BLUE ENSIGN TECHNOLOGIES LIMITED
ABN 91 086 332 836

(formerly Pacific International Limited)

Annual Report

for the 12 months ended

31 December 2005

BLANK PAGE (INSIDE FRONT COVER)

CORPORATE DIRECTORY

Directors
Christopher Ryan – Executive chairman
Alex Koszo – Non executive director
John Porter – Non executive director

Company secretary
Christopher Ryan

UTbox.net unified messaging
Manager, operations - Michael Slade
Manager, business development – Rhett Jones

Registered and corporate office
Suite 202, Angela House
30-36 Bay Street
Double Bay NSW 2028
Telephone: (02) 9363 5088
Facsimile: (02) 9012 0088
Internet: www.blueensigntech.com.au

Share Registry
Advanced Share Registry Services
110 Stirling Highway
Nedlands WA 6009
Telephone: (08) 9389 8033
Fax: (08) 9389 7871

Accountant
Grahame Clegg
Chartered Accountant
6 Chepstow Drive
Castle Hill NSW 2154
Telephone: (02) 9894 9403

Solicitors
SBA Lawyers
119 Evans Street
Rozelle NSW 2039
Telephone: (02) 9555 8654

Auditor
BDO
Chartered Accountants & Advisers
Level 19
2 Market Street
Sydney NSW 2000

Stock exchange listing
Australian Stock Exchange
ASX Code: BLE

CONTENTS

CHAIRMAN'S REVIEW

Throughout the year under review, the Company's sole focus has been on its unified messaging business. It is pleasing to report that the revenues from this business increased by 64% to $202,289 in 2005. It is disappointing to report, however, that the two subsidiary companies which operate the business each recorded a small loss for the year. When the corporate costs associated with the parent company are taken into account, the consolidated result was a loss for the year of $120,867.

In the second half of 2005, the Company raised $175,000 of working capital though a placement of 1,750,000 new shares at 10 cents each. The shares were placed to directors Messrs Porter and Koszo and to Michael Slade, one of the two managers of the unified messaging business.

The priority for the year under review has been to establish a business plan for the Company's unified messaging business with two main objectives:

- to research and analyse the market for the Company's unified messaging products; and
- to set a planning framework for growing the business within a short time frame and within a limited budget:
    - initially to the point where it would be profitable enough to carry the corporate costs associated with a public listed company;
    - subsequently to the point where its track record and prospects would support a capital raising necessary to enable the Company to apply to the Australian Stock Exchange for the re-quotation of the Company's shares.

Two primary conclusions reached from the planning process:

- the business appears to have excellent growth prospects;
- the small business base may be such that even if reasonable growth is achieved, the surplus cash generated may be insufficient to avoid the need for the Company to once again seek to raise new working capital.

In addition, it is apparent that it may be several years before the unified business alone would be substantial enough to support an application for re-quotation of the Company's shares on the ASX.

It was recognised throughout the review and planning process that one option available to the Company would be to seek to acquire another business of a scale more suitable for a listed company. It was also recognised that if this course of action were to be pursued and implemented, it would inevitably dilute shareholders' interest in the unified messaging business.

As this report is being completed, negotiations are at an advanced stage which if completed will enable the Company to put to shareholders such an acquisition.

Christopher Ryan
Chairman

CORPORATE GOVERNANCE STATEMENT

As discussed in the Chairman's Review above, the Company has operated throughout the year in review with much uncertainty as to its future. The Company has not paid any of its directors due to limited working capital. Under the circumstances, strict adherence to the entirety of the corporate governance guidelines and recommendations as laid down by the Australian Stock Exchange has not always been practical.

Existing corporate governance policy

Functions of the board

The directors are responsible to the Shareholders for the performance of the Company in both the short and the longer term and seek to balance these sometime competing objectives in the best interests of the Company as a whole. Their focus is to enhance the interests of Shareholders and other key stakeholders and to ensure the Company including its controlled entities are properly managed.

The functions of the board include:

- reviewing and approving corporate strategies, the annual budget and financial plans;
- overseeing and monitoring organisational performance and the achievement of the Company's strategic goals and objectives;
- monitoring financial performance including approval of the annual and half-year financial reports and liaison with the Company's auditors;
- appointing, and assessing the performance of, the members of the senior management team;
- ensuring there are effective management processes in place and approving major corporate initiatives;
- enhancing and protecting the reputation of the organisation;
- ensuring the significant risks facing the Company and its controlled entities have been identified and appropriate and adequate control, monitoring and reporting mechanisms are in place; and
- reporting to Shareholders.

The board of directors

The board seeks to operate in accordance with following broad principles:

- the board should be comprised of both executive and non-executive directors. Throughout the year under review, in light of the low level of business activity and the need to conserve working capital, all three directors of the Company were non-executive directors;
- there is benefit to the Company in maintaining a mix of directors on the board from different backgrounds with complementary skills and experience;
- the board should undertake an annual board performance review and consider the appropriate mix of skills required by the board to maximise its effectiveness and its contribution to the Company.

The audit committee continues to assist in the execution of its duties and to allow for a detailed consideration of corporate governance issues. The committee structure and membership is reviewed on an annual basis. All matters determined by the committee are submitted to the full board as recommendations for board decision.

Appointment and removal of directors
In accordance with the Company’s Constitution, the directors must retire by rotation every three years and may offer themselves for re-election.

In addition the board seeks to ensure that the membership at any point in time represents an appropriate balance between directors with experience and knowledge of the Company and directors with an external or fresh perspective.

Independent professional advice
Directors and board committees have the right, in connection with their duties and responsibilities, to seek independent professional advice at the Company's expense. Prior written approval of the chairman is required, but this may not be unreasonably withheld.

Audit committee
The audit committee consists of Alex Koszo and Christopher Ryan.

The main responsibilities of the audit committee are to:

- review and report to the board on the annual report, the annual and half-year financial reports and all other financial information published by the Company or released to the market;
- assist the board in reviewing the effectiveness of the organisation's internal control environment covering:
  - effectiveness and efficiency of operations;
  - reliability of financial reporting;
  - compliance with applicable laws and regulations
- oversee the effective operation of the risk management framework, and
- recommend to the board the appointment, removal and remuneration of the external auditors, and review the terms of their engagement, and the scope and quality of the audit.

