

**TRANSERV AUSTRALIA LIMITED**  
(A.B.N. 68 079 432 796)  
**AND ITS CONTROLLED ENTITIES**

**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2005**

**TRANSERV AUSTRALIA LIMITED  
CORPORATE DIRECTORY**

**DIRECTORS:**

Mr Jesse Taylor – Chairman and Non Executive  
Director

Mr Robert Gould – Non Executive Director

Mr Kim Gardner – Executive Director

**COMPANY SECRETARY:**

Mr Stephen Law

**REGISTERED OFFICE:**

Suite 2, 289 Bay Street  
Brighton Le Sands  
NSW 2216

**PRINCIPAL OFFICE:**

19 Perrin Place  
Salisbury  
QLD 4107

Telephone: (07) 3274 7205

Facsimile: (07) 3272 7977

**INDEPENDENT ACCOUNTANT AND AUDITORS:**

Bentleys MRI Perth Partnership  
Chartered Accountants  
Level 40, Bank West Tower  
108 St Georges Terrace  
Perth WA 6000

**SHARE REGISTRY:**

Computershare Investor Services Pty Limited  
Level 2  
45 St Georges Terrace  
PERTH WA 6000  
Telephone: (08) 9323 2033

**TRANSERV AUSTRALIA LIMITED  
DIRECTORS' REPORT**

Your directors submit the financial statements of the company for the year ended 30 June 2005.

**DIRECTORS**

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

Mr Kim Gardner  
Mr Robert Gould  
Mr Ian Sandover (resigned 14 December 2004)  
Mr Jesse Taylor (appointed 14 December 2004)

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

The particulars of the qualifications and experience of each of the current directors are as follows:

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**JESSE KAVANAUGH TAYLOR (CHAIRMAN -NON EXECUTIVE )**

***Qualifications:***

L.L.M. International and Comparative Law, George Washington University, L.L.B. University of Texas Law School, B.A. Economics University of Texas

***Experience:***

Mr Taylor has many years experience as an executive and non-executive director of listed and unlisted corporations in Australia and overseas. His former affiliations include Kaiser Engineering Australia Pty Ltd (Managing Director) Elders Resources Finance Limited (Executive Director) and Minproc Engineers Limited (Chairman). Currently he is Chairman of Midwest Corporation Limited.

***Interest in shares and options:***

NIL

***Directors meetings attended: 4***

***Remuneration:***

Remuneration earned by entities associated with Mr Jesse Taylor from the Parent Entity during the financial year consisted of consulting fees of \$18,000 with no non-cash benefit and superannuation contributions. Remuneration is based on a consulting agreement which has been approved by shareholders of the Parent Entity.

**KIM ROBERT GARDNER (EXECUTIVE DIRECTOR)**

***Experience:***

Mr Gardner has over 32 years experience in the management and daily operations of large and small business and mining operations in Australia and overseas, with a background in mine engineering.

During his working career Mr Gardner gained extensive commercial experience preparing and evaluating feasibility studies. He has served on the boards of several public mining companies.

***Interest in shares and options:***

1,395,431 ordinary shares in Transerv Australia Limited

***Directors meetings attended: 8***

***Remuneration:***

Remuneration earned by entities associated with Mr Gardner from the Parent Entity during the financial year consisted of consulting fees of \$220,800 with non-cash benefits and superannuation

## **TRANSERV AUSTRALIA LIMITED DIRECTORS' REPORT (Cont'd)**

contributions. Remuneration is based on a consulting agreement which has been approved by shareholders of the Parent Entity and is calculated on an hourly basis subject to a minimum number of hours per year.

**ROBERT CHARLES GOULD (NON EXECUTIVE DIRECTOR)**

### ***Experience:***

Mr Gould is a director and shareholder of Javelin Partners Pty Limited specialising in providing advice to directors and shareholders of private and listed enterprises.

After qualifying as a chartered accountant in the United Kingdom, Mr Gould held a number of senior executive roles in finance and general management in various industries. His experience, which included international merger and acquisition activity, spanned medium sized privately owned companies and a major diversified listed industrial base in Melbourne.

Mr Gould has over 17 years continual experience in the venture capital industry and for 6 years was a director and shareholder of a fund manager with \$113 million under management invested in a range of private companies in different industries.

### ***Interest in shares and options***

Nil.

### ***Directors meetings attended: 8***

### ***Remuneration***

Remuneration earned by entities associated with Mr Gould from the Parent Entity during the financial year consisted of consulting fees of \$36,000 with no non-cash benefit and superannuation contributions. Remuneration is based on a consulting agreement which has been approved by the shareholders of the Parent Entity.

## **PRINCIPAL ACTIVITIES**

The principal activities of the Consolidated Entity during the year were focused entirely in the industrial sector. Specifically truck and automotive repairs and servicing.

No significant change in the nature of principal activities occurred during the financial year.

## **SIGNIFICANT CHANGES AND REVIEW OF OPERATIONS**

No significant changes in the state of affairs of the Consolidated Entity occurred during the financial year.

## **CORPORATE GOVERNANCE**

Any director may nominate a person to be considered for appointment as a director of the Parent Entity, either as an additional director or as a replacement for a retiring director.

Criteria for Board membership rests on the Board's assessment of the capacity of a nominee to contribute to the Parent Entity. Membership of the Board of directors is reviewed on an on-going basis by the Chairman of the Board.

The terms and conditions relating to the appointment and retirement of non-executive directors are determined by the Board on an individual basis at the time of appointment of the director and are reviewed by the Chairman on an on-going basis.

Each director of the Parent Entity or a controlled entity has the right to seek independent professional advice at the expense of the Parent Entity or the controlled entity however prior approval of the relevant Chairman is required which may not be unreasonably withheld.

## **TRANSERV AUSTRALIA LIMITED DIRECTORS' REPORT (Cont'd)**

The remuneration of executive directors and non-executive directors is reviewed by the Board of directors with the exclusion of the director concerned. The remuneration of other senior executives of the Parent Entity is approved by the relevant board of directors. Directors are not remunerated in accordance with the performance of the Parent Entity or the Consolidated Entity.

The nomination of external auditors and the review of the adequacy of external audit arrangements is the responsibility of the Board of Directors as a whole.

The Parent Entity does not have a nomination committee, a remuneration committee or an audit committee as the Parent Entity is not of a size or complexity to justify such separate committees of directors. All matters, which might properly be dealt with by such committees are subject to scrutiny at full board meetings.

The identification of areas of significant business risk and arrangements to manage such risks is the responsibility of the Chairman, executive directors and senior executives. The Chairman reports to the Board on such matters on an on-going basis.

All directors, executives and staff of the Parent Entity and of all controlled entities, if any, are required to abide by the legal requirements and the highest standards of ethical conduct as recognised in each relevant jurisdiction in which the Consolidated Entity operates.

All directors, executives and staff of the Parent Entity and of all controlled entities, are required to abide by all legal requirements, the Listing Rules of the Australian Stock Exchange and the highest standards of ethical conduct with regard to their personal trading in the securities of the Parent Entity or any of its controlled Entities, including the use of trading windows.

