TECHSTAR LIMITED

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FINANCIAL REPORT

for the year ended 30 June 2005

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CHAIRMAN'S REPORT

Throughout the year to 30 June 2005 there was a significant reduction in our operating costs and while it has not been possible to achieve the desired positive sales and cashflow, improvement on the previous year in terms of progress on individual projects was made. The management teams' hard work and focus on achieving outcomes should result in positive results in the 2006 financial year, including investment and sales for both the Sportzwhistle and the Reomate.

The UK distributor, Health Affairs Pty Ltd, who has acquired the CPREzy device, undertook significant research within a number of UK and European hospitals and CPR related organisations, and have presented the strong supporting results to the international body which has been reviewing the use of devices to assist accuracy and timing of CPR performance, worldwide. This is anticipated to translate into higher global sales, and increased royalties to TechStar.

We have been continuing to move forward with our newest project, the Australian invented 'bionic eye', with a key focus of the management team being the identification and building of strong industry/market alliances, and contacts, to support our project development. When combined together with increased technical knowledge gained from industry and related sources, and advances made in the university testing, the 'bionic eye' will prove to be a part of TechStar's way forward. This is a very exciting medical invention and we are working on a variety of options for fundraising.

TechStar signed an agreement on 29th August 2005 to acquire Ipoh Pacific Ltd & Exnox Technology Pty Ltd. These companies have built a group of environmental remediation and protection research and development projects based on bentonite clay. Of the projects, two are at commercialisation stage, another could be sold to international companies, and the others are in various stage of development.

In addition, because of the importance of the base product, bentonite, Ipoh has lodged rights over a very high quality bentonite resource in Queensland and Techstar has a low-cost earn-in right under the acquisition agreement. The transaction has the potential to provide the company with a strong lowly geared financial structure and the potential for dividends within two years.

As part of the Ipoh transaction, and for the structural benefit of Techstar, all debts of the company owing to Directors and third party lenders amounting to approx $4.7m will be capitalised into shares.

A report and notice of meeting on the Ipoh transaction and debt capitalisation is enclosed with this annual report, and the transaction will be put to the shareholders for approval at the AGM.

We shall continue to update you on the progress of the Reomate and SportzWhistle projects, the latest developments on the 'bionic eye', and the review and proposed purchase of the new technologies.

I thank you for your patience and support, and assure you we are working as hard as we can to bring you a stronger result.

Signed in accordance with a resolution of the directors.

John B. Reid AO.
Chairman
Brisbane

DIRECTORS' REPORT

The Directors' present their report on the consolidated financial report for the year ended 30 June 2005.

DIRECTORS

The names and details of the Directors of the Company in office during the financial year and until the date of this report are:

John Boyd Reid A.O., LL.B, Hon. D. Bus(C Sturt), Hon. Ph. D. (Qld), Hon. D.Univ (QUT), Hon Fellow (Syd), CPE, FAICD, FAIM.
Chairman
Mr. Reid was appointed Non-Executive Chairman in August 1999 and is a highly regarded Australian businessman. He is Emeritus Chairman of the Australian Graduate School of Management, Chairman of Business Management Limited. Mr Reid has significant previous commercial and financial experience as Chairman of James Hardie Industries Limited, Deputy Chairman of Qantas Airways Limited, a Director of Broken Hill Proprietary Limited (BHP), Coles Myer Limited, Barclays Australia Limited, Focus Publishing Limited (November 1991 to November 2003), and was a member of the International Advisory Board of the Swiss Banking Corporation.
Mr. Reid is also a Life Governor of the Australian Institute of Management.

Brian Peter Jones B Bus Mgt, FAIM, ASIA, MAICD
Non-Executive Director, Company Secretary
Mr. Jones joined the Company as Non-Executive Director in August 1999. He has been involved in investment banking for over 25 years, with the past 20 years at Director and Managing Director level with local and international investment banks. He has specialised in the raising of venture and development capital for smaller companies, including the preparation of business plans, financial structuring, and equity raising.
He is currently a Director of Business Management Limited and was a Director of Tomato Technologies Limited from January 2001 to November 2004.

John William Laurie B.Ec, FCPA, FAIM
Non-Executive Director
Mr. Laurie joined the company as Non-Executive Director in January 2000. Mr. Laurie has significant experience in manufacturing and marketing in a wide variety of industries, both domestic and international. He is currently Chairman of The Twilight Homes Group of Aged Care Residences (from February 2002) and a Director of Impact Capital Limited (from August 2004).
Mr Laurie was previously the Chairman of Home Leisure Limited (from May 1999 to August 2004), Executive Director of Australian Cement Ltd, General Manager of CSR Ltd's Building Materials Division and Sugar Marketing Division, and Managing Director of Melcann Ltd

Anthony John Hanmer
Resigned
Mr. Hanmer resigned as Director on 2nd January 2005.

All Directors shown were in office for the entire year and up to the date of this report, unless otherwise stated.

PRINCIPAL ACTIVITIES

The principal activities during the year, in each entity within the consolidated entity were technology, research and development, commercialisation and intellectual property ownership. There was no significant change in the nature of these activities during the year. The company is a company limited by shares and incorporated and domiciled in Australia.

OPERATING RESULTS AND DIVIDENDS

The operating loss from ordinary activities after income tax attributable to members of the parent entity, TechStar Limited ('TechStar'), was $2,861,379 (2004 loss $9,712,850). The operating loss from ordinary activities after income tax of the consolidated entity for the year ended 30 June 2005 was $1,715,561 (2004 loss $3,997,873).

The Directors' do not recommend the payment of any dividend for the year ended 30 June 2005.

REVIEW OF OPERATIONS

Results For The Period

The work by the TechStar Board and management team on reducing costs, focussing on the completion of the existing projects, and negotiating entry into new projects (through the agreement reached after 30 June 2005 for the Ipoh Pacific projects) has allowed us to complete this year in a more positive light.

Positives for the existing projects included the sale of the cardiac compression device, CPREzy, to UK based company Health Affairs; a 10,000 unit opening order from ACME Whistles for the SportzWhistle; discussions with a US based power tool manufacturer for USA distribution of the Reomate; and an agreement with a Chinese power tool manufacturing company for the production of Reomate.

Medteq

Medteq sold its unique chest compression device, CPREzy to UK-based Company Health Affairs Pty Ltd on 30th March, 2005. Medteq will be paid up to A$3.885 million comprising three parts: an up-front cash payment of A$60,000 for the sale of the assets; $3,825,000 royalties on sales of CPREzy; with a 50% payment of any sum received by way of an advance for the manufacturing rights in Malaysia.

Health Affairs have recently completed several more research programs in the UK and European hospital system, across various hospitals, with the results confirming that the CPREzy unit does provide additional accuracy for both chest compressions and more accurate timing across a broad range of incidences and situations.

These important results now provide additional information to Health Affairs and the resuscitation community at large. Health Affairs have presented the results to ILCOR (International Liaison Committee On Resuscitation) who have reviewed much of this documentation. ILCOR is the body which determines the overall guidelines for resuscitation and they are currently reviewing all aspects of the guidelines for release next year. It is understood that as part of this review they are also specifically addressing the role of devices used to assist CPR.

ILCOR approval should see the take up of CPREzy more widespread and whilst sales forecasts for Health Affairs have been delayed due to this process, both Health Affairs and TechStar (Medteq) remain confident that the royalty projections will be met.

Ironbar

The manufacture of additional Reomate prototypes by University of Shanghai, China, and Architectural Hardware Company (Quoter), China, has been completed. A visit to Australia to demonstrate these devices in a working environment was conducted in July 2005.

Ironbar has appointed an Australian engineering and design company to assist the development of the next stage of production ready prototypes. These will be used to continue current negotiations with a large USA manufacturing and distribution company, and a number of other interested companies, in regard to the Reomate & Reotie products. Once this next stage is successfully completed it is envisaged that a number of worldwide distribution agreements could be considered. It is expected that TechStar will divest its share in IronBar by the end of financial year 2005/2006.

Sportzwhistle

J. Hudson and Co (Whistles) Ltd - Acme Whistles, has paid a deposit for the 10,000 unit order placed for the electronic SportzWhistle (received in July 2005). The order is the result of their sales and marketing efforts, and is for supply to a number of their international customers. Several samples have been redesigned in line with specific ACME client requests, allowing for potential penetration into new marine and safety markets.

SportzWhistle has held initial discussions with the NRMA regarding the possible use of the high level sound and features of the SportzWhistle 'piezo' technology, as a workplace safety product. NRMA is contributing funding to initial technical evaluations and has entered into a design evaluation contract with TechStar (SportzWhistle).

Augen Technologies (Eyebionics™)

The "bionic eye" technology is an Australian developed product with worldwide market demand, at the leading edge of technology and with a substantial amount of development already completed.

The bionic eye device, in its early stage of development, has the potential to help the blind see some images, light and shade, structure and shapes. It is considered particularly beneficial for people who have lost their sight due to degenerative and aged related eye disease.

The co-inventors Dr Gregg Suaning, University of Newcastle (UNEW) and Prof Nigel Lovell, University of NSW (UNSW), continue to develop the 'bionic eye' vision prosthesis project at the University of New South Wales and University of Newcastle. Several Research and Development grants are being applied for by the project. TechStar has identified several potential funding opportunities for this project.

CHANGES IN STATE OF AFFAIRS

There were no changes in the state of affairs.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

Acquisition Of Ipoh Pacific

The Directors of TechStar announced on 29th August 2005 that TechStar has entered a conditional Heads of Agreement to acquire the environmental technology company, IPOH Pacific Limited and its associated company Exnox Technology Ltd. IPOH is developing and commercialising a number of environmental remediation and protection solutions based on high quality bentonite clay.

The consideration for the acquisition will be the issue of 100 million fully paid TechStar shares to shareholders of the acquired companies. These shares will be held in voluntary escrow for 12 months.

As a major structural benefit to TechStar for the future new equity of up to $2 million, $1 million initially, will be injected. The current debt funding of $4.7 million, provided to TechStar by directors and external parties, will be converted into 34.3 million fully paid shares at prices from 12 – 15 cents per share. Of this conversion, 24 million shares, representing the holding of the directors converted at 15 cents will be held in voluntary escrow for a period of 12 months. This transaction will be put to the AGM for approval by shareholders.

RISK MANAGEMENT

The group takes a proactive approach to risk management. The Board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that the group's objectives and activities are aligned with the risks and opportunities identified by the Board.
The group believes that it is crucial for all Board members to be a part of this process, and as such the Board has not established a separate risk management committee. Instead sub-committees are convened as appropriate in response to issues and risks identified by the Board as a whole, and the sub-committee further examines the issue and reports back to the Board.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Company or consolidated entity is not subject to any particular or significant environmental regulation.

SHARE OPTIONS

As at the date of this report there were 2,035,881 unissued ordinary shares under options. Refer to note 15 of the financial statements for further details of options outstanding.

INDEMNIFICATION AND INSURANCE OF DIRECTORS

During the financial year, the Company has paid a premium in respect of a contract insuring all the Directors and Officers against a liability incurred in their role as Directors and Officers of the Company. The insurance contract prevents disclosure of the liability or amount of the premium paid.