In fulfilling its responsibilities, the audit committee receives regular reports from management and external auditors. It also meets with the external auditors at least twice a year - more frequently if necessary. The external auditors have a clear line of direct communication at any time to either the chairman of the audit committee or the chairman of the board.

The audit committee has authority, within the scope of its responsibilities, to seek any information it requires from any employee or external party.

Remuneration committee
A remuneration committee was formed in the financial year ended 31 December 2002. The remuneration committee consists of John Porter and Christopher Ryan.

The remuneration committee reviews the remuneration policies applicable to all directors and executive officers on an annual basis and makes recommendations on remuneration packages and terms of employment to the board.

Remuneration packages, which consist of base salary, fringe benefits, incentive schemes (including performance-related bonuses and share options), superannuation and entitlements upon retirement or termination are reviewed with due regard to performance and other relevant factors.

In order to retain and attract executives of sufficient calibre to facilitate the efficient and effective management of the Company's operations, the remuneration committee seeks the advice of external advisers in connection with the structure of remuneration packages.

Ethical standards
The purchase and sale of Company securities by directors is only permitted during the thirty day period following the release of the half-yearly and annual financial results to the market. Any transactions undertaken must be notified to the company secretary in advance.

Future corporate governance policy

The Company is in the process of identifying acquisition opportunities which will enable a capital raising and an application for the re-quotation of the Company's shares;

The Company's limited executive and financial resources have necessitated the prioritisation of tasks requiring the Company's attention. Under the circumstances, the Company has yet to put in place an appropriate set of policies and procedures in compliance with the March 2003 publication issued by the ASX Corporate Governance Council Principles of Good Corporate Governance and Best Practice Recommendations.

Once the future direction of the Company is clear and the Company has adequate working capital to enable it to employ executive staff, the directors intend to give urgent attention to the best practice recommendations and to review its current corporate governance policies in the light of these recommendations and to revise or define and adopt policies appropriate to the Company's changed circumstances.

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 27 April 2006.

Distribution of equity securities

Analysis of numbers of equity security holders by size of holding:

	Number of holders		Number of securities	
	Shares	Options	Shares	Options
1 – 1,000	1,141	-	305,832	-
1,001 – 5,000	104	-	229,961	-
5,001 – 10,000	15	-	104,403	-
10,001 – 100,000	12	-	437,345	-
100,001 and over	9	4	3,350,401	1,500,000
	1,281	4	2,677,942	1,500,000

There were 1,180 holders of less than a marketable parcel of ordinary shares. The determination of the number of holders with less than a marketable parcel of ordinary shares is based on the share price at the time that shares in the company were last traded and listed for quotation. This was 27 July 2001 at which time shares in the company became suspended from trading.

Equity security holders

Twenty largest quoted equity security holders
The names of the twenty largest holders of quoted equity securities are listed below:

	Ordinary shares	
Name	Number held	Percentage of issued shares
I-Spire Plc	1,535,322	34.67%
Michael John Slade	500,000	11.29%
R & B Investments Pty Ltd	375,000	8.47%
Travel & Technology Consulting Limited	250,000	5.65%
Min-Tech 8 NL	162,500	3.67%
Ms Ibolya Koszo	150,000	3.39%
Mr Alex Koszo	140,000	3.16%
JFax Communications Inc	131,579	2.97%
The Harrington Partnership	106,000	2.39%
Mr Terry Grundmann	80,000	1.81%
Obelisk Capital Pty Ltd	58,750	1.33%
Abbott Business Strategies Pty Limited	54,526	1.23%
Mr Edward Richard Dancewicz	45,000	1.02%
Megastone Pty Ltd	34,875	0.79%
Mr J M & Mrs R E Dudok	32,975	0.74%
Gold Spring Ltd	29,213	0.66%
Vermar Pty Ltd	29,031	0.66%
Patricia Ann Sharpe	25,000	0.56%
Mr Edward Dancewicz	21,000	0.47%
Mr Trevor Neil Hay	14,475	0.33%
	3,775,246	85.26%

Unquoted equity securities

	Number on issue	Number of holders
Options (80 cents, 30 June 2006) *	500,000	2
Options (20 cents, 31 December 2008) *	1,000,000	2

* Directors Christopher Ryan and Alex Koszo each hold 250,000 options.
** Michael Slade and Rhett Jones (Utbox.net management) each hold 500,000 options.

Substantial holders

Substantial holders in the company are set out below:

	Ordinary shares	
	Number held	**Percentage**
I-Spire Plc	1,535,322	34.67%
Michael John Slade	500,000	11.29%
R & B Investments Pty Ltd	375,000	8.47%
Travel & Technology Consulting Limited	250,000	5.65%

Voting rights

The voting rights attaching to each class of equity securities are set out below:

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

Options
No voting rights.

Restricted Securities

The following securities are restricted from trading:	Number held
Ordinary shares; until 24 months after reinstatement to quotation of shares in the company	
The Harrington Partnership	106,000

BLUE ENSIGN TECHNOLOGIES LIMITED
AND CONTROLLED ENTITIES

A.B.N. 91 086 332 836

ANNUAL FINANCIAL REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

DIRECTORS' REPORT

The directors of Blue Ensign Technologies Limited submit herewith the annual financial report for the financial year ended 31 December 2005. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

The names and positions of the directors of the company during or since the end of the financial year are:

Christopher Ryan (Non-Executive Chairman)

Christopher Ryan is the Principal of Westchester Corporate Finance, a Sydney based corporate advisory firm specialising in advising on mergers and acquisitions and associated transactions.

Prior to forming Westchester in July 1996, Christopher was with Schroders Australia Limited for 27 years, the majority of which were as a Director of the Corporate Finance Division specialising in advising on project financing and mergers and acquisitions mainly in the Australian minerals and oil and gas sectors. In addition he has been the chairman and/or a director at various times of a number of Australian companies listed on the ASX. At present, he is chairman of Golden Cross Resources Ltd and Bligh Ventures Limited and a director of Bentley International Limited and Scarborough Equities Limited.

Alex Koszo (Non-Executive Director)

Alex Koszo was previously the Chief Executive and founder of e.COM and a founder and Chief Executive of Global Callback Pty Ltd. Prior to establishing Global Callback, Alex was a Director of International Operations at ACW Pty Ltd in Brisbane where he prepared the groundwork for a new telecommunications entity to be established and assisted in negotiations for inter-carrier arrangements with Telstra and Optus. Alex was the driving force behind the establishment of eCom's Unified–Tele.com messaging platform and the Fax-2-e product.

