant to an information memorandum) and February 2005 (pursuant to a prospectus) and listed on Newcastle Stock Exchange Ltd in March 2005. The funds raised were used to acquire the National Flight Services, Inc’s TPE 331 engine pool and for working capital.

The acquisition of IAP Group Pty Ltd was announced in August 2006 and is due to be completed in September 2006. The current operations of the group are outlined in the section below.

Current Operations

Since the acquisition of IAP Group in September 2006 the PTB group has grouped its services in the broad areas: aviation asset management; and financing. Its activities, including the newly acquired IAP Group are predominantly as follows:

Aircraft engine and air frame rental and financing

Engine financing by way of short or medium term rental or lease for engines including: Pratt & Whitney PT6A; Honeywell TPE331; Rolls Royce Dart prop jet; Rolls Royce Tay turbo fan; Rolls Royce Spey turbo fan.

Airframe financing for aircraft including: Metro 23; EMB 110 Bandeirante; Hawker Siddley 748; BAE ATP; F27; Twin Otter; Beechcraft King Air

This division includes trading activities from the sale of surplus assets from the above financing pools.

The group is continuing to build its recurring earnings from financing, a sector which has earned returns of 25 to 30 per cent on assets employed.

Asset Management

• PTB:

Rebuilding PT6 and TP331 engines at PTB's engine repair and overhaul facilities in Brisbane; managing the rebuilding of engines at Dallas Airmotive and Landmark Aviation; trading in spare parts for engines; trading in parts (other than engines) for PTB clients.

• IAP:

Spare parts Supply: Acquisition of redundant spares from airlines which have changed their aircraft types and then remarketing to other operators of that type. IAP is by far the largest surplus spare parts dealer in the southern hemisphere. Its purchasing systems are well-honed over many years and its network of contacts enables maximum exposure both for purchasing opportunities and selling.

IAP also has a strong parts brokering business, particularly with its Asian contacts.

Acquisition and Sale of Aircraft/ Parting out Aircraft: As a sideline to spares support IAP has bought and sold many aircraft. The aircraft traded in this way range in size from an Islander to a Boeing 737 and Airbus A300. The Company's engineering operation at Bankstown airport has significant capability to perform aircraft refurbishment.

IAP also acquires aircraft and parts them out. It might acquire an aircraft in Indonesia, wreck it, sell some parts such as engines immediately to recoup the cost, and containerise the balance parts and ship them to its warehouse in Sydney for marketing.

All aircraft are acquired at a price underwritten by their parts value.

IAP currently owns and operates Aeropelican Air Services, based at Williamstown Airport just north of Newcastle, NSW. It has operated for over 30 years and provides commuter services from Newcastle to Sydney's Kingsford Smith Airport. It is currently operated by using one Metro 23 and one EMB 110 Bandeirante. Aeropelican is not a core asset.

Initiatives in Current Period

The Dallas Airmotive and Landmark Aviation initiatives (below) will provide PTB with access to additional market opportunities, not previously available

- a) **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.

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

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

- **Notes Financing:** During the year, PTB undertook a unsecured note financing with sophisticated investors. At the close of the subscription, the Company had received \$4,588,800 cash from the issue. Attached to the notes issue 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 from the issue were used to fund the expanding engine pool and provide engine finance.

- **IAP Group Australia Pty Ltd acquisition:** On 1 August 2006 the Company entered into a conditional contract to acquire all of the shares in IAP Group Australia Pty Ltd ('IAP Group'). IAP Group is a niche aviation asset management company providing aircraft inventory support, encompassing:
 - global supply of aviation parts; and
 - global aircraft and engine financing and sales.

IAP's business operations are highly complementary to PTB's business.

The acquisition of IAP Group will enable PTB to expand into new engine types in which IAP Group has considerable expertise and in aircraft in which IAP Group has airframe and in-house engineering expertise. The merger will create a larger and more diverse business and management team. Steve Ferris, the founder of IAP Group will take approximately 80 per cent of his consideration in the form of Pacific Turbine Brisbane Ltd shares. He will hold approximately 25 per cent of the expanded group after further capital raising and the planned move to ASX.