DIRECTORS' MEETINGS

The number of meetings of Directors and meetings of committees of Directors held during the year, and the number of meetings attended by each Director were as follows:

Meetings of Committees	Directors' Meetings	Audit	Remuneration
Number of meetings held	12	2	1
Number of meetings attended:			
J.B. Reid	10	2	1
B.P. Jones	8	2	1
J.W. Laurie	10		1
A.J.Hanmer *(Resigned 2 January 2005)*	7 of 7		

The Company has an Audit Committee and a Remuneration Committee.
The members of the Audit Committee are Mr J.B. Reid and Mr B.P. Jones. The members of the Remuneration Committee are Mr J.B. Reid, Mr B.P. Jones and Mr J.W. Laurie.

DIRECTORS' INTERESTS IN SHARES AND OPTIONS

Equity instruments of Directors

(i) As at the date of this report the interests in the equity instruments of the Company held by Directors of the reporting entity and their director related entities were:

	Ordinary Shares Fully Paid
J. B. Reid	6,088,906
B. P. Jones	5,649,239
J. W. Laurie	334,986
	12,073,131

REMUNERATION REPORT

The Remuneration Committee of the Board of Directors is responsible for determining and reviewing compensation arrangements for the Directors, and the executive team. The Remuneration Committee assesses the appropriateness of the nature and amount of emoluments of such officers periodically by reference to relevant employment market conditions, with the overall objective of ensuring maximum stakeholder benefit. Such officers are given the opportunity to receive their base emolument in a variety of forms including cash and fringe benefits such as motor vehicles and expense payment plans. It is intended that the manner of payment chosen will be beneficial for the recipient without creating undue cost for the Company.

Non-executive Directors of the company are renumerated for the services they provide to the company only on the basis that the company provides a reasonable level of compensation for the services they provide.

The Board of Directors recognise the unique position of TechStars projects and market position, and have ensured that the senior management team employed are able to provide a broad range of commercial, financial, communication and project management skills. The executive team uses their skills to achieve the specific outcomes required to successfully complete projects, including seeking strategic partners, communicating with related parties and regulatory bodies, and managing the overall result for long term shareholder value.

Given that the company has losses in each of the past four financial years and has not paid any dividends in any of those years, there has been no short term improvement in shareholder wealth. Any improvement or decrease in the wealth of an individual shareholder has only been as a consequence of any gains or losses they may have made through trading their share holdings. The closing price of the Company's shares at 30 June 2005 was $0.09 (30 June 2004 $0.14; 30 June 2003 $0.14; 30 June 2002 $0.26)

No element of the remuneration of any Director or executive is related to the performance of the company.

No options have been granted to any person during the year as part of their remuneration.

No options that were granted to any of the Directors or executives as part of their remuneration package have been excercised during the year.

No options that were granted to any of the Directors or executives as part of their remuneration package have lapsed during the year.

No part of any Director or executive's remuneration package for the year consisted of options.

Details of the nature and amount of each element of the emolument of each Director of the Company for the financial year are as follows:

	PRIMARY EMOLUMENTS		POST EMPLOYMENT EMOLUMENTS	
	Base Salary/Fees	Other	Superannuation	Total
	$	$	$	$
J.B. Reid	60,000			60,000
B.P. Jones	40,000			40,000
J.W. Laurie	40,000			40,000
A.J. Hanmer	20,000			20,000

As at the date of this Financial Report, Messrs Reid, Jones, Laurie have not been paid their emoluments due to the cashflow position of the company and have agreed to defer payments. Mr Hanmer has now been paid his outstanding emoluments and Messrs Reid, Jones and Laurie will capitalise the accrued remuneration into fully paid Techstar Limited shares issued at $0.15 each as a component of the IPOH transaction.

	PRIMARY EMOLUMENTS		POST EMPLOYMENT EMOLUMENTS	
	Base Salary/Fees	Other	Superannuation	Total
	$	$	$	$
David Hunt – Chief Executive Officer	122,050	13,374	10,985	146,409
Peter Dewar – Chief Operating Officer	83,919		7,553	91,471
John Hilton – Group Technologist	30,000		2,700	32,700
Barry Moffatt - CFO/Company Secretary *Resigned 31 March 2005*	66,940		6,025	72,965

David Hunt's salary package includes a company car. The Fringe Benefits Tax reportable amount of the car is $13,374.

David Hunt and Peter Dewar are both engaged under a contract of employment. Termination clauses within each contract provide that upon termination by TechStar Limited the Company must pay the terminated employee an amount equal to 50% of that employee's total remuneration for the year as set out in the contract of employment. As at the date of this Financial Report, the termination payment amount for David Hunt is $90,000 and the termination payment amount for Peter Dewar is $60,000.

DIRECTORS' INTERESTS IN CONTRACTS

No material contracts involving Directors' interests were entered into during or at the end of the financial year, other than the transactions detailed in note 28 of the financial report.

TAX CONSOLIDATION

Effective 1 July 2003, for the purposes of income taxation, TechStar Limited and its 100% owned subsidiaries have formed a tax consolidated group. Members of the group have entered into a tax sharing arrangement in order to allocate income tax expense to the wholly owned subsidiaries on a pro-rata basis. In addition the agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations.

DIRECTORS' REPORT - Continued

CORPORATE GOVERNANCE

The Board of Directors of TechStar Limited is responsible for the Corporate Governance of the consolidated entity. The Board is committed to achieving the highest standards of Corporate Governance. The Board guides and monitors the business and affairs of TechStar on behalf of the shareholders by whom they are elected and to whom they are accountable.

AUDITOR INDEPENDENCE

The directors received the Auditor's Independence Declaration shown on page 10 from the Auditor of TechStar Limited.

NON-AUDIT SERVICES

There were no non-audit services provided for the financial year ended 30 June 2005 by the entity's auditor, Ernst & Young. The directors are satisfied that auditor independence was not compromised.

Signed for and on behalf of the Board in accordance with a resolution of the Directors.

Brian P Jones
Director

Brisbane, 30 September 2005

ERNST & YOUNG

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Auditor's Independence Declaration to the Directors of TechStar Limited

In relation to our audit of the financial report of TechStar Limited for the financial year ended 30 June 2005, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

M Reid

M Reid
Partner
30 September 2005

CORPORATE GOVERNANCE STATEMENT

Unless otherwise stated, the company has followed best practice recommendations set by the ASX Corporate Governance Council during the reporting period.

TechStar's Corporate Governance Statement is now structured with reference to the Corporate Governance Council's principles and recommendations, which are as follows:

Principle 1. Lay solid foundations for management and oversight
Principle 2. Structure the Board to add value
Principle 3. Promote ethical and responsible decision making
Principle 4. Safeguard integrity in financial reporting
Principle 5. Make timely and balanced disclosure
Principle 6. Respect the rights of shareholders
Principle 7. Recognise and manage risk
Principle 8. Encourage enhanced performance
Principle 9. Remunerate fairly and responsibly
Principle 10. Recognise the legitimate interests of stakeholders

TechStar's Corporate Governance practices were in place throughout the year ended 30 June 2005 and were substantially compliant with the Council's best practice recommendations.

Principle 1. Lay solid foundations for management and oversight

TechStar's Board is responsible to shareholders for the Group's overall Corporate Governance. The Board delegates to the Chief Executive Officer (CEO) and the executive team the responsibility for the operation and administration of the consolidated entity. The Board ensures that this team is appropriately qualified and experienced to discharge their responsibilities and has in place procedures to assess their performance.

The Company Secretary reports directly to the Board. Between meetings the Secretary is required to keep the Chairman fully informed.

The specific responsibilities of the Board include:

- Reviewing and approving the strategic direction, policies and budgets of the Company and ensuring that these are followed;
- Providing entrepreneurial leadership of the Company;
- Appointing and removing the CEO (or equivalent);
- Where appropriate, ratifying the appointment and removal of the Chief Financial Officer (CFO) (or equivalent);
- Setting corporate strategy and performance objectives;
- Reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct, and legal compliance;
- Monitoring management's performance and implementation of strategy and ensuring appropriate human and financial resources are available;
- Setting the Company's overall remuneration framework and assessing the performance of, and compensation for senior management;
- Enhancing and protecting the reputation of the Company;
- Reporting to Shareholders.

Principle 2. Structure the Board to add value

The Board has an effective composition, size and commitment to adequately discharge its responsibilities and duties. An effective Board facilitates discussion, allows debate, adds value and ensures that the Directors discharge their duties required by the law. The skills, experience and expertise relevant to the position of Director held by each Director in office at the date of the annual report is included in the Directors' Report on page 4.

The Company presently has three non-executive Directors, one of who is considered by the Board to be independent in terms of the ASX Corporate Governance Council's definition of independent Director. However, the Board has adopted a number of measures to ensure that independent judgement is achieved and maintained in respect of its decision-making processes.

The Director of TechStar considered to be independent is:

Name	Position
J. W Laurie	Non executive director

The term in office held by each director in office at the date of this report is as follows:

Name	Term in office
J.B. Reid	6 years
B.P.Jones	6 years
J.W. Laurie	5 ¾ years

There are procedures in place, agreed by the Board, to enable Directors, in furtherance of their duties, to seek independent professional advice at the Company's expense. Directors having a conflict of interest in relation to a particular item of business must absent themselves from the Board meeting before commencement of discussion on the topic.

Nomination Committee

The whole Board decides the selection of members of the Board and the making of recommendations to shareholders for election of Directors.
In considering membership of the Board, Directors take into account the appropriate skills and characteristics needed by the Board to maximise its effectiveness and the blend of skills, knowledge and experience for the present and future needs of the company.
Currently TechStar does not have a nomination committee. However, the each of the board members takes responsibility for:

- Assessing the necessary competencies of Board members to add value to the Company;
- Review the Board succession plans;
- Evaluation of the Board's performance;
- Making of recommendations to shareholders for election of Directors.

Principle 3. Promote ethical and responsible decision making

TechStar is firmly committed to ethical business practices, a safe workplace and compliance with the law. Fair dealing with the Company's suppliers, advisors, customers, employees and competitors is expected at all levels of the organisation.
There is no formal process to encourage the reporting of unlawful or unethical behaviour and the protection of those reporting perceived violations in good faith. However the Board believes that the culture of the Company is such that this would be the case.
Under ethical and responsible decision making officers and employees are expected to:

- Not to be in a conflicts of interest position where the interest of a private individual interferes or appears to interfere with the interests of the company as a whole;
- Not to gain any corporate opportunities where Directors and key executives take advantage of property, information or position, or opportunities arising from these, for personal gain or to compete with the Company;
- Confidentiality in the use of non-public information except where disclosure is authorised or legally mandated;
- Fair dealing by all employees with the Company's customers, suppliers, competitors and employees;
- Protection of and proper use of the Company's assets - protecting and ensuring efficient use of assets for legitimate business purposes;
- Compliance with laws and regulations, and the active promotion of compliance; and encouraging reporting of unlawful/unethical behaviour, including the active promotion of ethical behaviour and protection for those who report violations in good faith.

In summary, the Company requires that at all times all Company personnel act with the utmost integrity, objectivity and in compliance with spirit of law and company policies.

Share Trading Policy

The Company has developed a Share Trading Policy, which has been fully endorsed by the Board and applies to all Directors and employees.
Directors, executives and employees may deal in Company securities, however they may not do so if in possession of information, which is price sensitive to the security's market place.

Principle 4. Safeguard integrity in financial reporting

TechStar's CEO and CFO report in writing to the Audit Committee that the consolidated financial statements of TechStar and its controlled entities for each half and full financial year present a true and fair view, in all material respects, of the Group's financial condition and operational results and are in accordance with the requirements of the Corporations Act 2001 which includes applicable Accounting Standards and other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) have also been complied with.