### **OPERATING RESULTS**

The company has reported a profit/(loss) of (\$1,697,115) (2004 (\$836,991)) for the year, after providing for nil income tax.

The Board focussed most of its attention this year in endeavouring to grow TranServ past critical financial mass. A two pronged strategy was adopted, firstly by promoting internal growth from its existing service centres and secondly through investigating potential acquisitions.

Revenue from ordinary sales was up by 52.8% on last year. This revenue increase has been achieved through growth of the existing businesses, coupled with the benefit of the first full year's trading at the Salisbury depot that was acquired in April, 2004. The recruitment of suitable technical staff is now affecting the ability to sustain this organic growth. The Board has taken steps to rationalise and increase the client base at Salisbury in an effort to improve its profitability.

Expenses for 2005 have increased by 60% on last year. This is largely consistent with the growth in operational activity but was also affected by recruitment and training of extra staff to assist in the management requirements of planned acquisitions. The initiation of a new centralised accounting system has also required extra staff, which will be rationalised when the system is fully implemented. The due diligence of potential acquisitions also incurred extra expense associated with the engagement of consultants to provide corporate, legal and taxation advice..

Notwithstanding that a transaction was not completed during the past year the Board remains committed to the strategy of achieving meaningful growth primarily through acquisition of suitable businesses.

### **DIVIDENDS**

No dividends were paid during the year and no recommendation is made to pay a dividend.

### **EVENTS SUBSEQUENT TO BALANCE DATE**

On 12 September 2005 the Company commenced formal negotiations with the management of an unlisted entity involved in the transport logistics industry with the objective of merging that business with the business of the Company.

**TRANSERV AUSTRALIA LIMITED  
DIRECTORS' REPORT (Cont'd)**

**ENVIRONMENTAL ISSUES**

The Consolidated Entity's operations are subject to environmental regulation under the law of the Commonwealth and the States of Western Australia and Queensland. The Consolidated Entity continues to comply with these regulations.

**FUTURE DEVELOPMENTS**

The Company proposes to continue with its automotive businesses as detailed in the Review of Operations.

**OPTIONS**

No options were granted over unissued shares or interest during or since the financial year by the company to the executives as part of their remuneration package.

No person entitled to exercise the option had or has any right by virtue of the option to participate in any share issue of any other body corporate.

**REMUNERATION REPORT**

A maximum amount of remuneration for non-executive directors is fixed and varied by shareholders in general meeting. In determining the allocation between directors the board takes account of the time demands made on the directors together with such factors as fees paid to other corporate directors and to the responsibilities undertaken by them.

The directors in turn determine the remuneration of senior management and as part of the process the proposed payment rates are checked against industry standards for reasonableness.

No director, secretary or senior manager of the Company receives remuneration which is dependent on the satisfaction of a performance condition.

**DIRECTORS' AND EXECUTIVE OFFICERS' EMOLUMENTS**

The company does not pay directors fees but pays fees on a consulting basis to the executive chairman and to non-executive directors.

The emoluments of Directors during the financial year are shown in the following table;

	Other Benefits Paid \$	Directors Fees Paid \$	Consulting Fees Paid \$	Total \$
K Gardner	-	-	220,800	220,800
I Sandover	-	-	18,000	18,000
R Gould	-	-	36,000	36,000
J Taylor	-	-	18,000	18,000

**TRANSERV AUSTRALIA LIMITED**  
**DIRECTORS' REPORT (Cont'd)**

Other Benefits include items paid and shown as related party transactions in the Notes to the Financial Statements at Note 15.

Remuneration of Directors.	Primary Remuneration \$	Retirement Benefits \$	Other \$
Geraldine Taylor	74,050	6,665	-
Brian Godfrey	12,999	-	-
Joseph Giura	75,000	6,750	-
Stephen Law	6,480	-	-
Ray Lawson	44,616	6,692	-
	<u>213,145</u>	<u>20,107</u>	

**TRANSERV AUSTRALIA LIMITED  
DIRECTORS' REPORT (Cont'd)**

**MEETINGS OF DIRECTORS**

During the year 8 directors' meetings were held. The number of meetings at which directors were in attendance is as follows:

	No. of meetings held	No. of meetings attended
K Gardner	8	8
R Gould	8	8
I Sandover	4	4
J Taylor	4	4

**INDEMNIFYING OFFICERS OR AUDITOR**

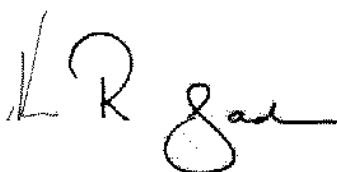
No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an officer or auditor of the company.

**AUDITORS INDEPENDENCE DECLARATION**

In accordance with the Corporations Act 2001 section 307C the auditors of the Company, Bentleys MRI Perth Partnership have provided a signed auditors independence declaration to the directors in relation to the year ended 30 June 2005. This declaration has been attached to the independent audit report to the members of the Company.

The following non audit services were provided to the Company by the auditors, Bentleys MRI Perth Partnership. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed on by the Corporations Act 2001. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised. Bentleys MRI Perth Partnership received or is due to receive \$4,000 for assistance in preparation of financial statements

Signed in accordance with a resolution of the Board of Directors



K Gardner  
Director  
Signed in Brisbane this 30th day of September 2005

**TRANSERV AUSTRALIA LIMITED  
ABN 68 079 432 796  
AND CONTROLLED ENTITIES**

**DIRECTORS' DECLARATION**

The directors of the company declare that:

1. the financial statements and notes, as set out in pages 9 to 28, are in accordance with the Corporations Act 2001 and:
  - a. comply with Accounting Standards and the Corporations Regulations 2001; and
  - b. give a true and fair view of the financial position as at 30 June 2005 and of the performance for the year ended on that date of the company and economic entity;
2. the Chief Executive Officer and Chief Finance Officer have each declared that:
  - a. the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
  - b. the financial statements and notes for the financial year comply with the Accounting Standards; and
  - c. the financial statements and notes for the financial year give a true and fair view.
3. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



Director .....