The acquisition is subject to the fulfillment of several conditions, including shareholder approval. An Extraordinary General Meeting is being held on 20 September 2006 to obtain the required shareholder approval. It is anticipated that completion of the acquisition will take place shortly after this meeting.

- **Move to ASX:** Following completion of the IAP Group acquisition, it is anticipated that a prospectus will be issued to raise a further \$8 million for additional working capital. This will coincide with the Company's planned transition from Newcastle Stock Exchange to Australian Stock Exchange in the latter half of 2006.

Operating Results

The amount of the profit of the Company for the financial year, after providing for income tax, was \$1,938,000 (2005: \$1,420,000), an increase of 36%.

Operating profit before taxation for the year was \$2,776,000 (2005: \$2,077,000) an increase of 34% above the previous year.

Additional capital of approximately \$4 million was raised between November 2004 and February 2005.

Significant Changes in State of Affairs

- During the year, PTB undertook a unsecured note financing with sophisticated investors. At the close of the subscription, the Company had received \$4,588,800 cash from the issue.
- The acquisition of IAP Group Pty Ltd was announced in August 2006 and is due to be completed in September 2006.
- 1,741,400 shares were issued in August 2006. These shares were placed with sophisticated and professional investors with the funds raised of \$2.6 million being used to fund part of the proposed IAP Group acquisition and for working capital.

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

Full Year Financial Statements

Condensed Income Statement

	Note	Current Year A\$'000	Previous Year A\$'000
Sales and rental revenue	2	16,982	10,135
Other income	2	677	297
Expenses	2	(14,883)	(8,355)
Profit before tax		2,776	2,077
Income tax		(838)	(657)
Profit after tax		1,938	1,420
Profit from extraordinary activities after tax		-	-
Net profit		1,938	1,420
Net profit/(loss) attributable to outside equity interests		-	-
Net profit for the Year attributable to members		1,938	1,420

The above Income Statement should be read in conjunction with the accompanying notes

Condensed Balance Sheet

	Note	At end of Current Year A\$'000	At end of Previous Year A\$'000
Current			
Cash assets		1,590	1,346
Receivables		6,688	3,300
Inventories		4,782	2,000
Other		138	90
Total Current Assets		13,198	6,736
Non-Current Assets			
Receivables		1,329	658
Property, plant and equipment		5,278	4,005
Intangible assets		11	17
Total Non-Current Assets		6,618	4,680
Total Assets		19,816	11,416
Current Liabilities			
Payables		1,670	826
Borrowings		2,082	1,003
Current tax liabilities		270	244
Provisions		159	137
Other		43	88
Total Current Liabilities		4,224	2,298
Non-Current Liabilities			
Borrowings		5,312	522
Deferred tax liability		225	44
Provisions		89	70
Total Non-Current Liabilities		5,626	636
Total Liabilities		9,850	2,934
Net Assets		9,966	8,482
Equity			
Contributed equity	4	4,171	3,948
Reserves		100	75
Retained profits	3	5,695	4,459
Total Equity		9,966	8,482

The above Balance Sheet should be read in conjunction with the accompanying notes

Condensed Statement of Cash Flows

	Note	Current Year A\$'000	Previous Year A\$'000
Cash Flow from Operating Activities			
Cash receipts in the course of operations		14,739	10,626
Cash payments in the course of operations		(17,960)	(8,687)
Interest received		222	199
Finance costs		(391)	(131)
Income taxes paid		(709)	(520)
Net cash provided by/(used in) operating activities		(4,099)	1,487
Cash Flow From Investing Activities			
Payments for property, plant and equipment		(3,669)	(4,592)
Payments for intangible assets		-	(1)
Proceeds on disposal of property, plant and equipment		2,497	928
Net cash used in investing activities		(1,172)	(3,665)
Cash Flow From Financing Activities			
Proceeds from borrowings		3,217	1,152
Repayment of borrowings		(1,937)	(1,184)
Repayment of lease liabilities		(20)	(44)
Proceeds from issue of shares		-	4,108
Dividends paid		(662)	-
Share issue transaction costs		-	(234)
Proceeds from issue of notes		4,589	-
Net cash provided by/(used in) financing activities		5,187	3,798
Net Increase/(decrease) in cash and cash equivalents held		(84)	1,620
Cash and cash equivalents at the beginning of the year		1,260	(360)
Cash and cash equivalents at the end of the year	5	1,176	1,260