CORPORATE GOVERNANCE STATEMENT

Audit Committee

The Board has established an Audit Committee, which operates under a charter approved by the Board. It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators. The details of Audit Committee meetings conducted are detailed on page 5 of the Directors' report.

The Board has delegated the responsibility for the establishment and maintenance of a framework of internal control and ethical standards for the management of the consolidated entity to the Audit Committee.

The Audit Committee also provides the board with additional assurance regarding the reliability of financial information for inclusion in the financial reports. All members of the Audit Committee are non-executive directors.

The members of the audit committee during the year were:

J.B. Reid

B.P. Jones

Principle 5. Make timely and balanced disclosure

Comprehensive procedures are in place at TechStar to make sure that all Company announcements are made in a timely manner, are factual, do not omit material information, are balanced and are expressed in a clear and objective manner so as to allow investors to assess the information when making investment decisions. During the financial year the Directors' complied with the Listing Rule 3.1 and the guidance to Listing Rule 3.1 regarding disclosure of information that may have a material affect on the Company.

The CEO and CFO are responsible for interpreting and monitoring the Company's disclosure policy and where necessary informing the Board.

The Company Secretary is responsible for all communications with the ASX.

Principle 6. Respect the rights of shareholders

That TechStar openly, regularly and in a timely manner empower shareholders by:

- Communicating effectively with them;
- Giving them ready access to balanced and understandable information about the company and corporate proposals;
- Making it easy for them to participate in General Meetings.

TechStar's management ensures that all such matters are brought to the Board's attention promptly.

TechStar is currently exploring the use of a "Shareholder Express" product, which would enhance the electronic communication with shareholders. All information disclosed in the ASX is available on the ASX's website shortly after the release to the ASX.

The Company Secretary has been nominated as the being the person responsible for communication with the ASX.

All shareholders receive a copy of the Company's full annual report.

The Company requests the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

Principle 7. Recognise and manage risk

TechStar recognises that it is necessary to undertake activities that involve a level of risk in order to achieve high levels of performance. The Board is responsible for the oversight of the Group's risk management and control framework.

The size of the Company and the comprehensive nature of its monthly reporting systems has led the Board to conclude that a formal internal audit process would not be cost effective nor reduce risk. There is no formal Risk Management Policy, however the culture of the Company is focused on the identification and management of risk, and they are;

- Establishing the Company's corporate level and business level goals and monitoring and implementing strategies to achieve these goals;
- Identify and measure risks that might impact upon the achievement of the Company's goals and monitor for trends and emergent factors;
- Formulate risk management strategies and identify and design and implement policies.
- Monitor the risk management process and strategies.

The Board believes that there are adequate controls to ensure that financial reports provide a truthful and factual position for the Company.

Principle 8. Encourage enhanced performance

The performance of the Board and key executives is reviewed regularly against both measurable and qualitative indicators. Directors were initially invited to join the Board on the basis of their experience and skills in relation to the Company's activities.

The performance criteria against which Directors and executives are assessed is aligned with the financial and non-financial objectives of TechStar. The Board has a responsibility to ensure that executive remuneration is fair and reasonable, having regard to the competitive market for executive talent, structured effectively to motivate and retain valued executives, and designed to produce value for shareholders.

No formal review of the Board's performance was conducted during the year, however the contributions of all Directors is considered to be of a high level and adequate to discharge their duties in full.

Principle 9. Remunerate fairly and responsibly

It is the objective of TechStar to provide maximum stakeholder benefit from the retention of a high quality Board and executive team by remunerating Directors and key executives fairly and appropriately with reference to relevant employment market conditions. To assist in achieving this objective, the Remuneration Committee links the nature and amount of Directors' and officers' emoluments to the Company's financial and operational performance. The expected outcomes of the remuneration structure are:

Retention and Motivation of key executives;

Attraction of quality management to the Company;

TechStar's polices relating to Directors' and Senior Executives' remuneration and the level of their remuneration are set out in the Directors' Report on page 4 of the Annual Report and Notes 25 and 26 to the Financial Report.

Senior staff are remunerated on the basis of packages, which comprise a base salary plus chairmans discretionary bonuses.

Principle 10. Recognise the legitimate interests of stakeholders

TechStar recognises its legal and other obligations. Company policy is to act in good faith and with integrity whilst dealings with Company affairs. These responsibilities not only relate to shareholders, clients, customers and consumers. These extend to the community as whole.

The Company is firmly committed to ethical business practices, a safe workplace and compliance with the law. These include trade practices and fair dealing laws, consumer protection, respect for privacy, employment law, occupational health and safety, equal employment opportunity, superannuation, environment and pollution controls.

There is no formal policy in place, which provides the separate measurement and promotion of these issues, except as required by Law or as set out above.

STATEMENT OF FINANCIAL PERFORMANCE

Year Ended 30 June 2005	Notes	Consolidated 2005 $	Consolidated 2004 $	Techstar Limited 2005 $	Techstar Limited 2004 $
Sales revenue	2	**44,428**	240,541	-	-
Cost of sales		**(12,340)**	(148,137)	-	-
Gross profit		**32,088**	92,404	-	-
Other revenue	2	**38,893**	578,843	**553,867**	1,101,080
Sales and marketing expenses		**(145)**	(30,647)	-	(17,881)
Salaries and employee benefits expense		**(658,753)**	(892,554)	**(658,715)**	(889,417)
Product research & development expenses		**(25,300)**	(83,547)	-	-
Administration expenses		**(435,087)**	(840,472)	**(314,270)**	(478,989)
Other expenses	3	**(240,000)**	-	-	-
Losses before interest expense, income tax, depreciation and diminution in value of assets		**(1,288,304)**	(1,175,973)	**(419,118)**	(285,207)
Depreciation and amortisation expenses	3	**(18,935)**	(34,156)	**(18,935)**	(31,457)
Diminution in value (write downs)	3	**(1,722)**	(2,179,710)	**(1,851,028)**	(8,795,164)
Losses before interest expense and income tax expense		**(1,308,961)**	(3,389,839)	**(2,289,081)**	(9,111,828)
Borrowing costs	3	**(406,600)**	(608,033)	**(392,298)**	(601,022)
LOSSES FROM ORDINARY ACTIVITIES BEFORE INCOME TAX		**(1,715,561)**	(3,997,873)	**(2,681,379)**	(9,712,850)
INCOME TAX EXPENSE RELATING TO ORDINARY ACTIVITIES	4	-	-	-	-
NET LOSSES FROM ORDINARY ACTIVITIES AFTER INCOME TAX		**(1,715,561)**	(3,997,873)	**(2,681,379)**	(9,712,850)
Net losses attributable to outside equity interests	18	**(370,166)**	(1,625,343)	-	-
NET LOSSES ATTRIBUTABLE TO MEMBERS OF THE PARENT ENTITY	17	**(1,345,395)**	(2,372,530)	**(2,681,379)**	(9,712,850)
Net decrease in asset revaluation reserve	16	-	-	-	3,714,573
TOTAL VALUATION ADJUSTMENTS ATTRIBUTABLE TO MEMBERS OF THE PARENT ENTITY		-	-	-	3,714,573
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS		**(1,345,395)**	(2,372,530)	**(2,681,379)**	(5,998,277)
		cents	cents		
Basic loss per share	24	**(3.1)**	(5.8)		
Diluted loss per share	24	**(3.1)**	(5.8)		

STATEMENT OF FINANCIAL POSITION

Year Ended 30 June 2005	Notes	Consolidated 2005 $	Consolidated 2004 $	Techstar Limited 2005 $	Techstar Limited 2004 $
CURRENT ASSETS					
Cash assets	19(b)	**47,811**	787	**47,776**	679
Receivables	5	**70,058**	379,353	**47,657**	1,271,209
Other assets	6	**21,279**	29,042	**16,278**	13,939
TOTAL CURRENT ASSETS		**139,148**	409,182	**111,711**	1,285,826
NON-CURRENT ASSETS					
Other financial assets	7	**-**	-	**1**	1
Plant and equipment	8	**10,417**	29,352	**10,417**	29,352
Intangible assets	9	**147,073**	-	**147,073**	-
TOTAL NON-CURRENT ASSETS		**157,490**	29,352	**157,491**	29,353
TOTAL ASSETS		**296,638**	438,534	**269,202**	1,315,180
CURRENT LIABILITIES					
Payables	11	**1,815,522**	1,610,119	**1,399,072**	1,123,520
Interest-bearing liabilities	12	**3,933,256**	1,152,469	**3,846,082**	1,152,469
Provisions	13	**31,813**	24,406	**31,676**	24,220
TOTAL CURRENT LIABILITIES		**5,780,591**	2,786,994	**5,276,830**	2,300,209
NON-CURRENT LIABILITIES					
Interest-bearing liabilities	14	**565,000**	2,207,820	**565,000**	2,128,909
TOTAL NON-CURRENT LIABILITIES		**565,000**	2,207,820	**565,000**	2,128,909
TOTAL LIABILITIES		**6,345,591**	4,994,814	**5,841,830**	4,429,118
NET ASSETS (DEFICIENCY)		**(6,048,953)**	(4,556,280)	**(5,572,628)**	(3,113,938)
EQUITY					
Parent entity interest					
Contributed equity	15	**6,761,502**	6,538,613	**6,761,502**	6,538,613
Reserves	16	**-**	-	**-**	-
Accumulated losses	17	**(9,153,979)**	(7,808,583)	**(12,334,130)**	(9,652,751)
Total parent entity interest		**(2,392,477)**	(1,269,970)	**(5,572,628)**	(3,114,138)
Outside equity interest	18	**(3,656,476)**	(3,286,310)	**-**	-
TOTAL EQUITY		**(6,048,953)**	(4,556,280)	**(5,572,628)**	(3,114,138)

STATEMENT OF CASH FLOWS

Year Ended 30 June 2005	Notes	Consolidated 2005 $	Consolidated 2004 $	Techstar Limited 2005 $	Techstar Limited 2004 $
NET CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		**189,190**	352,291	**27,507**	73,837
Payments to suppliers and employees		**(934,570)**	(1,359,319)	**(740,657)**	(194,048)
Interest received		**529**	353	**192**	175
Borrowing costs		**(28,009)**	(22,327)	**(21,971)**	(22,327)
Research and development expenditure		**(26,386)**	(83,547)	**-**	-
Intangible asset expenditure		**(147,073)**	-	**(147,073)**	-
Tax refund		**-**	-	**-**	-
Government grants		**11,714**	263,439	**-**	-
NET CASH FLOWS (USED IN) OPERATING ACTIVITIES	19 (a)	**(934,605)**	(849,110)	**(882,002)**	(142,363)
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sale of plant, equipment and financial assets		**-**	3,326	**-**	3,326
Acquisition of plant and equipment		**-**	-	**-**	-
Loans to associates		**(636)**	-	**(53,165)**	(651,339)
NET CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		**(636)**	3,326	**(53,165)**	(648,013)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of shares		**222,889**	80,000	**222,889**	80,000
Proceeds from borrowings		**887,331**	694,062	**887,331**	688,063
Repayment of borrowings		**(3,909)**	(46,384)	**(3,909)**	(46,384)
NET CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		**1,106,311**	727,678	**1,106,311**	721,679
NET INCREASE/(DECREASE) IN CASH HELD		**171,070**	(118,106)	**171,143**	(68,697)
Add opening cash brought forward		**(123,276)**	(5,172)	**(123,384)**	(54,687)
CLOSING CASH CARRIED FORWARD	19 (b)	**47,794**	(123,278)	**47,759**	(123,384)

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The financial report has been prepared in accordance with the historical cost convention.
The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, which includes applicable Accounting Standards. Other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) have also been complied with.