John Porter (Non-Executive Director)

John Porter is the Chairman and co-founder of i-spire plc. He established the initial investments that were transferred into i-spire following its incorporation. John has considerable experience in advising and investing in high-tech and internet focused businesses. In 1992 Mr. Porter was appointed Chairman of the Telos Group which owns a majority shareholding in Telos Corporation, which specialises in enterprise integration with web enabled business processes. Based in Ashburn, Virginia, USA, the company has 1,000 associates and is privately held. In 1985, John became Chairman of Verifone, a leading manufacturer of credit card verification equipment based in Redwood City California, USA. He participated as a Director until Verifone was sold to Hewlett Packard in 1997 for US$1.4 billion.

Principal Activities

The principal activities of the consolidated entity were those of a wholesale travel supplier and a provider of unified messaging services. During the year to 31 December 2004 the consolidated entity sold the wholesale travel operations, and is now focused solely on increasing the scale and profitability of the unified messaging business.

Review of Operations

The results of the operations of the company and the consolidated entity during the financial year were as follows:

	Consolidated		Company	
	2005	**2004**	**2005**	**2004**
	$	**$**	**$**	**$**
Profit (loss) after income tax	(120,867)	(1,134,454)	(120,867)	15,915,381

During the year ended 31 December 2005 the company disposed of its remaining 2.42% investment in Pacific Travel Holdings Limited. This resulted in a profit on disposal of $25,380 by the parent entity.

In the second half of 2005, the company raised $175,000 through a placement of 175,000 new shares at 10 cents per share to directors and management. Net current assets of the consolidated entity at 31 December 2005 were $60,464 (2004: deficit $48,803).

Changes in State Of Affairs

During the financial year there was no significant change in the state of affairs of the consolidated entity other than that referred to in the financial statements or notes thereto.

Subsequent Events

Other than as stated below, there has not been any matter or circumstance that has arisen since the end of the financial year that has significantly affected, or may significantly affect, the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

On 11 May 2006, the Company announced that it has entered into an agreement to acquire all the issued capital of Australian Thermal Solutions Pty Ltd, a company with an oil shale resource in Queensland and licensed access to new technology for the extraction of oil from oil shale, for a consideration of 113,000,020 new Blue Ensign Shares and 83,000,020 new Blue Ensign Options (exercisable at 50 cents, expiring 30 April 2011).

DIRECTORS' REPORT (CONTINUED)

Future Developments

Disclosure of information regarding likely developments in the operations of the consolidated entity in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the consolidated entity. Accordingly, this information has not been disclosed in this report.

Environmental Regulations
The consolidated entity is not subject to any significant environmental regulations under State or Commonwealth legislation.

Dividends

No dividends have been paid or declared since the start of the financial year. The directors do not recommend the payment of a dividend in respect of the year ended 31 December 2005.

Share Options

During and since the end of the financial year no share options were granted to any person, other than 1,000,000 2008 options issued during the year to the management of the unified messaging business.

Indemnification of Officers And Auditors

The company has not, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the company or of any related body corporate against a liability incurred as such an officer or auditor. In addition, the company has not paid or agreed to pay a premium in respect of a contract insuring against a liability incurred by an officer or auditor.

Directors' Meetings

The following table sets out the number of directors' meetings held during the financial year and the number of meetings attended by each director

	Board of Directors	
	Held	**Attended**
Christopher Ryan	10	10
Alex Koszo	10	10
John Porter	10	7

Directors' Emoluments

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, seeks to emphasise payment for results through providing various reward schemes, for example the incorporation of incentive payments based on the achievement of specific targets.

The objective of the reward schemes is to both reinforce the short and long term goals of the company and to provide a common interest between management and shareholders.

The emoluments of each director are as follows:

	Primary			Post-employment	Equity	
	Salary	**Director's Fees**	**Consulting Fees**	**Superannuation**	**Options**	**Total**
	$	$	$	$	$	$
Christopher Ryan	-	-	-	-	-	-
Alex Koszo	-	-	-	-	-	-
John Porter	-	-	-	-	-	-
	-	-	-	-	-	-

Executive Officers' Emoluments

Michael Slade	-	-	60,060	-	-	60,060
Rhett Jones	24,000	-	-	2,160	-	26,160
	24,000	-	60,060	2,160	-	86,220

Michael Slade and Rhett Jones have each been issued 500,000 options as detailed in note 26 (c). Due to the present circumstances of the company it is not possible to establish a reliable fair value for these options. Their intrinsic value at date of issue was Nil. Full details of options issued are contained in note 18.

Directors' Interests

	ORDINARY SHARES		OPTIONS	
	DIRECT	**INDIRECT**	**DIRECT**	**INDIRECT**
Christopher Ryan	-	375,000	-	250,000
Alex Koszo	140,000	400,000	250,000	-
John Porter	-	1,535,322	-	-

Full details of options issued are contained in Note 18.

DIRECTORS' REPORT (CONTINUED)

SHARE OPTIONS

500,000 options (80 cents, 30.6.06) and 1,000,000 options (20 cents, 31.12.2008) to take up ordinary shares issued remain unexercised at 31 December 2005. During the year, 1,000,000 2008 options were issued to the management of the unified messaging business. No options expired or were exercised during the year. Further information is given in Note 18 to the financial statements.

Option holders do not have any right, by virtue of the option, to participate in any share issue of the company or any related body corporate or in the interest of any other registered scheme.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 12.

Signed in accordance with a resolution of the directors made pursuant to s. 298(2) of the Corporations Act 2001.