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

Notes to the Financial Statements

1. Basis of accounting

This general purpose financial report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRSs), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

These financial statements are the first Pacific Turbine Brisbane Limited financial statements 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 2006 financial statements, management has amended certain accounting, valuation and consolidation methods applied in the previous AGAAP financial statements to comply with AIFRS. The comparative figures in respect of 2005 were restated to reflect these adjustments.

During the current year subsidiaries were purchased that resulted in the results being consolidated. In the prior year the results related to the parent company only.

2. Revenue and expenses from ordinary activities

	Current Year	Previous Year
	A\$'000	A\$'000
Revenue		
Sales and rental revenue	16,320	9,910
Interest revenue	243	199
Other	419	26
	16,982	10,135
Other income		
Gain on disposal of property, plant and equipment	677	297
Details of relevant expenses		
Cost of sale of goods	(11,564)	(6,001)
Employee benefits expense	(1,176)	(1,140)
Net foreign exchange losses	(3)	(38)
Depreciation and amortisation	(582)	(232)
Finance costs	(426)	(131)
Building and equipment rental	(47)	(49)
Other expenses from operating activities	(1,085)	(764)
Expenses from ordinary activities	(14,883)	(8,355)

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3. Retained profits

Retained profits at the beginning of the year	4,459	3,039
Net profit	1,938	1,420
Dividends	(702)	-
Retained profits at the end of the year	<u>5,695</u>	<u>4,459</u>

4. Issued and quoted shares at the end of the year

Ordinary shares

	No of shares	Issue Price	\$
Opening balance	11,703,897	1.15	3,948,214
Dividend Reinvestment scheme	34,735		39,945
Total ordinary shares	11,738,632		3,988,159

Options

	Grant date	No of options	Exercise price \$	Exercise date from	Expiry date
Issued during current period					
Employee Share Option Scheme	19 August 2006	140,000	1.00	19 August 2006	19 August 2008
Notes options		1,529,600	1.60	31 May 2008	30 November 2008
Total Options issued		1,669,600			

5. Reconciliation of cash

Reconciliation of cash and cash equivalents at the end of the financial year (as shown in the statement of cash flows) to the related items in the accounts is as follows:

	Current year \$A'000	Previous year \$A'000
Cash on hand and at bank	1,590	1,346
Bank overdraft	(414)	(86)
	<u>1,176</u>	<u>1,260</u>

6. Segment reporting

Business Segments (Primary Reporting)

The Company operates in a single business segment, being the repair, sale and rental of aircraft turbine engines and related parts.

Geographical Segments (Secondary Reporting)

The Company's management and operations are located in Brisbane, Australia including all assets such as cash assets, inventory and property, plant and equipment. 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	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Australia/NZ	8,478	4,265	4,330	1,699	2,403	1,530	1,952	1,613
Pacific Islands	3,597	1,866	1,203	915	1,137	283	1,167	889
USA	1,617	1,999	787	306	1,313	1,896	550	2,090
Maldives	3,572	1,564	1,424	640	-	-	-	-
Other	81	60	23	354	157	-	-	-
	17,345	9,754	7,767	3,914	5,010	3,709	3,669	4,592
Unallocated	314	678	250	44	-	-	-	-
Total	17,659	10,432	8,017	3,958	5,010	3,709	3,669	4,592

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.