Going Concern

The consolidated entity has incurred a net loss attributable to members of $1,345,395 during the current financial year, and at 30 June 2005 has a deficiency in net current assets of $5,641,443 and net liability position of $6,048,953. The parent company has incurred a net loss attributable to members of $2,681,379 during the current financial year, and at 30 June 2005 has a deficiency in net current assets of $5,165,119 and net liability position of $5,572,628. Notwithstanding this, the financial report has been prepared on a going concern basis as the directors believe that the company and the consolidated entity continue to be going concerns and that they will be able to pay their debts as and when they fall due for a period of 12 months from the date of signing this report due to the following:

- Receipt of $200,000 prior to the date of this report and the anticipated receipt of a further $800,000 to provide a total short term capital raising of $1m through the acquisition of Ipoh Pacific Limited/Exnox Technology Limited. The Ipoh Pacific Limited/Exnox Technology Limited transaction also provides for a further capital raising of $1m. Refer to Note 23.
- Capital raising for the Augen Technologies project is expected to yield in excess of $10m, which would be adequate to cover the future costs of the business.
- Continued exploration of options for the sale of the intellectual property and income generated from the commercialisation of the Ironbar and Sportzwhistle project.
- Income from licence fees following the sale of CPR EZY.

However, should the anticipated sales of products and capital raisings not generate sufficient revenues and cash flows as expected, the company and consolidated entity may not be able to pay their debts as and when they become due and payable and they may be required to realise assets and extinguish liabilities other than in the ordinary course of business and at amounts different from those stated in the financial statements. This report does not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the company and the consolidated entity not continue as going concerns.

Changes in accounting policies

The accounting policies adopted are consistent with those of the previous year.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by TechStar Limited as at 30 June 2005 and the results of the controlled entities for the year. TechStar Limited and its controlled entities together are referred to in this financial report as the consolidated entity or the group.
Information from the financial statements of subsidiaries is included from the date the parent company obtains control until such time as control ceases. Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which the parent company has control.
The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The effects of all transactions between entities in the consolidated entity are eliminated in full.
Subsidiary acquisitions are accounted for using the purchase method of accounting.

Foreign currencies

Transactions in foreign currencies of entities within the consolidated entity are converted to local currency at the rate of exchange ruling at the date of the transaction.
Amounts payable to and by the entities within the consolidated entity that are outstanding at the balance date and are denominated in foreign currencies, have been converted to local currency using rates of exchange ruling at the end of the financial year.
All resulting exchange differences arising on settlement or re-statement are brought to account in determining the net profit or loss for the financial year.

Cash

Cash on hand and in banks and short-term deposits are stated at nominal value.
For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks, and money market investments readily convertible to cash within 2 working days, net of outstanding bank overdrafts.
Bank overdrafts are carried at the principal amount. Interest is recognised as an expense as it accrues.

Trade and other receivables

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectible debts. An estimate of doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.
Receivables from related parties are recognised and carried at the nominal amount due, less any amounts not considered collectible.
Interest is taken up as income on an accrual basis.

Recoverable amount

Non-current assets are carried at an amount not above their recoverable amount, and where carrying values exceed this recoverable amount, assets are written down. In determining recoverable amount, the expected net cash flows have not been discounted to their present value.

Investments

Non-current investments are carried at the lower of cost and recoverable amount.

Inventories

Inventories are valued at the lower of cost and net realisable value.
Costs involved in bringing each product to its present location and condition are accounted for as follows:
Raw Materials - purchase cost on a standard cost basis; and
Finished goods and work-in-progress - cost of direct materials and labour on a standard cost basis.

Plant and equipment

Cost and valuation

Plant and equipment are brought to account at cost less, where applicable, any accumulated depreciation or amortisation. The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from those assets. The recoverable amount is assessed on the basis of expected net cash flows, which will be received from the assets employment and subsequent disposal. The expected net cash flows have not been discounted to present values in determining recoverable amount.

Depreciation

Depreciation is provided on a straight-line basis on all plant and equipment over the following periods:

	2005	2004
Plant and equipment	3 to 5 years	3 to 5 years

Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating leases

The minimum lease payments of operating leases (where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item) are recognised as an expense on a straight-line basis.

Finance leases

Leases, which effectively transfer substantially all risks and benefits incidental to ownership of the leased item to the entity, are capitalised at the present value of the minimum lease payments and disclosed as plant and equipment under lease. A lease liability of equal value is also recognised.
Capitalised lease assets are depreciated over the shorter of the estimated useful life of the assets and the lease term. Minimum lease payments are allocated between interest expense and reduction of the lease liability, with the interest expense calculated using the interest rate implicit in the lease and charged directly to the statement of financial performance

NOTES TO THE FINANCIAL STATEMENTS

Intangibles

Goodwill

Goodwill represents the excess of the purchase consideration over the fair value of the identifiable net assets acquired at the time of acquisition of a business or shares in a controlled entity. Unamortised goodwill is reviewed at each balance date to determine the amount (if any) that is no longer recoverable beyond reasonable doubt and any amount identified is written off.

Intellectual Property

Unamortised intellectual property costs are reviewed at each balance date to determine the amount (if any) that is no longer recoverable beyond reasonable doubt and any amount identified is written off.

Other non-current assets

Research and Development costs

Research and development costs are expensed as incurred, except where future benefits are expected, beyond any reasonable doubt, to exceed those costs. Where research and development costs are deferred, such costs are amortised over future periods on a basis related to expected future benefits. Unamortised costs are reviewed at each balance date to determine the amount (if any) that is no longer recoverable and any amount identified is written off.

Trade and other payables

Liabilities for trade creditors and other amounts are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the consolidated entity. Payables to related parties are carried at the principal amount. Interest, when charged by the lender, is recognised as an expense on an accrual basis.

Interest-bearing liabilities

All loans are measured at the principal amount plus accrued interest if applicable. Interest is charged as an expense as it accrues. Finance lease liabilities are accounted for in accordance with the requirements of AASB 1008: "Leases".

Provisions

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.
A provision for warranty is recognised for all products under warranty at the reporting date based on sales volume and past experience of the level of repairs and returns.

Contributed Equity

Issued and paid up capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Sale of Goods

Control of the goods has passed to the buyer.

Rendering of Services

Revenue from the rendering of corporate services to associated companies is recognised upon the delivery of the service to those companies.

Interest

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

NOTES TO THE FINANCIAL STATEMENTS

Employee benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries and annual leave.

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the market yield as at the reporting date on national government bonds, which have terms to maturity approximating the terms of the related liability, are used.

Employee benefit expenses and revenues arising in respect of the following categories:

- wages and salaries and annual leave; and
- other types of employee benefits.

are recognised against profits on a net basis in their respective categories.

Taxation

Income taxes

Tax-effect accounting is applied using the liability method whereby income tax is regarded as an expense and is calculated on the accounting profit after allowing for permanent differences. To the extent timing differences occur between the time that items are recognised in the financial statements and when items are taken into account in determining taxable income, the net related taxation benefit or liability, calculated at current rates, is disclosed as a future income tax benefit or a provision for deferred income tax. The net future income tax benefit relating to tax losses and timing differences is not carried forward as an asset unless the benefit is virtually certain of being realised.

Tax consolidation

Effective 1 July 2003, for the purposes of income taxation, TechStar Limited and its 100% owned subsidiaries have formed a tax consolidated group. Members of the group have entered into a tax sharing arrangement in order to allocate income tax expense to the wholly owned subsidiaries on a pro-rata basis. In addition the agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations.

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

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

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Earnings per share

Basic EPS is calculated as net profit attributable to members, adjusted to exclude costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS is calculated as net profit attributable to members, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

Comparatives

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

Year Ended 30 June 2005	Notes	Consolidated 2005 $	Consolidated 2004 $	Techstar Limited 2005 $	Techstar Limited 2004 $
2 REVENUE FROM ORDINARY ACTIVITIES					
Revenues from operating activities:					
Revenue from sale of goods		**44,428**	240,541	**-**	-
Revenue from services		**26,500**	-	**483,401**	680,109
Total revenues from operating activities		**70,928**	240,541	**483,401**	680,109
Revenues from non-operating activities:					
Interest					
- associated companies	28	**-**	-	**70,160**	414,004
- other persons/corporations		**529**	353	**192**	175
Total interest		**529**	353	**70,352**	414,179
Other					
-proceeds from sales of plant & equipment		**-**	6,633	**-**	6,633
-gains on sale of investments		**-**	300,000	**-**	-
-revenue from grants		**11,714**	263,439	**-**	-
-other		**150**	8,418	**114**	160
Other revenue		**11,864**	578,490	**114**	6,792
Total revenues from non-operating activities		**12,393**	578,843	**70,466**	420,971
Total revenues from ordinary activities		**83,321**	819,384	**553,867**	1,101,080
3 EXPENSES AND LOSSES/(GAINS)					
(a) Expenses					
Depreciation of non-current assets					
Plant and equipment		**15,624**	18,849	**15,624**	16,150
Plant and equipment under lease		**3,311**	15,307	**3,311**	15,307
Total depreciation of non-current assets		**18,935**	34,156	**18,935**	31,457
Total depreciation and amortisation expenses		**18,935**	34,156	**18,935**	31,457
Specific diminution of assets included in expenses from ordinary activities:					
· Recoverable amount write-down R&D		**1,086**	1,114,874	**-**	-
· Diminution in value of intellectual property		**-**	787,424	**-**	-
· Diminution in value of Goodwill		**-**	39,592	**-**	-
· Diminution in value of investments		**-**	-	**-**	3,008,581
· Diminution in value of loans receivable		**636**	-	**1,851,028**	5,786,583
· Diminution of Stock value		**-**	237,820	**-**	-
Total diminution of assets		**1,722**	**2,179,710**	**1,851,028**	8,795,164
Borrowing costs expensed:					
Interest expense					
- Finance lease		**494**	2,491	**494**	2,491
- On directors' loans		**259,962**	202,460	**259,962**	195,448
- other persons/corporations		**137,021**	400,837	**128,725**	400,837
		397,477	605,788	**389,181**	598,776
Other borrowing costs:					
- Other persons/corporations		**9,123**	2,246	**3,117**	2,246
Total borrowing costs expensed		**406,600**	608,033	**392,298**	601,022
Operating lease rental - minimum lease payments		**-**	45,772	**-**	45,772
Bad and doubtful debts		**-**	2,851	**-**	20
(b) Losses/(gains)					
Net foreign currency losses/(gains)					
Trade payables		**(75)**	(8,418)	**(39)**	(160)
Trade receivables		**186**	1,840	**-**	-
Net foreign currency losses/(gains)		**111**	(6,578)	**(39)**	(160)
Other					
- write off of debt on sale of investments		**240,000**	-	**-**	-
Other expenses		**240,000**	-	**-**	-

Year Ended 30 June 2005	Notes	Consolidated 2005 $	Consolidated 2004 $	Techstar Limited 2005 $	Techstar Limited 2004 $
4 INCOME TAX					
The prima facie tax payable on profit from ordinary activities before income tax is reconciled to the income tax expense (income) as follows:					
Prima facie tax payable on profit from ordinary activites before income tax at 30% (2004 30%)		(514,668)	(1,199,362)	(804,414)	(2,913,855)
Tax effect of non-deductible/(assessable) items:					
- amortisation of goodwill		-	11,878	-	-
- write-downs to recoverable amounts		191	236,227	555,308	2,638,549
- R&D expensed in accounts		-	379,262	-	-
- R&D incentive claim (additional 25%)		-	(16,800)	-	-
- Other items net		78,664	(30,789)	(896)	(57,153)
Tax losses transferred from controlled entities outside the tax consolidated group		(182,415)	(364,406)	-	-
Tax losses not recognised as future income tax benefit		618,229	983,990	250,001	332,459
Income tax expense/ (income)		-	- #	- #	-

The following deferred tax assets have not been recognised in the statement of financial position:

Unused tax losses:				
- tax losses available to the tax consolidated group	756,372	542,579	756,372	542,479
- tax losses available to entities outside the tax consolidated group	1,932,209	1,804,902		

The tax rate used is the income tax rate applied to Australian resident companies under the Income Tax Assessment Acts in force in Australia at the reporting date.