Dated this 30<sup>th</sup> day of September 2005

**TRANSERV AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES**  
**STATEMENT OF FINANCIAL PERFORMANCE**  
**FOR THE YEAR ENDED 30 JUNE 2005**

	NOTE	CONSOLIDATED		PARENT	
		2005	2004	2005	2004
		\$	\$	\$	\$
Sales Revenue	(2)	6,396,521	4,223,485	2,267,045	287,451
Changes in inventories of finished goods and work in progress		(3,799,976)	(2,431,481)	(1,686,429)	(323,188)
<b>Gross Profit/(Loss)</b>		<b>2,596,545</b>	<b>1,792,004</b>	<b>580,616</b>	<b>(35,737)</b>
Other Revenue from ordinary activities	(2)	126,556	44,709	3,015	41,049
Borrowing Costs	(2)	(68,047)	(85,012)	(2,079)	-
Other expenses from ordinary activities	(2)	(4,352,169)	(2,588,692)	(2,276,565)	(4,035,334)
<b>Total Expenses</b>		<b>(4,293,660)</b>	<b>(2,628,995)</b>	<b>(2,275,629)</b>	<b>(3,994,285)</b>
<b>Profit/(Loss) from Ordinary Activities Before Income Tax</b>		<b>(1,697,115)</b>	<b>(836,991)</b>	<b>(1,695,013)</b>	<b>(4,030,022)</b>
Income Tax Relating to Ordinary Activities		-	-	-	-
<b>Profit/(Loss) from Ordinary Activities After Related Income Tax</b>	(12)	<b>(1,697,115)</b>	<b>(836,991)</b>	<b>(1,695,013)</b>	<b>(4,030,022)</b>
Basic Earnings/(Loss) per Share (Cents per Share)		(0.09)	(0.13)		
Diluted Earnings/(Loss) per Share (Cents per Share)		(0.09)	(0.13)		

The accompanying notes form part of these financial statements.

**TRANSERV AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES**  
**STATEMENT OF FINANCIAL POSITION**  
**FOR THE YEAR ENDED 30 JUNE 2005**

	NOTE	CONSOLIDATED		PARENT	
		2005	2004	2005	2004
		\$		\$	
<b>CURRENT ASSETS</b>					
Cash Assets	4	38,356	699,405	34,030	663,599
Receivables	5	1,304,976	933,525	466,753	208,984
Inventories	6	410,845	541,831	190,550	159,537
<b>TOTAL CURRENT ASSETS</b>		<b>1,754,177</b>	<b>2,174,761</b>	<b>691,333</b>	<b>1,032,120</b>
<b>NON CURRENT ASSETS</b>					
Property, plant and equipment	7	491,383	639,542	276,363	261,522
Receivables	5	89,550	121,026	945,912	1,526,495
<b>TOTAL NON CURRENT ASSETS</b>		<b>580,933</b>	<b>760,568</b>	<b>1,222,275</b>	<b>1,788,017</b>
<b>TOTAL ASSETS</b>		<b>2,335,110</b>	<b>2,935,329</b>	<b>1,913,608</b>	<b>2,820,137</b>
<b>CURRENT LIABILITIES</b>					
Payables	8	1,110,773	503,026	915,377	568,864
Interest Bearing Liabilities	10	249,880	133,827	69,835	12,883
Provisions	9	93,389	94,740	44,309	33,737
<b>TOTAL CURRENT LIABILITIES</b>		<b>1,454,042</b>	<b>731,593</b>	<b>1,029,521</b>	<b>615,484</b>
<b>NON CURRENT LIABILITIES</b>					
Interest Bearing Liabilities	10	14,447	-	14,447	-
<b>TOTAL NON CURRENT LIABILITIES</b>		<b>14,447</b>	<b>-</b>	<b>14,447</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>		<b>1,468,489</b>	<b>731,593</b>	<b>1,043,968</b>	<b>615,484</b>
<b>NET ASSETS</b>		<b>866,621</b>	<b>2,203,736</b>	<b>869,640</b>	<b>2,204,653</b>
<b>EQUITY</b>					
Contributed Equity	11	8,758,639	8,398,639	8,758,639	8,398,639
Accumulated losses	12	(7,892,018)	(6,194,903)	(7,888,999)	(6,193,986)

**TOTAL EQUITY**

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866,621	2,203,736	869,640	2,204,653
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**TRANSERV AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 JUNE 2005**

	NOTE	CONSOLIDATED		PARENT	
		2005	2004	2005	2004
		\$	\$	\$	\$
Cash flows From Operating Activities					
Receipts from Customers		6,293,768	4,061,892	1,563,296	84,923
Payments to suppliers and employees		(7,365,048)	(4,913,716)	(3,280,337)	(600,570)
Interest Received		13,895	36,593	12,312	34,593
Borrowing Costs		(66,159)	(85,012)	(190)	-
Net cash used in operating activities	17(b)	(1,123,544)	(900,243)	(1,704,919)	(481,054)
Cash Flows from Investing Activities					
Purchase of Property, Plant & Equipment		(31,454)	(53,317)	(35,359)	(35,415)
HP Liability principal/(Repayments)		29,610	(4,738)	28,356	-
Loans to/from related parties		-	-	677,115	(504,749)
Purchase of Entity		-	(433,020)	-	(433,020)
Net Cash inflows/(outflows) from Investing Activities		(1,844)	(491,075)	670,112	(973,184)
Cash Flows from Financing Activities					
Proceeds from issue of shares		360,000	2,255,927	360,000	2,255,927
Share Issue Costs		-	(150,973)	-	(150,973)
Net cash inflows from financing activities		360,000	2,104,954	360,000	2,104,954
Net increase/(decrease) in cash held		(765,388)	713,636	(674,807)	650,716
Cash at beginning of the financial year		565,578	(148,058)	650,716	-
Cash at the end of the financial year	17(a)	(199,810)	565,578	(24,091)	650,716

The accompanying notes form part of these financial statements.

**TRANSERV AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2005**

**1. Statement of Accounting Policies**

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

The financial report covers the economic entity of Transerv Australia Limited and its controlled entities, and Transerv Australia Limited as an individual parent entity. Transerv Australia Limited is a listed public company incorporated and domiciled in Australia.

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration in exchange for assets.

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

**(a) Principles of Consolidation**

A controlled entity is any entity controlled by Transerv Australia Limited. Control exists where Transerv Australia Limited has the capacity to dominate the decision making in relation to the financial and operating policies of another entity so that the other entity operates with Transerv Australia Limited to achieve the objectives of Transerv Australia Limited. A list of controlled entities is contained in Note 23 to the financial statements.

**(b) Income Tax**

The company has adopted the liability method of tax effect accounting whereby income tax expense for the period is calculated on the accounting profit after adjusting for items which, as a result of their treatment under income tax legislation, create permanent differences between that profit and the taxable income. The tax effect of timing differences which arises from the recognition in the accounts of items of revenue and expenses in periods different from those in which they are assessable or allowable for income tax purposes, are represented in the balance sheet as "future income tax benefits" or "provision for deferred income tax", as the case may be at current tax rates. 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.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

**(c) Inventories**

Inventories are valued at the lower of cost and net realisable value. The cost of work in progress includes direct materials and direct labour.

**TRANSERV AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES.  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2005**

**1. Statement of Accounting Policies (Cont'd)**

**(d) Property, Plant and Equipment**

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation.

Plant and Equipment

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employed and subsequent disposal. The expected net cash flows have not been discounted to their present values in determining recoverable amounts.

Depreciation

The depreciable amount of all fixed assets is depreciated on a straight line basis over their useful lives to the economic entity commencing from the time the asset is held ready for use.

The depreciation rates used for Plant and Equipment are 15-30%

**(e) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

**(f) Revenue**

Revenue from the sale of goods is recognised upon delivery to the customer.