On behalf of the Directors

C B RYAN
Director

Sydney, this 25 day of May 2006

BDO

Chartered Accountants
& Advisers

Level 19, 2 Market St. Sydney NSW 2000
GPO Box 2551 Sydney NSW 2001
Tel: (61 2) 9286 5555
Fax: (61 2) 9286 5599
Email: bdosyd@bdosyd.com.au
www.bdo.com.au

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of Blue Ensign Technologies Limited for the year ended 31 December 2005, I declare that, to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

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

BDO

BDO
Chartered Accountants

K R REID
Partner

Sydney, this 25th day of May 2006

BDO

Chartered Accountants & Advisers

Level 19, 2 Market St. Sydney NSW 2000
GPO Box 2551 Sydney NSW 2001
Tel: (61 2) 9286 5555
Fax: (61 2) 9286 5599
Email: bdosyd@bdosyd.com.au
www.bdo.com.au

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF BLUE ENSIGN TECHNOLOGIES LIMITED

Scope

The Financial Report and Directors' Responsibility

The financial report comprises the balance sheet, income statement, statement of cash flows, statement of changes in equity, accompanying notes to the financial statements, and the directors' declaration for Blue Ensign Technologies Limited (the company), for the year ended 31 December 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 have 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.

The independence declaration given to the directors in accordance with section 307C would be in the same terms if it had been given at the date of this report.

BDO

Qualification

Blue Ensign Technologies Limited has not restated its balance sheet at 1 January 2004, the date of transition to Australian Equivalents to International Financial Reporting Standards. This is a departure from Australian Accounting Standard AASB 1 " First-time Adoption of Australian Equivalents to International Financial Reporting Standards". In our opinion, the effect of non-compliance on the Financial Position as at 31 December 2005 and the results of the year then ended is nil as a consequence of the sale of the Group's principal operation in the comparative year – refer Note 1.

Qualified Audit Opinion

In our opinion, except for the effects on the financial report of the matters referred to in the qualification paragraph, the financial report of Blue Ensign Technologies 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 31 December 2005 and of its performance for the year ended on that date; and

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

(b) other mandatory financial reporting requirements in Australia.

Uncertainty Regarding Going Concern

Without qualification to the opinion expressed above, we note that the consolidated report of Blue Ensign Technologies Limited has been prepared on the basis that the consolidated entity will continue as a going concern having regard to the group's trading results and net assets - refer Note 1. We note that the ability of the consolidated entity to continue as a going concern is dependent upon the achievement of profitable trading, and the ability of the consolidated entity to raised additional equity.

BDO

BDO
Chartered Accountants

K R REID
Partner

Sydney, this 25th day of May 2006

DIRECTORS' DECLARATION

The directors declare that:

(a) the attached financial statements and notes thereto comply with Accounting Standards;

(b) the attached financial statements and notes thereto give a true and fair view of the financial position and performance of the company and the consolidated entity;

(c) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001; and

(d) 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.

Signed in accordance with a resolution of the directors made pursuant to s295(5) of the Corporation Act 2001.

On behalf of the Directors

C B RYAN
Director

Sydney, this 25 day of May 2006

INCOME STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

	Note	Consolidated		Company	
		2005	2004	2005	2004
		$	$	$	$
Revenue	2	230,670	7,225,729	28,332	683,328
Administration expenses		(172,919)	(430,247)	(84,854)	(69,140)
Finance costs		-	(186,247)	-	(186,247)
Corporate costs		(25,725)	(43,706)	(24,799)	(43,706)
Cost of goods sold		(101,171)	(218,095)	-	(218,905)
Depreciation and amortisation expense		(4,382)	(888,740)	(2,854)	(23,421)
Employee benefits expense		(29,286)	(6,705,893)	-	(246,924)
Marketing expenses		(16,117)	(644,880)	(615)	(500)
Occupancy expenses		-	(512,473)	-	(33,551)
Telecommunication expenses		-	(513,191)	-	-
Travel expenses		-	(23,268)	-	-
Write down value of investments		-	-	(132,218)	15,700,031
Write down value of loans		-	(51,539)	-	-
(Increase)/ Decrease in Provision for Doubtful Debts		-	(130,783)	97,300	(227,584)
Forgiveness of loans		-	-	-	1,108,586
Profit (Loss) on disposal of subsidiaries		-	2,285,171	-	(195,338)
Other expenses		(1,937)	(342,520)	(1,159)	(331,248)
Profit (Loss) before Income Tax Expense	3	(120,867)	(1,180,682)	(120,867)	15,915,381
Income tax (expense)/benefit	6	-	46,228	-	-
Net Profit (Loss)		(120,867)	(1,134,454)	(120,867)	15,915,381
Basic and diluted earnings (Loss) per share (cents per share)					
Continuing operations	4	(4.22)	(2.03)		
Discontinued operations	4	-	(9.31)		
Loss for year	4	(4.22)	(11.34)		

Discontinued Operations

The above income statements include the results of discontinued operations:

	2005	2004
Net loss attributable to discontinued operations and gain recognised from the fair value less costs to sell on the disposal of the discontinued operations - refer note 28	-	667,920

Notes to the financial statements are included on pages 20 to 34.

BALANCE SHEETS
AS AT 31 DECEMBER 2005

	Note	Consolidated		Company	
		2005	2004	2005	2004
		$	$	$	$
CURRENT ASSETS					
Cash and cash equivalents	9	93,718	8,845	88,621	8,845
Trade and other receivables	10	5,819	9,149	5,819	9,149
TOTAL CURRENT ASSETS		99,537	17,994	94,440	17,994
NON-CURRENT ASSETS					
Receivables	11	-	-	330	12,328
Investments	12	-	52,287	67,782	52,287
Property, plant and equipment	13	296	3,143	-	3,143
TOTAL NON-CURRENT ASSETS		296	55,430	68,112	67,758
TOTAL ASSETS		99,833	73,424	162,552	85,752
CURRENT LIABILITIES					
Trade and other payables	14	37,387	66,797	30,708	66,797
Provisions	15	1,686	-	-	-
TOTAL CURRENT LIABILITIES		39,073	66,797	30,708	66,797
NON-CURRENT LIABILITIES					
Payables	16	-	-	71,084	12,328
TOTAL NON-CURRENT LIABILITIES		-	-	71,084	12,328
TOTAL LIABILITIES		39,073	66,797	101,792	79,125
NET ASSETS		60,760	6,627	60,760	6,627
EQUITY					
Share capital	17	10,914,246	10,739,246	10,914,246	10,739,246
Reserves	19	-	-	-	-
Accumulated losses	20	(10,853,486)	(10,732,619)	(10,853,486)	(10,732,619)
TOTAL EQUITY		60,760	6,627	60,760	6,627

Notes to the financial statements are included on pages 20 to 34.