The aggregate amounts of current year income tax expense/ (income) and deferred tax assets have not been recognised in the statement of financial position as in the forseeable future it is not probable that future taxable amounts will be available against which the unused tax losses can be utilised.

The prima facie future income tax benefit will only be obtained if:

(a) future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
(b) the conditions for deductibility imposed by tax legislation continued to be complied with;
(c) no changes in tax legislation adversely affect the consolidated entity in realising the benefit.

Year Ended 30 June 2005	Notes	Consolidated 2005 $	Consolidated 2004 $	Techstar Limited 2005 $	Techstar Limited 2004 $
5 RECEIVABLES (CURRENT)					
Trade debtors		**21,621**	79,145	**-**	-
		21,621	79,145	**-**	-
Sundry debtors		**47,580**	208	**46,800**	208
Funds receivable on sale of investments		**-**	300,000	**-**	-
Amounts receivable from related parties					
- director related		**857**	-	**857**	-
- Loans to controlled entities		**-**	-	**9,331,827**	7,056,003
- Loans to controlled entities provision		**-**	-	**(9,331,827)**	(5,785,002)
		70,058	379,353	**47,657**	1,271,209

(a) Terms and conditions

Terms and conditions relating to the above financial instruments:
(i) domestic trade debtors are non-interest bearing and generally on 30 day terms.
(ii) overseas trade debtors are non-interest bearing and generally on Letter of Credit on sight terms.
(iii) sundry debtors are non-interest bearing and have repayment terms between 30 days and 90 days.

6 OTHER CURRENT ASSETS					
Prepayments		**21,279**	13,499	**16,278**	13,499
Directors		**-**	15,543	**-**	440
		21,279	29,042	**16,278**	13,939

7 OTHER FINANCIAL ASSETS (NON-CURRENT)

Investments comprises:					
Controlled entities - unlisted shares		-	-	**1**	1

During the prior year investments in controlled entities were written down to recoverable amount as follows:

Inter Medteq Pty Ltd		
Opening balance	-	2,689,754
Diminution in value	-	(2,689,754)
Closing balance	-	-
Inter Ironbar Pty Ltd		
Opening balance	-	318,827
Diminution in value	-	(318,827)
Closing balance	-	-

(a) Interests in wholly owned subsidiaries

Name	Country of incorporation	Equity interest held by consolidated entity 2005	Equity interest held by consolidated entity 2004	Company carrying value of investment 2005	Company carrying value of investment 2004
Inter-whistle Pty Ltd	**Australia**	100%	100%	**1**	1
Inter-cent Pty Ltd	**Australia**	100%	100%	-	-
Inter-ironbar Pty Ltd	**Australia**	100%	100%	-	-
Inter-medteq Pty Ltd	**Australia**	100%	100%	-	-
(b) Interests in other subsidiaries					
SportzWhistle Pty Ltd (i)	**Australia**	61.2%	61.2%	-	-
Centurion Tech Holdings Pty Ltd (ii)	**Australia**	60%	60%	-	-
Centurion Technologies Pty Ltd (ii)	**Australia**	60%	60%	-	-
Ironbar Pty Ltd (iii),(v)	**Australia**	49%	49%	-	-
Medteq Holdings Pty Ltd (iv)	**Australia**	50%	50%	-	-
Medteq Innovations Pty Ltd (iv)	**Australia**	50%	50%	-	-

(i) Investments are held by Inter-whistle Pty Ltd

(ii) Investments are held by Inter-cent Pty Ltd

(iii) Investments are held by Inter-ironbar Pty Ltd

(iv) Investments are held by Inter-medteq Pty Ltd

(v) Control exists due to the entity's financial dependence upon Inter-ironbar Pty Ltd

Year Ended 30 June 2005	Notes	Consolidated 2005 $	Consolidated 2004 $	Techstar Limited 2005 $	Techstar Limited 2004 $
8 PLANT AND EQUIPMENT					
Plant and equipment:					
At cost		**104,791**	83,838	**84,947**	83,838
Provision for depreciation		**(96,848)**	(60,271)	**(77,004)**	(60,271)
		7,943	23,567	**7,943**	23,567
Plant and equipment under lease					
At cost		**18,475**	18,475	**18,475**	18,475
Provision for amortisation		**(16,001)**	(12,690)	**(16,001)**	(12,690)
		2,474	5,785	**2,474**	5,785
Total plant and equipment		**10,417**	29,352	**10,417**	29,352
Total plant and equipment					
At cost		**123,266**	102,313	**103,422**	102,313
Provision for depreciation and amortisation		**(112,849)**	(72,961)	**(93,005)**	(72,962)
Total written down amount		**10,417**	29,352	**10,417**	29,352

Assets pledged as security

Assets under lease are pledged as security for the associated lease liabilities.

(a) Reconciliations

Plant and equipment					
Carrying amount at beginning		**23,567**	17,241	**23,567**	14,543
Additions		-	26,638	-	26,638
Disposals		-	(1,463)	-	(1,463)
Depreciation expense		**(15,624)**	(18,849)	**(15,624)**	(16,149)
		7,943	23,567	**7,943**	23,567
Plant and equipment under lease					
Carrying amount at beginning		**5,785**	33,253	**5,785**	33,253
Additions		-		-	-
Terminated during the year		-	(12,161)	-	(12,161)
Amortisation expense		**(3,311)**	(15,307)	**(3,311)**	(15,307)
		2,474	5,785	**2,474**	5,785

9 INTANGIBLE ASSETS					
Goodwill		**59,388**	59,388	-	-
Accumulated amortisation		**(59,388)**	(59,388)	-	-
		-	-	-	-
Intellectual property at cost		**246,873**	2,599,796	**147,073**	-
Accumulated amortisation		**(99,800)**	(2,328,965)	-	-
Diminution of recoverable amount		-	(270,831)	-	-
		147,073	-	**147,073**	-

Year Ended 30 June 2005	Notes	Consolidated 2005 $	Consolidated 2004 $	Techstar Limited 2005 $	Techstar Limited 2004 $
10 RESEARCH & DEVELOPMENT					
Research and development costs					
Balance at beginning of year at cost		**1,489,919**	1,489,919	-	-
Research and development costs incurred during the year and deferred		**1,087**	-	-	-
Capitalised Research and development costs written back on disposal of the underlying asset		**(641,671)**			
Balance at end of year at cost		**849,335**	1,489,919	-	-
Accumulated amortisation prior years		**(848,249)**	(375,046)	-	
		1,086	1,114,874	-	-
Diminution of recoverable amount		**(1,086)**	(1,114,874)	-	-
		-	-	-	-

Year Ended 30 June 2005	Notes	Consolidated 2005 $	Consolidated 2004 $	Techstar Limited 2005 $	Techstar Limited 2004 $
11 PAYABLES (CURRENT)					
Trade creditors		**415,072**	682,086	**258,023**	290,977
Amounts payable to related parties		**985,199**	697,083	**857,083**	697,083
Other creditors		**415,251**	230,950	**283,966**	135,460
		1,815,522	1,610,119	**1,399,072**	1,123,520
Aggregate amounts payable to related parties:					
- directors		**985,199**	697,083	**857,083**	697,083
		985,199	697,083	**857,083**	697,083

(a) Terms and conditions relating to the above financial instruments

(i) Trade creditors are non-interest bearing and are normally settled on 30 day terms.

(ii) Details of the terms and conditions of related party payables are set out in note 28.

(iii) Other creditors are non-interest bearing and have an average term of 4 months.

Year Ended 30 June 2005	Notes	Consolidated 2005 $	Consolidated 2004 $	Techstar Limited 2005 $	Techstar Limited 2004 $
12 INTEREST BEARING LIABILITIES (CURRENT)					
Unsecured borrowings					
- bank overdraft		**17**	-	**17**	-
Secured lease liability - finance lease (i)	20	**2,610**	3,909	**2,610**	3,909
Borrowings securing by fixed and floating charge					
- bank overdraft (ii)		-	124,063	-	124,063
- director related entities (iii)		**2,880,977**	-	**2,793,803**	-
- other entities (iv)		**1,049,652**	1,024,497	**1,049,652**	1,024,497
		3,933,256	1,152,469	**3,846,082**	1,152,469

(i) Finance leases have an average lease term of 4 years with the option to purchase the asset at the completion of the lease term for the asset's market value. The average discount rate implicit in the leases is 10%. Secured lease liabilities are secured by a charge over the leased assets.
(ii) Bank overdraft has now been repaid and associated securites released.
(iii) Director related entity loans are repayable over time. Interest is charged at the rate of 10%pa and the loans are secured via a floating charge. Subject to approval at an extraordinary general meeting, these loans will be converted to equity at 15 cents per share as part of the Ipoh acquisition.
(iv) Other loans are repayable over time with interest charged at the rate of 10%pa. The loans are secured via a floating charge. Subject to approval at an extraordinary general meeting, these loans will be converted to equity at 12 cents per share as part of the Ipoh acquisition.

13 PROVISIONS (CURRENT)					
Employee benefits	21	**31,676**	24,220	**31,676**	24,220
Warranty provision		**137**	186	**-**	-
		31,813	24,406	**31,676**	24,220

14 INTEREST BEARING LIABILITIES (NON-CURRENT)					
- secured lease liability - Finance lease (i)	20	**-**	2,611	**-**	2,611
- director related entities (ii)		**565,000**	2,205,209	**565,000**	2,126,298
		565,000	2,207,820	**565,000**	2,128,909

Terms and conditions relating to the above financial instruments:

(i) Finance leases have an average lease term of 4 years with the option to purchase the asset at the completion of the lease term for the asset's market value. The average discount rate implicit in the leases is 10%. Secured lease liabilities are secured by a charge over the leased assets.

(ii) Director related entity loans are repayable by 13 May 2007. Interest is charged at the rate of 10% pa and the loans are secured via a fixed and floating charge.

15 CONTRIBUTED EQUITY				
(a) Issued and paid up capital				
Ordinary shares fully paid	**7,361,612**	7,138,723	**7,361,612**	7,138,723
Less: Equity raising costs	**(600,110)**	(600,110)	**(600,110)**	(600,110)
	6,761,502	6,538,613	**6,761,502**	6,538,613

(b) Movements in shares on issue	**2005**		2004	
	Number of shares	**$**	Number of shares	$
Beginning of financial year	**41,747,943**	**6,538,613**	39,903,731	6,263,478
Issued during year				
- shares issued to other parties including employees	**2,017,274**	**202,889**	1,844,212	275,135
- employee share options exercised	**231,480**	**20,000**	-	-
End of the financial year	**43,996,697**	**6,761,502**	41,747,943	6,538,613

(c) Share options

Options over ordinary shares

At the end of the year there were 2,035,881 (2004 2,267,361) unissued ordinary options in respect of which options were outstanding. (Refer note (d) below).