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

**(g) Employee Benefits**

Provision is made for the company's liability for employee benefits arising from services rendered by the employees to balance date. Employee benefits expected to be settled within one year together with entitlements arising from wages and salaries and annual leave, which will be settled after one year, have been measured at the amounts expected to be paid when the liability is settled, plus related on costs other employee benefits payable later than one year have been measured at the present value of estimated future cash flows for those benefits.

Contributions are made by the economic entity to employee superannuation funds and are charged as expenses when incurred.

**(h) Comparative Figures**

Where required by Accounting Standards, comparative figures have been adjusted to conform with changes in presentation for the current financial year.

**TRANSERV AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES.  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2005**

**Adoption of Australian Equivalents to International Financial Reporting Standards**

Australia introduced the International Financial Reporting Standards (AIFRS) effective for Financial years commencing 1 January 2005. The adoption of AIFRS will be reflected in the economic entity's financial statements for the year ending 30 June 2006. On the first adoption of AIFRS, comparatives for the financial year ended 30 June 2005 are required to be restated. The majority of the AIFRS transitional adjustments will be made retrospectively against retained earnings at 1 July 2004. This requires the production of accounting data for future comparative purposes at the beginning of the next financial year.

The directors are of the opinion that the key differences in the economic entity's accounting policies which will arise from the adoption of AIFRS are where known are as follows. Users of the financial statements should note, however that the amounts disclosed could change if there are any amendments by standard setters to the current AIFRS or interpretation of the AIFRS requirements change from the continuing work of the economic entity's management.

**Impairment of Assets**

The economic entity currently determines the recoverable amount of an asset on the basis of undiscounted net cash flows that will be received from the assets use and subsequent disposal. In terms of pending AASB 136: Impairment of Assets, the recoverable amount of an asset will be determined as the higher of fair value less costs to sell and value in use. It is likely that this change in accounting policy will lead to impairments being recognised more often than under the existing policy.

The economic entity has reassessed its impairment testing policy and reviewed all assets as at 30 June 2005. The impact is assessed to be nil.

**Non Current Assets**

Under AASB 139: Financial Instruments: Recognition and Measurement, financial assets are required to be classified into four categories, which determines the accounting treatment of the item. The categories and various treatments are:

- held to maturity, measured at amortised cost;
- held for trading, measured at fair value with unrealised gains or losses charged to the profit and loss;
- loans and receivables, measured at amortised cost; and
- available for sale instruments, measured at fair value with unrealised gains or losses taken to equity.

The economic entity's financial assets comprise available for sale financial instruments. Under AASB 139: Financial Instruments: Recognition and Measurement, the measurement of available for sale instruments at fair value differs to current accounting policy which measures non-current investments at cost with an annual review by directors to ensure the carrying amounts are not in excess of the recoverable value of the instrument. The impact of the change is likely to increase the value of non-current other financial assets in relation to available for sale instruments.

AASB 1 provides an election whereby the requirements of AASB 139 dealing with financial instruments are not required to be applied to the first AIFRS comparative year, and the first time adoption of this standard will apply from 1 July 2005. The economic entity has decided that it will adopt this election and will not restate comparative information for the 30 June 2005 financial year.

**TRANSERV AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES.  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2005**

**Adoption of Australian Equivalents to International Financial Reporting Standards Cont.**

Income Tax

Currently, the economic entity adopts the liability method of tax-effect accounting whereby the income tax expense is based on the accounting profit adjusted for any permanent differences. Timing differences are currently brought to account as either a provision for deferred income tax or future income tax benefit. Under the Australian equivalent to IAS 12, the economic entity will be required to adopt a balance sheet approach under which temporary differences are identified for each asset and liability rather than the effects of the timing and permanent differences between taxable income and accounting profit.

The economic entity has reassessed its impairment testing policy and reviewed all assets as at 30 June 2005. The impact is assessed to be nil.

Reconciliation of equity and net loss as presented under AGAAP to that under AIFRS for the year ended 30 June 2005;

	30 June 2005	1 July 2004
Total Equity under AGAAP	866,621	2,203,736
Total Equity under AIFRS	866,621	2,203,736
Net Loss under AGAAP	(1,697,115)	(836,991)
Net Loss under AIFRS	(1,697,115)	(836,991)

**TRANSERV AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES.  
NOTES TO THE FINANCIAL STATEMENTS**

NOTE	CONSOLIDATED		PARENT	
	2005	2004	2005	2004
	\$		\$	
<b>2. Operating Loss</b>				
The loss from ordinary activities before income tax has been determined after:				
REVENUE FROM ORDINARY ACTIVITIES				
<i>Operating Activities</i>				
Sale of goods	6,396,521	4,223,485	2,267,045	287,451
Interest	13,895	36,593	12,312	34,593
Other	112,661	8,116	(9,297)	6,456
Total Revenue from Ordinary Activities	<u>6,523,077</u>	<u>4,268,194</u>	<u>2,270,060</u>	<u>328,500</u>
Charging as Expenses				
Borrowing Costs				
Interest Expense	66,158	84,232	190	-
Hire Purchase Finance Charges	1,889	780	1,889	-
	<u>68,047</u>	<u>85,012</u>	<u>2,079</u>	<u>-</u>
Depreciation of Plant & Equipment	197,106	154,199	51,672	5,172
Rental expense on operating lease	520,310	223,531	345,945	51,021
Write down in Inventory	81,599	75,000	-	-
Employee Expenses	1,616,434	1,160,122	774,692	50,342
Consultants	422,000	197,188	422,000	197,188
Other Expenses	1,471,614	778,652	411,527	502,611
Provision for doubtful debt	43,106	-	270,729	3,229,000
Total Other Expenses from Operating Activities	<u>4,352,169</u>	<u>2,588,692</u>	<u>2,276,565</u>	<u>4,035,334</u>

**TRANSERV AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES.  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2005**

NOTE	CONSOLIDATED		PARENT	
	2005	2004	2005	2004
	\$		\$	
<b>3. Income Tax</b>				
The prima facie tax (benefit) on loss from ordinary activities before income tax is reconciled to the income tax expense as follows;	(1,697,115)	(836,991)	(1,695,013)	(4,030,022)
Prima facie tax expense/(benefit) on loss from ordinary activities before income tax @ 30%	(509,134)	(251,097)	(508,504)	(1,209,007)
Tax effect of permanent differences	930	3,619	381	2,234
Writedown in investments in subsidiaries	-	-	80,038	968,700
Future income tax benefits not recognised	508,204	247,478	428,085	238,073
Income tax expense/(benefit) attributable to loss from ordinary activities before income tax	-	-	-	-

The benefits will only be available if:-

- future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
- the conditions for deductibility imposed by the tax legislation continue to be complied with; and
- no changes in tax legislation adversely affect the company in realising the benefit.