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

	Ordinary shares	Foreign Currency Translation Reserve	Accumulated losses	Total attributable to equity holders of the entity
	$	$	$	$
Consolidated				
Total equity at 1 January 2004	30,643,642	(236,035)	(26,406,782)	4,000,825
Adjustment on disposal of subsidiaries	(19,934,409)	236,035	16,808,617	(2,889,757)
Shares issued during year	104,466	-	-	104,466
Transaction costs relating to share issues	(74,453)	-	-	(74,453)
Loss for the year	-	-	(1,134,454)	(1,134,454)
Total equity at 1 January 2005	10,739,246	-	(10,732,619)	6,627
Shares issued during year	175,000	-	-	175,000
Loss for the year	-	-	(120,867)	(120,867)
Total equity at 31 December 2005	10,914,246	-	(10,853,486)	60,760
Company				
Total equity at 1 January 2004	30,643,642	-	(26,648,000)	3,995,642
Adjustment on disposal of subsidiaries	(19,934,409)	-	-	(19,934,409)
Shares issued during year	104,466	-	-	104,466
Transaction costs relating to share issues	(74,453)	-	-	(74,453)
Profit for the year	-	-	15,915,381	15,915,381
Total equity at 1 January 2005	10,739,246	-	(10,732,619)	6,627
Shares issued during year	175,000	-	-	175,000
Loss for the year	-	-	(120,867)	(120,867)
Total equity at 31 December 2005	10,914,246	-	(10,853,486)	60,760

Notes to the financial statements are included on pages 20 to 34.

BLUE ENSIGN TECHNOLOGIES LIMITED
AND CONTROLLED ENTITIES

CASH FLOW STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

	Note	Consolidated		Company	
		2005	2004	2005	2004
		$	$	$	$
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		222,518	115,453,701	-	123,141
Payments to suppliers and employees		(358,270)	(125,967,608)	(110,678)	(682,108)
Interest received		1,688	294,516	1,639	137,437
Finance costs paid		-	(159,180)	-	(159,180)
Other income		-	444,147	-	28,096
Tax instalments refunded		-	714,587	-	-
Net cash used in operating activities	27(c)	(134,064)	(9,219,837)	(109,039)	(552,614)
		-	-	-	-
CASH FLOWS FROM INVESTING ACTIVITIES					
Payments for property, plant and equipment		(1,535)	(650,288)	-	(564)
Proceeds from sale of property, plant and equipment		1,313	-	1,313	-
Payments for investments		-	(38,117)	-	-
Proceeds from sale of investments		77,598	-	77,598	-
Loans to associate		-	(285,083)	-	-
Loans to subsidiaries		-	-	(31,657)	-
Cash inflow (outflow) on disposal of subsidiary		-	-	-	1,553,532
Net cash provided by (used in) investing activities		77,376	(973,488)	47,254	1,552,968
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from share issues		175,000	104,466	175,000	104,466
Share issue costs		-	(74,453)	-	(74,453)
Net cash provided by financing activities		175,000	30,013	175,000	30,013
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		118,312	(10,163,312)	113,215	1,030,367
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR		(24,594)	10,138,718	(24,594)	(1,054,961)
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	27 (a)	93,718	(24,594)	88,621	(24,594)

Notes to the financial statements are included on pages 20 to 34.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

1. SUMMARY OF ACCOUNTING POLICIES

Basis of preparation

The financial report is prepared on the historical cost basis.

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. These accounting policies have been consistently applied by each entity in the consolidated entity.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of Australian Accounting Standards that have significant effect on the financial report and estimates with a significant risk of material adjustment in the next year are disclosed in the relevant notes to the accounts.

The financial report is presented in the Australian currency.

Compliance with Australian equivalents to International Financial Reporting Standards (AIFRS) ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

First-time Adoption of A-IFRS

This is the consolidated entity's first annual financial report prepared in accordance with AIFRS and AASB 1 *First Time Adoption of AIFRS* has been applied.

On first-time adoption of A-IFRS, the entity has restated its comparative balance sheet such that the comparative balances presented comply with the requirements specified in the A-IFRS with the following exception:

The activities of BLE at 1 January 2004 included the business of Pacific Travel Holdings Ltd (PTHL) which operated a travel business in Australia and New Zealand. On 27 June 2004 BLE disposed of 97.58% of its shares in PTHL by means of a capital reduction and disposed of the remaining 2.42% in early 2005.
PTHL became a private company at that time and is not now required to furnish its accounts to BLE. Accordingly there is no means of gathering sufficient information with which to determine any adjustments that may be required to enable the PTHL business to be properly restated under AIFRS requirements.
In any case, any adjustments made at 1 January 2004 in respect of PTHL would be reversed as at 27 June 2004 as the controlling interest was disposed of on that date.
The travel business is irrelevant to the ongoing operations of BLE at 31 December 2005.
The 2004 accounts gave a detailed analysis of the impact of the sale of PTHL on BLE, as do the 2005 accounts - Refer Note 28.
PTHL is now carried on by persons who are not associated with BLE and BLE does not have any jurisdiction to require them to furnish any information regarding that company's activities and account balances.
In the opinion of the directors of BLE, the operations of PTHL are irrelevant to BLE's ongoing operations and the sale of the controlling interest makes any AIFRS adjustments in respect of PTHL irrelevant as they will be reversed on the disposal date and it is now onerous to obtain sufficient information to determine whether any adjustments are in any case required.
In the light of the above, the directors of BLE have requested ASIC to grant relief from the requirement of AIFRS relating to the initial adoption of AIFRS to restate the balance sheet of PTHL as at 1 January 2004.

The impact on retained earnings of the transition from the previous AGAAP accounting standards and AIFRSs is discussed at note 30 below.

Going Concern

The financial report has been prepared on a going concern basis, which presumes the realisation of assets and discharge of liabilities in the normal course of business for the foreseeable future. The directors confirm, on an ongoing basis, that the company and the economic entity continue to meet this criteria.

Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial report and in preparing an opening AIFRS balance sheet at 1 January 2004 for the purposes of the transition to Australian Accounting Standards – AIFRS, subject to the matter described above, and have been applied consistently by consolidated entities.

(a) *Acquisition of Assets*

Assets acquired are recorded at the cost of acquisition, being the purchase consideration determined as at the date of acquisition plus costs incidental to the acquisition.