Listed share options

There were no new listed share options issued for the period.

(d) Terms and conditions of contributed equity

Ordinary shares

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the company, to participate in the proceeds from sale of all surplus assets in the proportion to the number of and the amounts paid up on shares held.

Ordinary shares entitle their holders to one vote, either in person or by proxy, at a meeting of the company.

Options to acquire issued capital

Each option entitles the holder to purchase one share. The names of all persons who currently hold share options, granted at any time, are entered in the register kept by the Company, pursuant to Section 168 of the Corporations Act 2001, which may be inspected free of charge. Persons entitled to exercise these options have no right, by virtue of the options, to participate in any share issue by the parent entity or any other body corporate.

Movements in the numbers of options to acquire share capital are as follows:

	Exercise Price	Number of Options 2005	2004
On issue at the beginning of the year		**2,267,361**	-
Excercised during the year	$0.0864	**231,480**	-
Issued during the year (i)	Various prices	-	2,267,361
On issue at the end of the year		**2,035,881**	2,267,361

(i) These options were issued attached to equity placements during the financial year and are exerciseable at the following dates and prices:

Expiry Date	**Exercise Price**	**Number of Options 2005**	2004
1 February 2006 - Employees	$0.0864	**925,926**	925,926
1 April 2006 - Employees	$0.0864	**578,705**	810,185
30 June 2006	$0.20	**250,000**	250,000
30 June 2006	$0.16	**156,250**	156,250
31 July 2006	$0.20	**125,000**	125,000
		2,035,881	2,267,361

During the year there were no options issued in respect to remuneration. All options held by employees were the result of share capital purchases during the year.

16 RESERVES

	Consolidated 2005	Consolidated 2004	Techstar Limited 2005	Techstar Limited 2004
Asset revaluation	-	-	-	-

The asset revaluation reserve is used to record increments and decrements in the value of non-current assets.

Movements in asset revaluation reserve:

	Consolidated 2005	Consolidated 2004	Techstar Limited 2005	Techstar Limited 2004
Balance at beginning of year	-	-	-	3,714,573
Transfer to accumulated losses		-		(3,714,573)
Balance at end of year	-	-	-	-

17 ACCUMULATED LOSSES

	Consolidated 2005	Consolidated 2004	Techstar Limited 2005	Techstar Limited 2004
Balance at beginning of year	**(7,808,583)**	(5,436,053)	**(9,652,751)**	(3,654,474)
Net losses attributable to members of TechStar Limited	**(1,345,395)**	(2,372,530)	**(2,681,379)**	(9,712,850)
Transfer of revaluation reserve	-	-	-	3,714,573
Balance at end of year	**(9,153,978)**	(7,808,583)	**(12,334,130)**	(9,652,751)

18 OUTSIDE EQUITY INTEREST

Reconciliation of outside equity interests in controlled entities:

	Consolidated 2005	Consolidated 2004
Balance at beginning of year	**(3,286,310)**	(1,660,967)
Less share of operating loss	**(370,166)**	(1,625,343)
Balance at end of year	**(3,656,476)**	(3,286,310)

Outside equity interest comprises:

	Consolidated 2005	Consolidated 2004
Share capital	**2,061,397**	2,061,397
Accumulated losses	**(5,717,873)**	(5,347,707)
	(3,656,476)	(3,286,310)

Year Ended 30 June 2005	Notes	Consolidated 2005 $	Consolidated 2004 $	Techstar Limited 2005 $	Techstar Limited 2004 $
STATEMENT OF CASH FLOWS					
19 (a) Reconciliation of the operating loss after tax to the net cash flows from operations					
Operating loss after tax		**(1,715,561)**	(3,997,873)	**(2,681,379)**	(9,712,850)
Non-cash flows in loss from operations:					
Depreciation of non-current assets		**15,624**	18,849	**15,624**	16,150
Amortisation of assets under finance lease		**3,311**	15,307	**3,311**	15,307
Recoverable amount write-down - capitalised R&D		-	1,114,874	-	-
Diminution of intellectual property		-	787,424	-	-
Diminution of value of Goodwill		-	39,592	-	-
Diminution in value of investments		-	-	-	3,008,581
Diminution of value of loans receivable		**636**	-	**1,851,028**	5,786,583
Net foreign currency (gains)/losses		-	(6,578)	-	-
Accrued overhead recoveries from associates		-	-	**(456,901)**	-
Accrued interest on interest bearing liabilities		**378,589**	585,708	**370,329**	578,696
Accrued interest on investment in associated entites		-	-	**(70,160)**	(414,004)
Shares alloted to P O'neil-redundancy & D Hunt- Bonus payment		-	195,135	-	195,135
Write off of debt on sale of investments		**240,000**	-	-	-
Other		-	(24,363)		5,924
Changes in assets and liabilities:					
Decrease/(increase) in trade and other receivables		**69,295**	(385,919)	**(47,449)**	(14,496)
Decrease/(increase) in other assets		**7,764**	14,756	**(2,340)**	(1,104)
(Decrease)/increase in trade and other creditors		**(82,713)**	1,013,177	**115,552**	906,235
(Decrease)/increase in payables		**288,116**	(517,083)	**160,000**	(517,083)
(Decrease)/increase in employee entitlements		**7,456**	4,130	**7,456**	4,563
(Decrease)/increase in other provisions		**(49)**	217	-	-
Decrease/(increase) in inventory		-	293,538	-	-
Decrease/(increase) in intangible assets		**(147,073)**	-	**(147,073)**	-
Net cash flow from (used in) operating activities		**(934,606)**	(849,109)	**(882,001)**	(142,363)
19 (b) Reconciliation of cash					
Cash balance comprises:					
- cash on hand and at bank		**47,811**	787	**47,776**	679
- short term deposits		-	-	-	-
		47,811	787	**47,776**	679
- bank overdraft		**(17)**	(124,063)	**(17)**	(124,063)
Closing cash balance		**47,794**	(123,276)	**47,759**	(123,384)
19 (c) Financing facilities available					
At balance date the following financing facilities had been negotiated and were available:					
Total facilities					
- bank overdraft	12	-	135,000	-	135,000
- related parties	12,14	**3,445,977**	2,205,209	**3,358,803**	2,126,298
- other	12	**1,049,652**	1,024,497	**1,049,652**	1,024,497
Facilities used at balance date					
- bank overdraft	12	-	124,063	-	124,063
- related parties	12,14	**3,445,977**	2,205,209	**3,358,803**	2,126,298
- other	12	**1,049,652**	1,024,497	**1,049,652**	1,024,497
Facilities unused at balance date					
- bank overdraft	12	-	10,937	-	10,937

Year Ended 30 June 2005	Notes	Consolidated 2005 $	Consolidated 2004 $	Techstar Limited 2005 $	Techstar Limited 2004 $
20 LEASE EXPENDITURE COMMITMENTS					
(a) Operating leases (non-cancellable)					
Minimum lease payments					
not later than one year		-	-	-	-
later than one year and not later than five years		-	-	-	-
later than five years		-	-	-	-
aggregate lease expenditure contracted for at balance date		-	-	-	-
Amounts not provided for:					
- rental commitments		-	-	-	-
(b) Finance leases:					
- not later than one year		**2,610**	4,365	**2,610**	4,365
- later than one year and not later than five years		-	2,649	-	2,649
- later than five years		-	-	-	-
- total minimum lease payments		**2,610**	7,014	**2,610**	7,014
- future finance charges		-	(494)	-	(494)
- lease liability		**2,610**	6,520	**2,610**	6,520
- current liability	12	**2,610**	3,909	**2,610**	3,909
- non-current liability	14	-	2,611	-	2,611
		2,610	6,520	**2,610**	6,520

Finance leases have an average lease term of 4 years with an average discount rate of 10% implicit in the leases. The security over finance leases is disclosed in note 12.

21 EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS					
Employee Entitlements					
The aggregate employee entitlement liability is comprised of:					
Provision for annual leave (current)		**(31,676)**	(24,220)	**(31,676)**	(24,220)
	13	**(31,676)**	(24,220)	**(31,676)**	(24,220)

Number of employees
The consolidated entity employed 3 employees as at 30 June 2005 (2004: 7 employees).

Superannuation Commitments
All employees are entitled to varying levels of benefits on retirement, disability or death. The superannuation plans provide accumulated benefits. Employees contribute to the plans at various percentages of their wages and salaries. Contributions by the Company of up to 9% of employees' wages and salaries are legally enforceable.

Employee share option plan
An employee share option plan has been established where Directors, and certain members of staff of the consolidated entity are issued with options over the ordinary shares of TechStar Limited. The options, issued for nil consideration, were issued for a term of 3 years, and were exercisable from 22 December 2000. The options could not be transferred and were not be quoted on the ASX.

Information with respect to the number of options granted under the employee share option plan is as follows:

	2005		2004	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Balance at beginning of year	-		90,000	0.50
Balance after capital reorganisation				
- granted	-		-	
- less forfeited	-		(90,000)	0.50
- exercised			-	
Balance at end of year	-		-	
Exercisable at end of year	-		-	

22. CONTINGENT LIABILITIES

No contingent liabilities have arisen during or at the end of the financial year.

23. SUBSEQUENT EVENTS

Acquisition Of Ipoh Pacific

The Directors of TechStar announced on 29 August 2005 that TechStar has entered a conditional Heads of Agreement to acquire the environmental technology company, IPOH Pacific Limited and its associated companies, IPOH Pacific Resources Pty Ltd and Exnox Technology Ltd. IPOH is developing and commercialising a number of environmental remediation and protection solutions based on high quality bentonite clay.

The consideration for the acquisition will be the issue of 100 million fully paid TechStar shares to shareholders of the acquired companies. These shares will be held in voluntary escrow for 12 months.

As a major structural benefit to TechStar for the future new equity of up to $2 million, $1 million initially, will be injected. The current debt funding of $4.7 million, provided to TechStar by directors and external parties, will be converted into 34.3 million fully paid shares at prices from 12 – 15 cents per share. Of this conversion, 24 million shares, representing the holding of the directors converted at 15 cents will be held in voluntary escrow for a period of 12 months. This transaction will be put to the AGM for approval by shareholders.

24 EARNINGS PER SHARE

Basic earnings per share (cents)	**(3.1)**	(5.8)
Diluted earnings per share (cents)	**(3.1)**	(5.8)
The following reflects the income and share data used in the calculations of basic and diluted earnings per share:		
Net profit/(loss)	**(1,715,561)**	(3,997,873)
Adjustments:	-	-
Net profit/(loss) attributable to outside equity interest	**(370,166)**	(1,625,343)
Earnings used in calculating basic and diluted earnings per share	**(1,345,395)**	(2,372,529)
	Number of shares	Number of shares
Weighted average number of shares used in calculating basic earnings per share:	**42,887,880**	40,953,282
Effect of dilutive securities:		
- share options	**2,113,887**	1,077,212
Adjusted weighted average number of ordinary shares used in calculating Diluted earnings per share	**45,001,767**	42,030,494

However at 30 June 2005 there is no diluted effect on earnings per share.

TechStar offered its existing shareholders the opportunity to increase investment in Techstar and the opportunities in which TechStar participates by participating in a share purchase plan which closed on 6 August 2004. New shares, totalling $100,888 were allocated at an issue price of 15 cents, which was 84.3% of the average market price for the preceding 5 days prior to the 11th June 2004.