**4. Cash Assets**

Cash on Hand	800	952	-	98
Cash at Bank	37,556	698,453	34,030	663,501
	<u>38,356</u>	<u>699,405</u>	<u>34,030</u>	<u>663,599</u>

**TRANSERV AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES.  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2005**

NOTE	CONSOLIDATED		PARENT	
	2005	2004	2005	2004
	\$	\$	\$	\$
<b>5. Receivables</b>				
<b>Current:</b>				
Trade Debtors	1,302,395	943,552	457,988	187,345
Provision of Doubtful Debts	(43,106)	(33,509)	(3,935)	-
Sundry Debtors	45,687	23,482	12,700	21,639
	<u>1,304,976</u>	<u>933,525</u>	<u>466,753</u>	<u>208,984</u>
<b>Non Current</b>				
Intercompany				
- Loan Bluefire Services Pty Ltd	-	-	940,084	1,186,426
- Loan Gas Research Pty Ltd	-	-	3,296,053	3,332,024
- Loan Prins Australia Pty Ltd	-	-	116,019	116,019
Provision for doubtful debt – wholly owned entities	-	-	(3,495,794)	(3,229,000)
Deposit – Bond	89,550	121,026	89,550	121,026
	<u>89,550</u>	<u>121,026</u>	<u>945,912</u>	<u>1,526,495</u>
<b>6. Inventory</b>				
Stock on Hand	451,146	513,419	173,123	128,880
Provision for Obsolescence	(81,599)	(75,000)	-	-
Work in Progress	41,298	103,412	17,427	30,657
	<u>410,845</u>	<u>541,831</u>	<u>190,550</u>	<u>159,537</u>
<b>7. Property, Plant and Equipment</b>				
Plant and Equipment				
At Cost	968,851	1,107,014	333,277	266,694
Accumulated Depreciation	(477,468)	(467,472)	(56,914)	(5,172)
Balance at end of year	<u>491,383</u>	<u>639,542</u>	<u>276,363</u>	<u>261,522</u>
Total Property, Plant & Equipment	<u>491,383</u>	<u>639,542</u>	<u>276,363</u>	<u>261,522</u>

**(a) Movements in Carrying Amounts**

Movement in carrying amounts for plant and equipment between the beginning and the end of the current financial year

	CONSOLIDATED		PARENT	
	PLANT & EQUIPMENT	TOTAL	PLANT & EQUIPMENT	TOTAL
Balance at beginning of the year	639,542	639,542	261,522	261,522
Additions	84,991	84,991	69,334	69,334
Disposals	(36,044)	(36,044)	(2,496)	(2,496)
Depreciation Expense	(197,106)	(197,106)	(51,997)	(51,997)
Carrying amount at the end of the year	<u>491,383</u>	<u>491,383</u>	<u>276,363</u>	<u>276,363</u>

**TRANSERV AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES.  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2005**

	NOTE	CONSOLIDATED		PARENT	
		2005	2004	2005	2004
		\$	\$	\$	\$
<b>8. Payables</b>					
<b>Current:</b>					
Trade Creditors		860,658	340,503	385,205	79,855
Sundry Creditors and Accruals		250,115	162,523	135,376	94,213
Loan payable to Bluefire Services Pty Ltd		-	-	394,796	394,796
		<u>1,110,773</u>	<u>503,026</u>	<u>915,377</u>	<u>568,864</u>
<b>9. Provisions</b>					
<b>Current</b>					
Employee Entitlements		<u>93,389</u>	<u>94,740</u>	<u>44,309</u>	<u>33,737</u>
Number of Employees		63	27	28	-
<b>10. Interest Bearing Liabilities</b>					
<b>Current</b>					
Hire Purchase Liability		11,714	-	11,714	-
Bank Overdraft		76,380	12,883	58,121	12,883
Secured Liability – Debt Finance Facility		<u>161,786</u>	<u>120,944</u>	<u>-</u>	<u>-</u>
<b>Total Current Liabilities</b>		<u>249,880</u>	<u>133,827</u>	<u>69,835</u>	<u>12,883</u>
<b>Non Current</b>					
Hire Purchase Liability		<u>14,447</u>	<u>-</u>	<u>14,447</u>	<u>-</u>
-					
The debt finance facility is secured by guarantees and an unlimited fixed and floating charge over all the assets of Bluefire Services Pty Ltd and Transerv Australia Limited.					
Bank Overdraft – Unsecured					
<b>11. Contributed Equity</b>					
20,279,635 ordinary shares fully paid (2004: 15,779,635 ordinary shares fully paid)		<u>8,758,639</u>	<u>8,398,639</u>	<u>8,758,639</u>	<u>8,398,639</u>
(a) Movements in Contributed Equity During the Year					
Opening Balance					
15,779,635 ordinary shares fully paid		<u>8,398,639</u>	<u>1,309,197</u>	<u>8,398,639</u>	<u>1,309,197</u>
4,025,993 Shares issued to settle debt		-	4,984,488	-	4,984,488
4,500,000 Shares issued through Prospectus (Note 17c)		360,000	2,255,927	360,000	2,255,927
Less Share Issue Costs		-	(150,973)	-	(150,973)
Closing Balance					
20,279,635 (2004: 15,779,635) ordinary shares fully paid		<u>8,758,639</u>	<u>8,398,639</u>	<u>8,758,639</u>	<u>8,398,639</u>

b). No options to acquire shares have been issued during the year.

**TRANSERV AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2005**

	NOTE	CONSOLIDATED		PARENT	
		2005	2004	2005	2004
		\$	\$	\$	\$
<b>12. Accumulated Losses</b>					
Accumulated losses at the beginning of the financial year		6,194,903	5,357,912	6,193,986	2,163,964
Net Loss for the Year		1,697,115	836,991	1,695,013	4,030,022
Accumulated Losses at the end of the financial year		<u>7,892,018</u>	<u>6,194,903</u>	<u>7,888,999</u>	<u>6,193,986</u>

**TRANSERV AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES.**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005**  
**13. SEGMENTAL INFORMATION**