In the event that settlement of all or part of the cash consideration given in the acquisition of an asset is deferred, the fair value of the purchase consideration is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

1. SUMMARY OF ACCOUNTING POLICIES (CONT'D)

(b) *Capital Gains Tax*

No provision has been made for capital gains tax which may arise in the event of sale of revalued assets as no decision has been made to sell any of these assets.

(c) *Cash and cash equivalents*

For the purpose of the cash flow statements, cash includes:

- cash on hand and at call deposits with banks or financial institutions, net of bank overdrafts; and
- investments in money market instruments with less than 90 days to maturity.

(d) *Depreciation*

Depreciation is provided on property, plant and equipment.

Depreciation provided on plant and equipment is calculated on a straight line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life. The following estimated useful lives are used in the calculation of depreciation:

-Computer equipment	2-3 years
- Office equipment	2-5 years

Residual values and useful lives are reviewed and revised if appropriate at each balance sheet date.

(e) *Employee Entitlements*

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of wages and salaries, annual leave, and long service leave expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of other employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the consolidated entity in respect of services provided by employees up to the reporting date. Expected future payments are discounted using national government bond rates at balance sheet date with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(f) *Foreign Currency*

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at that date.

Exchange differences arising from payables and receivables are treated as operating revenue or expense in the period in which they arise.

(g) *Goods and Services Tax*

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

(a) Where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
(b) For receivables and payables which are recognised inclusive of GST.

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

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

(h) Impairment of Assets

At each reporting date the Group assesses whether there is any indication that individual assets are impaired. Where impairment indicators exist, recoverable amount is determined and impairment losses are recognised in the income statement where the asset's carrying value exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Where it is not possible to estimate recoverable amount for an individual asset, recoverable amount is determined for the cash-generating unit to which the asset belongs.

(i) *Income Recognition*

Interest Income
Interest is recognised as income as it accrues using the effective interest method.

Other Income
Other income is recognised when the risks and rewards pass to the buyer.

1. SUMMARY OF ACCOUNTING POLICIES (CONT'D)

(j) Income Tax

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

Deferred tax assets and liabilities are recognised for all temporary differences, between carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases, at the tax rates expected to apply when the assets are recovered or liabilities settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. Exceptions are made for certain temporary differences arising on initial recognition of an asset or a liability if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit.

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

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

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

(k) *Investments and Other Financial Assets*

All investments and other financial assets are initially stated at cost, being the fair value of consideration given plus acquisition costs. Purchases and sales of investments are recognised on trade date which is the date on which the Group commits to purchase or sell the asset. Accounting policies for each category of investments and other financial assets subsequent to initial recognition are set out below.

Available-for-sale financial assets

Available-for-sale financial assets comprise investments in unlisted entities. Management have determined that the fair value of these assets cannot be reliably measured so they are measured at cost less any provision for diminution in value.

Investments in subsidiaries are accounted for in the consolidated financial statements as described in note 1(b) and in the parent entity financial statements at cost less provision for diminution in value in accordance with the cost alternative permitted in separate financial statements under AASB 127 Consolidated and Separate Financial Statements.

The group has taken the exemption available under AASB 1 to apply AASB 132 and AASB 139 only from 1 January 2005.

(l) *Loss per share*

Basic and diluted loss per share is determined by dividing the net loss after income tax attributable to members of the company, excluding any costs of servicing equity other than ordinary shares by the weighted number of ordinary shares outstanding during the financial year. No adjustment has been made to the basic loss per share for any options issued by the company as outlined in Note 18 as they are not considered potential ordinary shares at reporting date and are not therefore dilutive.

(m) *Plant and equipment*

Plant and equipment is stated at historical cost less depreciation and any impairments.

Residual values and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

(n) *Principles of Consolidation*

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the consolidated entity, being Blue Ensign Technologies Limited (the parent entity) and its subsidiaries (the Group) as defined in Accounting Standard AASB 127 "Consolidated and Separate Financial Statements". Subsidiaries are entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Potential voting rights that are currently exercisable or convertible are considered when assessing control. Consolidated financial statements include all subsidiaries from the date that control commences until the date that control ceases. The financial statements of subsidiaries are prepared for the same reporting period as the parent, using consistent accounting policies. A list of subsidiaries appears in note 23 to the financial statements. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

In preparing the consolidated financial statements, all intercompany balances and transactions, and unrealised profits arising within the group, are eliminated in full.

(o) *Provisions*

Provisions are recognised when the company has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is probable that recovery will be received and the amount of the receivable can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

1. SUMMARY OF ACCOUNTING POLICIES (CONT'D)

(p) ***Revenue Recognition***

Sale of Goods
Revenue from the unified messaging business is recognised in the month in which an invoice is raised.

Rendering of Services
Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract.

(q) ***Trade and Other Receivables***
Trade receivables and other receivables are recorded at amounts due less any provision for doubtful debts.

(r) ***Trade and Other Payables***
Trade payables and other accounts payable are recognised when the consolidated entity becomes obliged to make future payments resulting from the purchase of goods and services.

	Consolidated		Company	
	2005	2004	2005	2004
2. REVENUE AND OTHER INCOME	$	$	$	$
Revenue from continuing operations				
Unified Messaging Services	202,289	123,141	-	123,141
Revenue from discontinued operations				
Wholesale Travel sales to third parties	-	6,363,925	-	-
Management fees received from subsidiaries	-	-	-	394,654
Other income				
Interest - other entities	1,688	294,516	1,639	137,437
Profit on sale of:				
- Plant and equipment	1,313	-	1,313	-
- Investments	25,380	-	25,380	-
Other Income	-	444,147	-	28,096
Total revenue and other income	**230,670**	**7,225,729**	**28,332**	**683,328**

3. EXPENSES

Profit (loss) before income tax includes the following items of expense and revenue:

(a) Expenses

	Consolidated 2005	Consolidated 2004	Company 2005	Company 2004
Interest:				
- Other entities	-	159,180	-	159,180
Depreciation and amortisation of non-current assets:				
- Property, plant and equipment	4,382	888,740	2,854	23,421
Transfers to/(from) provisions:				
- Employee entitlements	1,686	7,657	-	-
- Doubtful debts	(3,249)	-	(3,249)	-
Operating lease rental expenses	-	512,473	-	16,908
Provision against loan to associated entity	-	-	(97,300)	97,300
Bad and doubtful debts	3,249	130,784	3,249	130,784