25 REMUNERATION OF DIRECTORS

		PRIMARY EMOLUMENTS		POST EMPLOYMENT EMOLUMENTS	
		Base Salary/Fees	Other	Superannuation	Total
		$	$	$	$
J.B. Reid - Chariman					
	2005	**60,000**	**-**	**-**	**60,000**
	2004	60,000	-	-	60,000
B.P. Jones - Non-executive Director					
	2005	**40,000**	**-**	**-**	**40,000**
	2004	40,000	-	-	40,000
J.W. Laurie - Non-executive Director					
	2005	**40,000**	**-**	**-**	**40,000**
	2004	40,000	-	-	40,000
A.J. Hanmer - Non-executive Director					
	2005	**20,000**	**-**	**-**	**20,000**
	2004	40,000	-	-	40,000
Total Remuneration of Specified Directors					
	2005	**160,000**	**-**	**-**	**160,000**
	2004	180,000	-	-	180,000

Messrs Reid, Jones, Laurie and Hanmer were not paid their emoluments during the year due to the cashflow position of the Company and have agreed to defer payments. Mr Hanmer has now been paid his outstanding emoluments and Messrs Reid, Jones and Laurie will capitalise the accrued remuneration into fully paid Techstar Limited shares issued at $0.15 each as a component of the IPOH transaction.

The Remuneration Committee of the Board of Directors is responsible for determining and reviewing compensation arrangements for the Directors, and the executive team. The Remuneration Committee assesses the appropriateness of the nature and amount of emoluments of such officers periodically by reference to relevant employment market conditions, with the overall objective of ensuring maximum stakeholder benefit. Such officers are given the opportunity to receive their base emolument in a variety of forms including cash and fringe benefits such as motor vehicles and expense payment plans. It is intended that the manner of payment chosen will be beneficial for the recipient without creating undue cost for the Company.

Non-executive Directors of the company are renumerated for the services they provide to the company only on the basis that the company provides a reasonable level of compensation for the services they provide.

The Board of Directors recognise the unique position of TechStars projects and market position, and have ensured that the senior management team employed are able to provide a broad range of commercial, financial, communication and project management skills. The executive team uses their skills to achieve the specific outcomes required to successfully complete projects, including seeking strategic partners, communicating with related parties and regulatory bodies, and managing the overall result for long term shareholder value.

Given that the company has losses in each of the past four financial years and has not paid any dividends in any of those years, there has been no short term improvement in shareholder wealth. Any improvement or decrease in the wealth of an individual shareholder has only been as a consequence of any gains or losses they may have made through trading their share holdings. The closing price of the Company's shares at 30 June 2005 was $0.09 (30 June 2004 $0.14; 30 June 2003 $0.14; 30 June 2002 $0.26)

No element of the remuneration of any Director or executive is related to the performance of the company.

No options have been granted to any person during the year as part of their remuneration.

No options that were granted to any of the Directors or executives as part of their remuneration package have been excercised during the year.

No options that were granted to any of the Directors or executives as part of their remuneration package have lapsed during the year.

No part of any Director or executive's remuneration package for the year consisted of options.

26 REMUNERATION OF EXECUTIVES

		PRIMARY EMOLUMENTS		POST EMPLOYMENT EMOLUMENTS	
		Base Salary/Fees	Bonus & Other	Superannuation	Total
		$	$	$	$
D. Hunt - CEO					
	2005	**122,050**	**13,374**	**10,985**	**146,409**
	2004	120,000	55,135	10,800	185,935
B. Moffatt - CFO/Company Secretary					
Resigned 31 March 2005	**2005**	**66,940**	**-**	**6,025**	**72,965**
	2004	85,124	-	7,661	92,785
P. Dewar - Chief Operating Officer					
	2005	**83,919**	**-**	**7,553**	**91,471**
	2004	15,349	-	1,381	16,730
J. Hilton - Group Technologist					
	2005	**30,000**	**-**	**2,700**	**32,700**
	2004	80,000	-	7,200	87,200
Total Remuneration of Specified Executives					
	2005	**302,909**	**13,374**	**27,262**	**343,545**
	2004	300,473	55,135	27,042	382,650

There have been no non-monetary, post employment, retirement, or options granted as remuneration during the year. All bonuses issued are approved by the Board of Directors.

David Hunt's salary package includes a company car. The Fringe Benefits Tax reportable amount of the car is $13,374.

David Hunt and Peter Dewar are both engaged under a contract of employment. Termination clauses within each contract provide that upon termination by TechStar Limited the Company must pay the terminated employee an amount equal to 50% of that employee's total remuneration for the year as set out in the contract of employment. As at the date of this Financial Report, the termination payment amount for David Hunt is $90,000 and the termination payment amount for Peter Dewar is $60,000.

Interests in options held by executives of the reporting entity are listed below. These options did not form a part of the remuneration package of the executives.

	Options Held 2005	Options Held 2004
D. Hunt – CEO	231,481	231,481
B. Moffatt – CEO/Company Secretary *Resigned 31 March 2005*	694,445	694,445
	925,926	925,926

27 AUDITORS' REMUNERATION

Amounts received or due and receivable by the auditors of TechStar Limited for:

- an audit or review of the financial report of the entity and any other entity in the consolidated entity	**100,811**	68,213	**100,811**	68,213
- other services	**-**	34,501	**-**	34,501
	100,811	102,714	**100811**	102714

28. RELATED PARTY DISCLOSURES

(a) The Directors of TechStar Limited during the financial year were:
J.B. Reid
B.P. Jones
J.W. Laurie
A.J. Hanmer (Resigned 2nd January 2005)

(b) The following related party transactions occurred during the financial year:

(i) Transactions with related parties

Loans made by the Company to controlled entities under normal commercial terms and conditions, including interest of 10% per annum, aggregating $580,226 (2004: $1,271,449). No amount was repaid during the year. Interest amounting to $70,160 (2004: $414,004) has been charged on these loans. An amount of $1,851,027 (2004: $5,786,583) including interest was provided for during the year representing a diminution of the value of loans receivable.
Classes of related parties involved:
(a) Controlled entities (wholly owned)
Inter-whistle Pty Ltd.
Inter-cent Pty Ltd.
Inter-medteq Pty Ltd.
Inter-ironbar Pty Ltd.
(b) Controlled entities (partly owned)
Centurion Tech Holdings Pty Ltd.
Centurion Technologies Pty Ltd.
Medteq Innovations Pty Ltd.
Medteq Holdings Pty Ltd.
Ironbar Pty Ltd.
SportzWhistle Pty Ltd.

(ii) Transactions with director-related entities

During the year Mr J.B Reid or the following entities related to Mr J.B. Reid have provided the following additional funding to TechStar Limited

- $115,000 (2004: $Nil). The loan was provided on commercial lending terms unsecured at the rate of interest of 10%pa. Interest amounting to $6,264.51 (2004: $Nil) has been charged on this loan. The balance of the loan at 30 June 2005 including accrued interest is $121,264 (2004 $Nil)
- $60,000 unsecured on commercial lending terms. Currently interest is not accruing on this amount.
- Additional $250,000 (2004 $160,944) from Quorrobolong Pty Ltd. The loan was provided on commercial lending terms secured by a floating charge over the assets of the Company at the rate of interest of 10%pa. Interest amounting to $217,705 (2004: $175,008) has been charged on this loan. The balance of the loan at 30 June 2005 including accrued interest is $2,364,247 (2004 $1,896,542)
- $50,000 (2004: $Nil) from Ms Rainbow. The loan was provided on commercial lending terms secured by a floating charge over the assets of the Company at the rate of interest of 10%pa. Interest amounting to $4,472 (2004: $Nil) has been charged on this loan. The balance of the loan at 30 June 2005 including accrued interest is $54,472 (2004 $Nil)
- Millenium Pty Ltd provided funding to TechStar Limited totalling $Nil (2004: $380,000). The loan was provided on commercial lending terms secured by a floating charge over the assets of the Company at the rate of interest of 10%pa. Interest amounting to $94,841 (2004: $360,000) has been charged on this loan. The balance of the loan at 30 June 2005 including accrued interest is $854,841 (2004 $760,000)

During the year Mr J.B Reid and Mr B. P. Jones have jointly provided the following funding to TechStar Limited

- $565,000 (2004: $Nil). The loan was provided on commercial lending terms secured by a fixed and floating charge over the assets of the Company at the rate of interest of 10%pa. Interest amounting to $Nil (2004: $Nil) has been charged on this loan. The balance of the loan at 30 June 2005 including accrued interest is $565,000 (2004 $Nil)

During the year Mr B.P Jones or the following entities related to Mr Jones have provided the following additional funding to TechStar Limited

- The Jones family provided funding to Ironbar Pty Ltd, a controlled entity, totalling $Nil (2004: $6,000). The loan was provided on commercial lending terms, secured by a floating charge over the assets of Ironbar Pty Ltd at the rate of interest of 10%. Interest amounting to 8,263 $(2004: $7,012) has been charged on this loan. The balance of the loan at 30 June 2005 including accrued interest is $87,174 (2004 $78,911)
- Meltharina Pty Ltd provided funding to TechStar Limited totalling $Nil (2004: $35,820). The loan was provided on commercial lending terms secured by a floating charge over the assets of the Company at the rate of interest of 10%pa. Interest amounting to $24,061 (2004: $20,440) has been charged on this loan. The balance of the loan at 30 June 2005 including accrued interest is $253,817 (2004 229,759)

(iii) Transactions with directors

During the year salary amounts payable by Ironbar Pty Ltd to C Jones (a director of IronBar Pty Ltd) totalled $Nil (2004: $60,000). Payment of outstanding directors fees have been deferred and will be paid when the cash flow from Ironbar Pty Ltd allows.

(c) Ultimate parent

TechStar Limited is the ultimate Australian parent entity.

(d) Equity instruments of directors

(i) Interests in the equity instruments of the Company held by Directors of the reporting entity and their director related entities at balance date:

	Ordinary Shares Fully Paid	
	2005	2004
J. B. Reid	6,088,906	8,743,843
B. P. Jones	5,649,239	5,432,392
J. W. Laurie	334,986	295,920
A.J. Hanmer – *Resigned 2 January 2005*		250,000
	12,073,131	14,722,155

29. SEGMENT INFORMATION

Segments and product locations

The consolidated entity's operating companies are organised and managed separately according to the nature of the products and services they provide, with each segment offering different products and serving different markets.

The CPREzy segment produces and distributes a CPR assistance device to the medical, CPR training, and consumer markets. The Reomate segment is developing a hand tool to tie reinforcing rods for concrete construction to the building and construction industry. The SportzWhistle segment is developing an electronic hand held whistle for the sporting markets. The "other" segment includes other revenues and expenses associated with the provision of management services to controlled entities, management of investments, and general corporate administration activities.

Segment accounting policies

The group generally accounts for inter-segment sales and transfers as if the sales or transfers were to third parties at current market prices. Segment accounting policies are the same as the consolidated entity's policies described in Note 1. During the financial year, there were no changes in segment accounting policies that had a material effect on the segment information. The consolidated entity operates in one geographical location being Australia.