PRIMARY SEGMENT	Revenue			Results				Assets			Liabilities		Other				
	Segment Revenues from external customers	Other Segments	Total Segment Revenue	Segment profit/(loss)	Unallocated expense net of revenue	Loss from Ordinary activities before income tax expense	Income Tax expense	Loss from Ordinary activities after income tax expense	Carrying Amount of Segment Assets	Unallocated Assets	Total Assets	Segment Liabilities	Unallocated Liabilities	Total Liabilities	Acquisitions of non-current assets segment	Depreciation of segment assets	Other Non-Cash segment expense
Year to 30 June 2005																	
WA																	
TranServ Australia	2,269,045		2,269,045	(1,695,013)		(1,695,013)		(1,695,013)	5,125,711		5,125,711	1,045,072		1,045,072	71,223		51,675
Bluefire Services	3,909,186		3,909,186	(104,274)		(104,274)		(104,274)	1,649,187		1,649,187	1,749,925		1,749,925	15,980		136,424
Prins	-		-	(66,724)		(66,724)		(66,724)	3,550		3,550	116,019		116,019			1,427
Queensland	218,290		218,290	(97,898)		(97,898)		(97,898)	3,347,138		3,347,138	3,347,138		3,347,138			7,580
Eliminations			-	266,794		266,794		266,794	-7,790,476		7,790,476	-4,771,665		4,771,665			
Consolidated Total	6,396,521	-	6,396,521	(1,697,115)	-	(1,697,115)	-	(1,697,115)	2,335,110	-	2,335,110	1,468,489	-	1,468,489	87,203	197,106	-
Year to 30 June 2004																	
WA																	
TranServ Australia	290,907		290,907	(4,030,022)		(4,030,022)	-	(4,030,022)	6,049,137		6,049,137	615,484		615,484	4,945,469		5,172
Bluefire Services	3,786,374		3,786,374	171,424		171,424	-	171,424	1,667,998		1,667,998	1,674,432		1,674,432	37,094		125,056
Prins	-		-	(10,061)		(10,061)	-	(10,061)	73,925		73,925	116,019		116,019			3,569
Queensland	190,913		190,913	(197,332)		(197,332)	-	(197,332)	180,719		180,719	3,362,108		3,362,108			20,402
Eliminations				3,229,000		3,229,000		3,229,000	5,036,450		-5,036,450	-5,036,450		5,036,450	-4,684,469		
Consolidated Total	4,268,194	-	4,268,194	836,991	-	836,991	-	836,991	2,935,329	-	2,935,329	731,593	-	731,593	298,094	154,199	

Transerv Australia Limited is the parent entity and includes a division in Queensland. Segment revenues and expenses are those directly attributable to the segments and include any joint revenue and expenses where a reasonable basis of allocation exists. Segments assets include all assets used by a segment and consists principally of cash, receivables, inventories and plant and equipment, net of accumulated depreciation and non-current loans to subsidiaries.

Whilst most assets can be directly attributed to individual segments, the carrying amount of certain assets used jointly by two or more segments is allocated to the segments on a reasonable basis. Segment liabilities consists principally of accounts payable, employee entitlements, accrued expenses, provisions and borrowings.

**SECONDARY SEGMENTS**

**Business Segment**

The consolidated entity consists of the following business segments;  
Truck and automotive repairs and servicing including gas distribution and refueling infrastructure  
Supply and operations for LPG, LNG and CNG gases, the distribution of associated equipment  
for the conversion of engines at retro fit and OEM levels to utilise these goals.

**TRANSERV AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2005**

**14. Remuneration of Directors and Executives**

The names and positions of directors and specified executives of the Company who have held office during the financial year are:

Kim Gardner	Executive Director
Ian Sandover	Non-Executive Director (resigned 14 December 2004)
Robert Gould	Non-Executive Director
Jesse Taylor	Chairman (appointed 14 December 2004)
Joseph Giura	Director, Bluefire Services Pty Ltd
Geraldine Taylor	Director, Bluefire Services Pty Ltd
Brian Godfrey	Company Secretary, Transerv Australia Limited (appointed 9 September 2003, resigned 22 September 2004).
Stephen Law	Company Secretary (appointed 14 December 2004)
Ray Lawson	Group Financial Controller (appointment 10 December 2004)

**2005**

**Remuneration of Directors.**

	<b>Primary Remuneration</b>	<b>Retirement Benefits</b>	<b>Other</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Kim Gardner	220,800	-	-
Ian Sandover (resigned effective 14 <sup>th</sup> Dec 04)	18,000	-	-
Jesse Taylor (effective 14 <sup>th</sup> Dec 04)	18,000		
Robert Gould	36,000	-	-
	<u>292,800</u>	<u>-</u>	<u>-</u>

**REMUNERATION OF EXECUTIVES**

Geraldine Taylor	74,050	6,665	-
Brian Godfrey	12,999	-	-
Joseph Giura	75,000	6,750	-
Stephen Law	6,480	-	-
Ray Lawson	44,616	6,692	-
	<u>213,145</u>	<u>20,107</u>	<u>-</u>

**2004**

**Remuneration of Directors**

	<b>Primary Remuneration</b>	<b>Retirement Benefits</b>	<b>Other</b>
Kim Gardner	128,200	-	-
Ian Sandover	12,000	-	-
Robert Gould	18,750	-	-
	<u>158,950</u>	<u>-</u>	<u>-</u>

**Remuneration of Executives**

Geraldine Taylor	59,476	2,617	-
Brian Godfrey	39,796	-	-
Joseph Giura	75,000	6,750	-
	<u>174,272</u>	<u>9,367</u>	<u>-</u>

**TRANSERV AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2005**

**Remuneration Practices**

The company's policy for determining the nature and amount of emoluments of board members and senior executives of the company is as follows:

The remuneration structure for executive officers, including executive directors, is based on a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the company. The contracts for service between the company and specified directors and executives are on a continuing basis the terms of which are not expected to change in the immediate future. Upon retirement specified directors and executives are paid employee benefit entitlements accrued to date of retirement.

**15. Remuneration of Directors and Executives**

The number of ordinary shares in which the directors have a relevant interest at the 30 June 2005 are :

	Opening Balance	Ordinary Shares acquired during the year	Ordinary Shares disposed of during the year	Closing Balance
K Gardner	249,135	-	-	249,135
J Taylor	-	-	-	-
R Gould	-	-	-	-
B Godfrey	1,188	-	-	1,188
G Taylor	37,134	-	-	37,134
J Giura	40,000	-	-	40,000

211,378 ordinary shares were obtained by Striker Holdings Pty Ltd of which Mr Gardner is a director and shareholder.

37,757 ordinary shares were obtained by Change Holdings Pty Ltd of which Mr Gardner is a director and shareholder.

37,134 ordinary shares were obtained by Cleanpower Gas Technology Pty Ltd of which Ms Taylor is director and shareholder.

**16. Related Party Transactions**

Transactions with related parties, unless otherwise stated, are at normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Transactions with related parties:

Director related Parties

\$420,183 was paid to Change Holdings Pty Ltd of which Mr Gardner is a director. The payment consisted of payment of director related party fees and consulting fees to Mr Gardner as well as payment of four employee's salaries of the Consolidated Entity. There is a formal agreement between Change Holdings Pty Ltd and Transerv Australia Limited for remuneration of Mr Gardner, which has been approved by the Board.

\$18,000 was paid to Hillside Investments Pty Ltd of which Mr Sandover is a director. This payment represents consulting fees for the year.

\$36,000 was paid to Javelin Partners Pty Ltd of which Mr Gould is a director. This payment represents consulting fees for the year.

\$18,000 was paid to Jestay Pty Limited of which Mr Taylor is a Director. This payment represents consulting fees for the year.