(b) Individually significant items - revenues (expenses)

	Consolidated 2005	Consolidated 2004	Company 2005	Company 2004
Profit (loss) on sale of subsidiary	-	2,285,171	-	(195,338)
Forgiveness intercompany loans	-	-	-	1,108,586
Provision for diminution in value of investment in subsidiary	-	-	(132,218)	15,700,031

4. LOSS PER SHARE

	2005	2004
Basic and diluted profit (loss) per share (cents per share)		
Continuing operations	(4.22)	(2.03)
Discontinued operations	-	(9.31)
Loss for year	(4.22)	(11.34)

Weighted average number of ordinary shares outstanding during the year used in calculation of basic earnings (loss) per share

	2005	2004
	2,863,458	10,003,521

The options outlined in Note 18 are not considered potential ordinary shares at reporting date and are not therefore dilutive.

5. SEGMENT INFORMATION

Since disposal of its wholesale travel business during the year, the consolidated entity operates in one industry being the communications industry, providing a unified messaging service and in one geographical area being Australia.

	2005 $	2004 $
Segment Revenues		
External sales		
Unified Messaging	202,289	123,141
Wholesale Travel - Discontinued	-	6,363,925
Total	202,289	6,487,066
Intersegment sales	-	-
Other revenue	28,381	738,663
Consolidated	230,670	7,225,729
Segment Results		
Unified Messaging	(120,867)	(423,913)
Wholesale Travel - Discontinued	-	(1,331,000)
Total	(120,867)	(1,754,913)
Unallocated	-	574,231
Profit from ordinary activities	(120,867)	(1,180,682)
Income tax expense	-	46,228
Net profit	(120,867)	(1,134,454)

Other segment disclosures

	Unified Messaging	Wholesale Travel - Discontinued	2005 Total	Unified Messaging	Wholesale Travel - Discontinued	2004 Total
Acquisitions of non-current segment assets	1,535	-	1,535	564	-	564
Depreciation and amortisation expense	4,382	-	4,382	4,112	884,628	888,740
Other non-cash expenses	1,686	-	1,686	7,657	-	7,657

	Assets		Liabilities	
	2005 $	2004 $	2005 $	2004 $
Segment Assets and Liabilities				
Unified Messaging	99,833	73,424	39,073	66,798
Wholesale Travel - Discontinued	-	-	-	-
Total	99,833	73,424	39,073	66,798
Unallocated	-	-	-	-
Consolidated	99,833	73,424	39,073	66,798

Notes to and forming part of the segment information

(a) Accounting policies

Segment revenues, expenses, assets and liabilities are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis. Segment assets include all assets used by a segment and consist primarily of operating cash, receivables, inventories, property, plant and equipment and goodwill and other intangible assets, net of related provisions. While most of these assets can be directly attributable to individual segments, the carrying amounts of certain assets used jointly by segments are allocated based on reasonable estimates of usage. Segment liabilities consist primarily of trade and other creditors, employee entitlements. Segment assets and liabilities do not include income taxes.

(b) Inter-segment transfers

Segment revenues, expenses and results include transfers between segments. Such transfers are priced on an “arm’s-length” basis and are eliminated on consolidation.

(c) Secondary reporting format - geographical segments

The entity operates in only one geographical segment being Australia.

6 INCOME TAX

	Consolidated 2005 $	Consolidated 2004 $	Company 2005 $	Company 2004 $
a) The prima facie income tax expense on pre-tax accounting loss reconciles to the income tax expense in the financial statements as follows:				
Profit / (Loss) for year	(120,867)	(1,180,682)	(120,867)	15,915,381
Income tax expense (benefit) calculated at 30%	(36,260)	(354,205)	(36,260)	4,774,614
Permanent differences:				
Temporary differences not recognised	36,075	354,205	36,075	(4,803,804)
Other permanent differences				
- Non deductible expenses				
- Entertainment	185	-	185	-
Difference in tax rates	-	(46,228)	-	-
Income tax expense / (benefit) attributable to (loss) profit	-	(46,228)	-	(29,190)
Income tax expense applicable to continuing operations				
Profit / (Loss) for year	(120,867)	(2,134,853)	(120,867)	(697,898)
Income tax expense (benefit) calculated at 30%	(36,260)	(640,456)	(36,260)	(209,369)
Permanent differences:				
Temporary differences not recognised	36,075	640,456	36,075	209,369
Other permanent differences				
- Non deductible expenses				
- Entertainment	185	-	185	-
Income tax expense / (benefit) attributable to operating profit	-	-	-	-
Income tax expense applicable to discontinued operations				
Profit / (Loss) for year	-	(1,331,000)	-	-
Income tax expense (benefit) calculated at 30%	-	(399,300)	-	-
Permanent differences:				
Temporary differences not recognised	-	399,300	-	-
Difference in tax rates	-	(46,228)	-	-
Income tax expense / (benefit) attributable to operating profit	-	(46,228)	-	-
Income tax expense applicable to gain on disposal of discontinued operations				
Profit / (Loss) for year	-	2,285,171	-	16,613,279
Income tax expense (benefit) calculated at 30%	-	685,551	-	4,983,984
Permanent differences:				
Temporary differences not recognised	-	(685,551)	-	(4,983,984)
Income tax expense / (benefit) attributable to operating profit	-	-	-	-
b) Adjusted franking account balance	-	-	-	-
c) Deferred tax assets				
Calculated at 30% not brought to account as assets:				
Tax losses - revenue	1,538,151	1,370,877	1,526,342	1,370,877
Timing differences	7,886	117,784	7,380	117,784
	1,546,037	1,488,661	1,533,722	1,488,661

The taxation benefits of capital tax losses not brought to account will only be obtained if:

i) the company and the consolidated entity derive further assessable income of a nature and of an amount sufficient to enable the benefit from the deductions to be realised;

ii) the company and the consolidated entity continue to comply with the conditions for deductibility imposed by the law; and

iii) no changes in tax legislation adversely affect the company's and the consolidated entity's ability in realising the benefit from the deductions.