YEAR ENDED 30 JUNE 2005

29. SEGMENT INFORMATION (Cont)

SEGMENTS	CPR Ezy		Reo-Mate		SportzWhistle		Other		Eliminations		Consc
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005
Revenue											
Sales to customers outside the economic entity	28,630	236,451	-	-	15,798	4,090	-	-		-	44,428
Other operating revenue	11,887	349,570	200	79,297	-	143,008	96,966	6,968	(70,160)	-	38,893
Total revenue	40,517	586,021	200	79,297	15,798	147,098	96,966	6,968	(70,160)	-	83,321
Segment results	(646,772)	(4,573,587)	(112,869)	(717,880)	(125,079)	(125,118)	(3,138,134)	1,398,710	2,307,292	-	(1,715,561)
Segment assets	662	379,658	7,278	-	15,839	100	272,860	58,786	(1)	-	296,637
Segment liabilities	352,906	5,243,130	262,822	1,088,338	71,664	1,253,024	7,563,995	4,451,721	(1,905,796)	(7,041,399)	6,345,591
Other segment information											
Acquisition of assets	-	-	-	-	-	-	-	-	-	-	-
Recoverable amount write-down R&D	-	629,617	-	221,128	1,086	264,129	-	-	-	-	1,086
Diminution in value of intellectual property	-	749,999	-	37,425	-	-	-	-	-	-	-
Diminution in value of Goodwill	-	-	-	-	-	39,592	-	-	-	-	-
Diminution of Stock value	-	237,820	-	-	-	-	-	-	-	-	-
Depreciation	-	315	-	-	-	-	15,624	18,534	-	-	15,624
Amortisation	-	-	-	-	-	-	3,311	15,307	-	-	3,311
Write off of debt on sale of investments	240,000	-	-	-	-	-	-	-	-	-	240,000

30. FINANCIAL INSTRUMENTS

	Weighted Average Effective Interest Rate		Floating interest Rate		Fixed Interest Rate Maturing in: Within 1 Year		1 to 5 Years		More than 5 Years		Non-Inten
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005
	%	%	$	$		$		$			
(i) Financial assets											
Cash	-	-	-	-	-	-	-	-	-	-	47,811
Trade and other receivables	-	-	-	-	-	-	-	-	-	-	69,201
Receivables - related parties	-	-	-	-	-	-	-	-	-	-	857
Short term deposits	3%	3%	-	-	-	-	-	-	-	-	
Total financial assets	-	-	-	-	-	-	-	-	-	-	117,869
(ii) Financial liabilities											
Trade and other creditors	-	-	-	-	-	-	-	-	-	-	830,323
Directors fees payable	-	-	-	-	-	-	-	-	-	-	985,199
Bank and other loans	(i)	(i)	-	124,063	17	-	-	-	-	-	-
Loan - director related entity	10%	10%	-	-	2,880,977	-	565,000	2,205,210	-	-	-
Other Loans	10%	10%	-	-	1,049,652	1,024,496	-	-	-	-	-
Finance lease liability	10%	10%	-	-	2,610	3,909	-	2,611	-	-	-
Total financial liabilities			-	124,063	3,933,256	1,028,405	565,000	2,207,821	-	-	1,815,522

30. FINANCIAL INSTRUMENTS

(i) The bank overdraft and associated securities were released during the year. Bank overdraft interest was charged on daily balances at the prevailing bank base lending rate plus 1.75%pa. At 30 June 2004 the rate was 10.50%.
(ii) The following methods and assumptions are used to determine the net fair values of financial assets and liabilities.

(a) Recognised financial instruments

Cash and short-term deposits:
The carrying amount approximates fair value because of their short-term to maturity.
Receivables and Payables, including related party balances:
The carrying amount approximates fair value.
Finance lease liability:
The fair values of long-term borrowings are estimated using discounted cash flow analysis, based on current incremental borrowing rates for similar types of borrowing arrangements.

(b) Credit risk exposures

The entity's maximum exposure to credit risk at balance date in relation to each class of recognised financial asset is the carrying amount of those assets as indicated in the statement of financial position.
Concentrations of credit risk
The entity has minimal credit risk as the majority of financial assets are in the form of cash and short-term deposits.
Concentrations of credit risk on trade receivables arise in the following business segments:

Maximum credit risk exposure for each concentration

	Percentage of total trade debtors		Amount of total trade debtors	
Business Segment	2005	2004	2005	2004
CPR Ezy	27%	100%	5,823	79,145
SportzWhistle	73%		15,798	0
Total	100%	100%	21,621	79,145

31. IMPACT OF ADOPTING INTERNATIONAL FINANCIAL REPORTING STANDARDS

For the reporting period beginning on 1 July 2005, the consolidated entity must comply with Australian Equivalents to International Financial Reporting Standards (AIFRS) as issued by the Australian Accounting Standards Board.

This financial report has been prepared in accordance with Australian Accounting Standards and other financial reporting requirements (Australian GAAP).

The company has completed an internal impact assessment to identify key areas that are impacted by the transition to AIFRS. Priority has been given to ensuring the 2004 comparative balances are reported in these financial reports in accordance with AIFRS. This has formed the basis for accounting for AIFRS in the current year. As reported previously the differences between Australian GAAP and AIFRS identified as potentially having a significant effect on the consolidated entity's financial performance and financial position are summarised below. The figures disclosed are management's best estimates of the quantitative 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 by the AIFRS project teams; (b) potential amendments to AIFRS 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.

This summary should not be taken as an exhaustive list of all the differences between Australian GAAP and AIFRS.

The key potential implications of the conversion to AIFRS on the group are as follows:

- AASB 3 Business Combinations requires that goodwill be subject to annual impairment testing. Any goodwill previously recognised by the group had been fully amortised prior to the introduction of this standard. There is no additional financial impact resulting from the application of the standard on transition and for the period ended 30 June 2005.
- AASB 112 Income Taxes. Income tax will be calculated based on the "balance sheet" approach, which will result in more deferred tax assets and liabilities and as the tax effect follows the underlying transaction, some tax effects will be recognised in equity. The aggregate amounts of current or prior year income tax expense/(income) and deferred tax assets have not been recognised in the statement of financial position or the statement of financial performance. It is not considered probable that future taxable amounts will be available against which the unused tax losses can be utilised. There is no additional financial impact resulting from the application of the standard on transition and for the period ended 30 June 2005.
- AASB 136 Impairment of Assets. Impairments of assets will be determined on a discounted basis, with strict tests for determining whether goodwill and cash-generating operations have been impaired. The carrying values of all applicable assets had been written down to a recoverable amount of nil prior to the introduction of this standard. There is no

additional financial impact resulting from the application of the standard on transition and for the period ended 30 June 2005.

- AASB 138 Intangible Assets requires that costs incurred in the research phase of the development of an internally generated intangible asset would be expensed. Intangible assets previously recognised by the group had been fully amortised prior to the introduction of this standard. There is no additional financial impact resulting from the application of the standard on transition and for the period ended 30 June 2005.AASB 139 Financial Instruments: Recognition and Measurement. Financial instruments must be recognised in the statement of financial position and all derivatives and most financial assets, except loans and receivables, must be carried at fair value. The net fair value approximates the carrying value of all financial assets and financial liabilities. There is no additional financial impact resulting from the application of the standard on transition and for the period ended 30 June 2005.
- AASB 127 Consolidated and Separate Financial Statements requires the excess of accumulated losses over equity attributable to minority interest to be adjusted against the parent ownership group's interest unless the minority has a binding obligation to, and is able to, make good the losses. In contrast, AASB 1024 Consolidated Accounts prohibits the excess from being adjusted against the parent ownership group's interest unless the parent agrees to bear the responsibility for the losses. The following table reconciles the equity as presented under AGAAP to that under AIFRS.

	Consolidated	
	2005	2004
	$	$
Total parent equity interest under AGAAP	(2,392,477)	(1,269,972)
Outside equity interest – excess	(3,656,476)	(3,286,310)
Total parent equity interest under AIFRS	(6,048,953)	(4,556,282)

Changes in accounting policies will be recognised by restating comparatives rather than making current year adjustments with note disclosure of prior year effects.

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of TechStar Limited, I state that:

In the opinion of the Directors:

(a) the financial statements and notes of the Company and of the consolidated entity are in accordance with the Corporations Act 2001, including:
   (i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2005 and of their performance for the year ended on that date; and
   (ii) complying with Accounting Standards and Corporations Regulations 2001; 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 (refer note 1).

This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial period ending 30 June 2005.

On behalf of the Board

Brian P. Jones
Director
Brisbane, 30 September 2005

ERNST & YOUNG

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Independent audit report to members of TechStar Limited

Scope

The financial report 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 TechStar Limited (the company) and the consolidated entity, for the year ended 30 June 2005. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company and the consolidated entity, and that complies with Accounting Standards in Australia, 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.

Audit approach

We conducted an independent audit of the financial report 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. 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 in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

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
- 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.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report and the remuneration disclosures. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

Independence
We are independent of the company and the consolidated entity and have met the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration a copy of which is included in the Directors' Report.

Audit opinion
In our opinion the financial report of TechStar Limited is in accordance with:

(a) the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the financial position of TechStar Limited and the consolidated entity at 30 June 2005 and of their 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.

Inherent Uncertainty Regarding Continuation as a Going Concern
Without qualification to the opinion above, attention is drawn to the following matters. As a result of the matters described in Note 1 Going Concern, there is significant uncertainty whether the company and the consolidated entity will be able to continue as going concerns and therefore whether they will realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report. The financial report of the company and consolidated entity does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the company and consolidated entity not continue as going concerns.

Ernst & Young

Ernst & Young

M Reid

M Reid
Partner
Brisbane
30 September 2005

ASX ADDITIONAL INFORMATION

Additional Information required by the Australian Stock Exchange Limited and not shown elsewhere in this report is as follows. This information is current as at 27 September 2005.

(a) Statement of Shareholdings

Holding Range	Name of 20 largest shareholders	No. of holders	Fully paid No. of shares held	% held
	Meltharina Pty Ltd		5,582,392	12.14
	Quorrobolong Pty Ltd		5,318,992	11.56
	Millenium Pty Ltd		2,834,269	6.16
	Bevillesta Pty Ltd		2,558,722	5.56
	B J Byrne Nominees Pty Ltd		2,000,000	4.35
	Bluscan Pty Ltd		1,826,000	3.97
	IRSF Pty Ltd		1,080,000	2.35
	Davirose Pty Ltd		1,000,000	2.17
	Bevillesta Pty Ltd		907,200	1.97
	ANZ Nominees Limited		861,480	1.87
	Dorvell Pty Ltd		776,271	1.69
	MLA International Investment Pty Ltd		713,998	1.55
	Dorvell Pty Ltd		695,030	1.51
	D P Hunt		533,311	1.16
	P A K Naylor & A Naylor		520,000	1.13
	Appodam Pty Ltd		450,000	0.98
	Bluscan Pty Ltd		421,200	0.92
	B Moffatt & E Moffatt		379,983	0.83
	New Privateer Holdings Ltd		373,855	0.81
	Perpetual Custodians Limited		307,440	0.67
	Total	20	29,140,143	63.35
100,001 and over	Various	49	34,335,928	74.65
10,001 to 100,000	Various	305	10,558,875	22.96
5,001 to 10,000	Various	98	764,848	1.66
1,001 to 5,000	Various	102	315,278	0.69
1 to 1,000	Various	35	21,768	0.05
	Total	589	45,996,697	100.00
No. of shareholders holding less than a marketable parcel		119	247,588	0.54

(b) Voting rights

All ordinary shares (whether fully paid or not) carry one vote per share without restriction.

CORPORATE DIRECTORY

DIRECTORS

John Boyd Reid, A.O.
Brian Peter Jones
John William Laurie

LAWYERS

Clarke & Kann
Level 7, 300 Queen Street
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COMPANY SECRETARY

Brian Jones

AUDITORS

Ernst & Young
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1 Eagle Street
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BANKERS

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Brisbane Q 4000

SHARE REGISTRY

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