**TRANSERV AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2005**

	NOTE	CONSOLIDATED		PARENT	
		2005	2004	2005	2004
		\$	\$	\$	\$
<b>17. Notes to the Statement of Cashflow</b>					
<b>(a) Reconciliation of Cash</b>					
For the purpose of this statement of cash flows, cash includes:-					
(i)	cash on hand and in at call deposits with banks or financial institutions	38,356	699,405	34,030	663,599
(ii)	Bank Overdraft	(76,380)	(12,883)	(58,121)	(12,883)
(iii)	Debtor Finance Facility	(161,786)	(120,944)	-	-
<hr/>					
<hr/>					
	Cash at Bank and on hand	(199,810)	565,578	(24,091)	650,716

	NOTE	CONSOLIDATED		PARENT	
		2005	2004	2005	2004
		\$	\$	\$	\$
<b>(b) Reconciliation of the operating loss after income tax to the net cash flow used in operations</b>					
	Operating loss after income tax	(1,697,115)	(836,991)	(1,695,013)	(4,030,022)
	Non-cash flows in operating loss				
	Depreciation	197,106	154,199	51,672	5,172
	Write-down in Inventory	17,000	75,000		-
	Provision for Doubtful Debt	9,597	-	270,729	3,229,000
	Changes in assets and liabilities				
	Decrease(increase) in receivables	(296,504)	(169,709)	(673,239)	(208,984)
	(Increase)/decrease in inventories	83,387	(64,645)	(31,013)	(46,137)
	Increase/(decrease) in provisions	(1,351)	49,073	10,572	33,737
	Increase/(decrease) in creditors and accruals	564,336	(107,170)	361,373	536,180

Net Cash flows from  
operating activities

(1,123,544)	(900,243)	(1,704,919)	(481,054)
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**TRANSERV AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2005**

(c) Investing and financing activities

During the year 4,500,000 ordinary fully paid shares were issued at 08 cents per share through the prospectus.

(d) Credit standby arrangements

As at 30 June 2005, Transerv Australia Ltd had two debtor factoring facilities totaling \$1,200,000.

Credit facility	1,200,000
Amount Used	161,786

**18. Earnings Per Share**

Basic earnings/(loss) per share (cents per share)	(0.09)	(0.13)
Diluted earnings/(loss) per share (cents per share)	(0.09)	(0.13)
Reconciliation of Earnings to Net Loss Operating loss	(1,697,115)	(836,991)
Earnings used in the calculation of basic EPS	<hr/>	<hr/>
Weighted average number of ordinary shares on issue used in calculation of basic earnings per share	18,134,430	6,378,788
	<hr/>	<hr/>

During the year ended 30 June 2005, no options to subscribe for ordinary shares were issued, and there are no options outstanding at 30 June 2005.

**TRANSERV AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2005**

**19. Expenditure Commitments**

	NOTE	CONSOLIDATED		PARENT	
		2005	2004	2005	2004
		\$	\$	\$	\$
<b>Finance Lease and Hire Purchase Commitments Payable</b>					
- not later than one year		13,237	12,541	13,237	-
- later than 1 year, but not later than 5 years		15,119	-	15,119	-
Minimum Lease Payments		28,356	12,541	28,356	-
Less future finance charges		(2,195)	(780)	(2,195)	-
Lease Liability		26,161	11,761	26,161	-
<b>Operating Lease Commitments</b>					
Non-Cancellable operating leases contracted for , but not capitalised in the accounts:					
Payable					
- not later than one year		647,736	350,150	416,841	336,475
- later than 1 year, but not later than 5 years		2,264,568	1,598,256	1,475,206	1,598,256
- later than 5 years		492,096	-	-	-
		3,404,400	1,948,406	1,892,047	1,934,731

**20. Events Subsequent to Balance Date**

There have been no events subsequent to balance date.

**21. Auditor's Remuneration**

Amounts, received or due and receivable by auditors for:

- auditing the accounts	38,597	6,000	38,597	6,000
- other services	4,000	5,000	4,000	5,000
	42,597	11,000	42,597	11,000

**TRANSERV AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2005**

**22. Superannuation**

All employees are entitled to varying benefits on retirement, disability or death and the end benefit is determined by the accumulation of contributions and earnings of the fund and various options within the fund available to each employee. The company makes contributions to the funds at the rate of 9% of gross salaries and wages. These contributions are legally enforceable in Australia.

**23. Controlled Entities**

	% OWNED		BOOK VALUE OF SHARES HELD		CONTRIBUTION TO CONSOLIDATED PROFIT/(LOSS)	
	2005	2004	2005	2004	2005	2004
<i>Parent Entity</i>						
Transerv Australia Limited					(1,695,013)	(801,022)
<i>Entities controlled by Transerv Australia Limited (previously Bluefire Gas Pty Ltd)</i>						
Bluefire Services WA Pty Ltd	100%	100%	2	2	(104,284)	171,424
Gas Research Australia Pty Ltd	100%	100%	60,000	60,000	(95,786)	(197,332)
Prins Australia Pty Ltd	100%	100%	2	2	(66,724)	(10,061)

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**TRANSERV AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2005**

**24. Financial Instruments**

(a) Terms, conditions and accounting policies.

The Consolidated Entity's accounting policies, including the terms and conditions of each class of financial assets, financial liability and equity instrument, both recognised and unrecognised at balance date, are as follows;

<b>RECOGNISED FINANCIAL INSTRUMENTS</b>	<b>STATEMENT OF FINANCIAL POSITION NOTES</b>	<b>ACCOUNTING POLICIES</b>	<b>TERMS &amp; CONDITIONS</b>
<b>(i) Financial Assets</b>			
Cash	5	Cash represents cash on hand and at bank with financial institutions. All cash is carried at nominal amounts	Bank deposits are either held subject to notice of withdrawal or subject to maturity after a specified period of time. All cash held is subject to floating interest rate. The weighted average effective interest rate earned was 1.5% (2004: 1%). The weighted average effective interest rate paid was 9.45% (2004: 9.40%).
Receivables	6	Receivables are carried at nominal amounts	Trade Receivables are normally settled on 30 day terms. Applied Bluefire Service trade debtors are used as security against the overdraft account within Bluefire Services. This overdraft account is subject to floating interest rate.
<b>(ii) Financial Liabilities</b>	9	Liabilities are recognised for amounts to be paid in the future for goods and services, received whether or not billed to the company.	Trade liabilities are normally settled on 30 day terms.
Finance Lease and Hire Purchase Liability		The lease and hire purchase liability is accounted for in accordance with applicable Accounting Standards and other mandatory professional accounting requirements.	Hire Purchase Agreement entered into during the year. The average effective interest rate is nil. (2004: 6.2%).
<b>(iii) Equity</b>			
Ordinary shares	10	Ordinary share capital is recognised at the amount paid-up.	Details of shares issued are disclosed separately in these financial statements. These shares are not interest bearing and there is no exposure to interest rate risk.