7. Contingent assets and liabilities

Directors are not aware of any contingent liabilities that are likely to have a material effect on the results of the Company as disclosed in these financial statements.

8. Commitments for Expenditure

There are no Commitments for capital expenditure that have been contracted for.

9. Controlled Entities

During the 2006 year Pacific Turbine Brisbane Limited incorporated three subsidiaries as follows:

Name	Place of Incorporation	Date of Incorporation	Equity Holding	Cost of Parent Entity Investment \$'000
PTB Finance Limited	Victoria, Aust	4 October 2005	100%	1
PTB Rentals Australia Pty Limited	Victoria, Aust	4 October 2005	100%	1
Pacific Turbine, Inc	Texas, USA	29 September 2005	100%	10
				<u>12</u>

10. Earnings per share (EPS)

Details of the basic and diluted EPS reported separately in accordance with paragraph 9 and 18 of AASB 1027: Earnings per Share are as follows:

	Current period	Previous period
Basic EPS (cents)	16.5	15.4
Diluted EPS	16.5	15.4
Weighted Average number of ordinary shares – Basic (number)	11,725,499	9,236,707
Weighted Average number of ordinary shares – Diluted (number)	11,780,355	9,236,707

11. Events subsequent to balance date

- The acquisition of IAP Group Pty Ltd was announced in August 2006 and is due to be completed in September 2006.
- 1,741,400 shares were issued in August 2006. These shares were placed with sophisticated and professional investors with the funds raised of \$2.6 million being used to fund part of the proposed IAP Group acquisition and for working capital.

12. Franking credits

	2006	2005
	\$	\$
Franking credits available for subsequent financial years	2,262,522	1,828,153

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

13. 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

	Parent Entity	
	As at	As at
	1 July 2004	30 June 2005
	\$'000	\$'000
Total equity under AGAAP	3,052	8,436
Changes in retained profits:		
Straight lining of operating lease rental expenses (A)	(13)	(14)
Tax effect of straight lining operating lease rental expenses (A)	4	4
Tax effect of share issue costs (B)	-	(14)
Share based payments (C)	-	(75)
Changes in contributed equity and reserves:		
Tax effect of share issue costs (B)	-	70
Share based payments (C)	-	75
Total equity under AIFRS	3,043	8,482

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

	Parent Entity 30 June 2005 \$'000
Profit after tax under AGAAP	1,510
Straight lining of operating lease rental expenses (A)	(1)
Tax effect of straight lining operating lease rental expenses (A)	-
Tax effect of share issue costs (B)	(14)
Share based payments (C)	(75)
	<hr/>
Profit after tax under AIFRS	<u>1,420</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 year ended 30 June 2005, the effect is to increase operating lease rentals by \$1,175 on the amount previously reported under AGAAP.
- (B) Under previous AGAAP the tax benefit of certain items such as share issue costs was 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. IFRS 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.

Other notes to the condensed financial statements

Ratios

	Current period	Previous period
Profit/(loss) before tax/revenue Profit/(loss) before tax as a percentage of revenue	16.3%	20.5%
Profit after tax/equity interests Profit/(loss) after tax as attributable to members as a percentage of equity at the end of the period	19.4%	16.7%

Earnings per security (EPS)

	Note	Current period Cents	Previous period Cents
Basic earnings per security	9	16.5	15.4
Diluted earnings per security	9	16.5	15.4

Net tangible assets backing per security (NTA)

	Note	Current period Cents	Previous period Cents
Net tangible assets backing per ordinary security		0.85	0.72

Commentary on Results

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 the addition of the IAP Group will enhance the Company's prospects for the future.

Compliance Statement

1. This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act.
2. This statement does give a true and fair view of the matters disclosed
3. The financial statements are in the process of being audited.
4. The Company has a formally constituted audit committee.

PACIFIC TURBINE BRISBANE LIMITED

A handwritten signature in blue ink, appearing to read 'CB', is positioned above the name of the Managing Director.

CRAIG BAKER
MANAGING DIRECTOR

Dated 13th September 2006