**TRANSERV AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2005**

**2005**

<b>FINANCIAL INSTRUMENT</b>	<b>FLOATING INTEREST RATE 0-1 YEAR</b>	<b>NON- INTEREST BEARING 0- 1 YEAR</b>	<b>TOTAL</b>	<b>WEIGHTED AVERAGE EFFECTIVE INTEREST RATE</b>
<b>(i) Financial Assets</b>				
Cash	38,356	-	38,356	1.5%
Receivables Trade & other	-	1,396,721	1,396,721	N/A
<b>Total Financial Assets</b>	<b>38,356</b>	<b>1,396,721</b>	<b>1,435,077</b>	
<b>(ii) Financial Liabilities</b>				
Overdraft Accounts	88,094	-	88,094	
Trade creditors and accrued expenses	-	1,127,757	1,127,757	
Debt finance facility	176,233	-	176,233	
<b>Total Financial Liabilities</b>	<b>264,327</b>	<b>1,127,757</b>	<b>1,392,084</b>	

**2004**

<b>FINANCIAL INSTRUMENT</b>	<b>FLOATING INTEREST RATE 0-1 YEAR</b>	<b>NON- INTEREST BEARING 0-1 YEAR</b>	<b>TOTAL</b>	<b>WEIGHTED AVERAGE EFFECTIVE INTEREST RATE</b>
<b>(i) Financial Assets</b>				
Cash	699,405	-	699,405	1.5%
Receivables Trade & other	-	1,054,551	1,054,551	N/A
<b>Total Financial Assets</b>	<b>699,405</b>	<b>1,054,551</b>	<b>1,753,956</b>	
<b>(ii) Financial Liabilities</b>				
Overdraft Account	12,883	-	12,883	9.40%
Trade creditors and accrued expenses	-	503,026	503,026	N/A
Hire Purchase Liability	120,944	-	120,944	N/A
<b>Total Financial Liabilities</b>	<b>133,827</b>	<b>503,026</b>	<b>636,853</b>	

**(b) NET FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES**

The aggregate net fair values of financial assets and financial liabilities, at the balance date, are approximated by their carrying value as represented in the Statement of Financial Position.

**(c) CREDIT RISK EXPOSURES**

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount, net of any provision for doubtful

debts, as disclosed in the statement of financial position and notes to the financial statements.

CHARTERED  
ACCOUNTANTS  
& BUSINESS  
ADVISORS

A MEMBER OF  
MOORES ROWLAND  
INTERNATIONAL



**Bentleys MRI Perth Partnership**  
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**TRANSERV AUSTRALIA LIMITED  
ABN 68 079 432 796  
AND CONTROLLED ENTITIES**

**INDEPENDENT AUDIT REPORT TO THE MEMBERS OF  
TRANSERV AUSTRALIA LIMITED AND CONTROLLED ENTITIES**

*Matters Relating to the Electronic Presentation of the Audited Financial Report*

This audit report relates to the financial report of Transerv Australia Limited for the year ended 30 June 2005 included on the Transerv Australia Limited web site. The Directors are responsible for the integrity of the Transerv Australia Limited web site. We have not been engaged to report on the integrity of the Transerv Australia Limited web site. The audit report refers only to the statements named below. It does not provide an opinion on any other information, which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

**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 Transerv Australia 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 the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

*Audit Approach*

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

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's 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.

#### **INDEPENDENCE**

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

#### **AUDIT OPINION**

In our opinion, the financial report of Transerv Australia Limited is in accordance with:

- a. 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 in Australia and the Corporations Regulations 2001; and
- b. other mandatory professional reporting requirements in Australia.

#### **BENTLEYS MRI PERTH PARTNERSHIP**



**MICHAEL J HILLGROVE**  
**PARTNER**

Dated at Perth this 30<sup>th</sup> day of September 2005

CHARTERED  
ACCOUNTANTS  
& BUSINESS  
ADVISORS

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INTERNATIONAL



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**AUDITORS INDEPENDENCE DECLARATION  
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001  
TO THE DIRECTORS OF TRANSERV AUSTRALIA LIMITED**

I declare that to the best of my knowledge and belief, during the year ended 30 June 2005 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

**BENTLEYS MRI PERTH PARTNERSHIP**

A handwritten signature in black ink, appearing to read 'M Hillgrove', is written over a light grey horizontal line.

**MICHAEL J HILLGROVE**  
Partner

DATED at PERTH this 30 September 2005

**TRANSERV AUSTRALIA LIMITED**  
**ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES**  
(Compiled as at 21 September 2005)

**Shareholding**

**Number of Shareholders**

860

**Distribution of Shareholders Number**

No. of Ordinary Shares	Shareholders
1 - 1,000	411
1,001 - 5,000	81
5,001 - 10,000	189
10,001 - 100,000	150
100,001 - and over	29

**Marketable Parcels**

The number of shares held in less than marketable parcels is 508.

**Substantial Shareholders**

**Ordinary shares**

Total issued shares at 30 June 2005	20,279,635
ANZ Nominees Limited	1,520,719
Pillage Investments Pty Ltd	1,386,252
Rich Red Holdings Pty Ltd	1,250,000

**Voting Rights**

Subject to any rights or restrictions for the time being attached to any classes of Shares (at present there are none), at meetings of shareholders of the Company

- (a) each shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- (b) on a show of hands, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder has one vote: and
- (c) on a poll, every person present who is a Shareholder shall, in respect of each fully paid Share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for the Share, but in respect of partly paid shares, shall have such number of votes as bears the same proportion which the amount paid (not credited) is of the total amounts paid and payable (excluding amounts credited).

**Restricted Securities**

NIL

**TRANSERV AUSTRALIA LIMITED**  
**ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES**  
(Compiled as at 21 September 2005)

**20 Largest Shareholders - Ordinary Shares**

Name	Ordinary Fully Paid Shares	% Held of Issued Ordinary Capital
1. ANZ Nominees Limited	1,520,719	7.50
2. Pillage Investments Pty Ltd	1,386,252	6.84
3. Rich Red Holdings Pty Ltd	1,250,000	6.16
4. Striker Holdings Pty Ltd (Gardner Investment A/C)	1,146,296	5.65
5. Resolute (International) Trading Company Limited (Number 2 Account)	981,500	4.84
6. TolTec Holdings Pty Ltd	899,606	4.44
7. Ian Sandover & Associates Pty Ltd (Sandover Super A/C)	759,040	3.74
8. Royal Sunset Pty Ltd	669,137	3.30
9. Paso Holdings Pty Ltd	566,815	2.79
10. Roadships Logistics Ltd	526,700	2.60
11. Monacan Nominees Pty Ltd	428,750	2.11
12. Mr Nicholas Charles Richards	345,607	1.70
13. Westedge Investments Pty Ltd (The PMB Fund A/C)	300,000	1.48
14. Mr Russell Birrell	250,000	1.23
15. Mr Zbigniew Stanislaw Fornal	240,000	1.18
16. Mr Anthony Noel Sandover (A & W Sandover Family A/C)	232,000	1.14
17. Mr Peter Howells	230,849	1.14
18. Mr Nolan Lindsay Bear (The Bear Super fund A/C)	220,000	1.08
19. ACM Consulting Services Pty Ltd (McMillan Family A/C)	219,099	1.08
20. Bremerton Pty Ltd (The Bartlett Family Fund A/C)	210,248	1.04
	<hr/> 12,382,618 <hr/>	<hr/> 61.04 <hr/>