Tax Consolidation

Legislation to allow groups comprising a parent entity and its Australian resident wholly-owned entities, to elect to consolidate and be treated as a single entity for income tax purposes ('the tax consolidation system') was substantively enacted on 21 October 2002. The company, its wholly-owned Australian resident entities and its sister entities within Australia are eligible to consolidate for tax purposes under this legislation and the directors of these entities consider it likely that they will elect to implement the tax consolidation system in due course.

At the date of this report, the directors have not made a final formal decision to implement the tax consolidation system and, if so, from what date the implementation would occur. As a result, only the financial effects of the mandatory aspects of the enabling legislation have been recognised in the financial statements and no adjustment has been made to recognise the financial effects that may result from the implementation of the tax consolidation system.

7. KEY MANAGEMENT PERSONNEL COMPENSATION

	Consolidated 2005 $	Consolidated 2004 $	Company 2005 $	Company 2004 $
(a) Directors				
The aggregate of income, including superannuation and retirement benefits, paid or payable, or otherwise made available, in respect of the financial year, to all directors, of each entity in the consolidated entity, directly or indirectly, by the entities in which they are directors or by any related party.	-	219,700	-	219,700

2005	Primary Salary $	Primary Director's Fees $	Primary Consulting Fees $	Post-employment Superannuation $	Equity Options $	Total $
Christopher Ryan	-	-	-	-	-	-
Alex Koszo	-	-	-	-	-	-
John Porter	-	-	-	-	-	-
	-	**-**	**-**	**-**	**-**	**-**
2004						
Christopher Ryan	30,000	12,500	30,000	2,700	-	75,200
Alex Koszo	-	-	94,500	-	-	94,500
John Porter	-	50,000	-	-	-	50,000
	30,000	**62,500**	**124,500**	**2,700**	**-**	**219,700**

(b) Executive Officers

2005	Salary	Director's Fees	Consulting Fees	Superannuation	Options	Total
Michael Slade	-	-	60,060	-	-	60,060
Rhett Jones	24,000	-	-	2,160	-	26,160
	24,000	**-**	**60,060**	**2,160**	**-**	**86,220**

Michael Slade and Rhett Jones have each been issued 500,000 options as detailed in note 26 (c). Due to the present circumstances of the company it is not possible to establish a reliable fair value for these options. Their intrinsic value at date of issue was Nil. Full details of options issued are contained in note 18.

2004
All executives were directors of the company.

	Consolidated 2005 $	Consolidated 2004 $	Company 2005 $	Company 2004 $
8. AUDITORS' REMUNERATION				
Auditing the financial report - BDO	52,944	80,838	52,944	80,838
Non audit services - BDO	-	-	-	-
	52,944	80,838	52,944	80,838
9. CASH AND CASH EQUIVALENTS				
Cash at bank and on hand	93,718	8,845	88,621	8,845
10. TRADE AND OTHER RECEIVABLES				
Trade receivables	-	3,249	-	3,249
Allowance for doubtful debts	-	(3,249)	-	(3,249)
	-	-	-	-
GST receivable	5,819	9,149	5,819	9,149
	5,819	9,149	5,819	9,149
11. NON-CURRENT RECEIVABLES				
Amounts due to subsidiary	-	-	330	12,328
	-	-	330	12,328
12. INVESTMENTS				
Available for sale financial assets				
Investment in other non associated companies - at cost	-	441,650	-	441,650
Less: Provision for diminution in value	-	(389,363)	-	(389,363)
	-	52,287	-	52,287
Investment in Subsidiaries				
Investment in subsidiaries - at cost	-	-	200,000	500
Less: Provision for diminution in value	-	-	(132,218)	(500)
	-	-	67,782	-
	-	52,287	67,782	52,287

13. PROPERTY, PLANT AND EQUIPMENT

	Consolidated 2005 $	Consolidated 2004 $	Company 2005 $	Company 2004 $
Plant and equipment				
at cost	22,215	188,564	16,530	188,564
accumulated depreciation	(21,919)	(185,421)	(16,530)	(185,421)
	296	3,143	-	3,143

Movement in property, plant and equipment

	Consolidated Total Plant & Equipment 2005 $	Consolidated Total Plant & Equipment 2004 $	Company Total Plant & Equipment 2005 $	Company Total Plant & Equipment 2004 $
Gross Carrying Amount				
Balance at beginning of year	188,564	2,577,811	188,564	188,000
Additions	1,535	564	-	564
Disposals	(167,884)	-	(172,034)	-
Disposal of controlled entities	-	(2,389,811)	-	-
Balance at end of year	22,215	188,564	16,530	188,564
Accumulated Depreciation				
Balance at beginning of year	185,421	1,190,000	185,421	162,000
Depreciation Expense	4,382	888,740	2,854	23,421
Disposals	(167,884)	-	(171,745)	-
Disposal of controlled entities	-	(1,893,319)	-	-
Balance at end of year	21,919	185,421	16,530	185,421
Net Book Value				
Balance at end of year	296	3,143	-	3,143

Aggregate depreciation and amortisation allocated during the year:

	Consolidated 2005 $	Consolidated 2004 $	Company 2005 $	Company 2004 $
- Plant and equipment	4,382	888,740	2,854	23,421

14. TRADE AND OTHER PAYABLES

	Consolidated 2005 $	Consolidated 2004 $	Company 2005 $	Company 2004 $
Unsecured:				
Trade payables	214	33,358	-	33,358
Other payables and accruals	32,380	-	26,400	-
Bank overdraft	-	33,439	-	33,439
GST creditors	4,793	-	4,308	-
	37,387	66,797	30,708	66,797

15. CURRENT PROVISIONS

	Consolidated 2005 $	Consolidated 2004 $	Company 2005 $	Company 2004 $
Employee entitlements	1,686	-	-	-

16. NON-CURRENT PAYABLES

	Consolidated 2005 $	Consolidated 2004 $	Company 2005 $	Company 2004 $
Unsecured, interest free				
Amount due to:				
Controlled entities	-	-	71,084	12,328
	-	-	71,084	12,328

	Consolidated 2005 $	Consolidated 2004 $	Company 2005 $	Company 2004 $
17. SHARE CAPITAL				
4,427,842 fully paid ordinary shares - no par value (2004: 2,677,842)	10,988,699	10,813,699	10,988,699	10,813,699
Less share issue costs	(74,453)	(74,453)	(74,453)	(74,453)
	10,914,246	10,739,246	10,914,246	10,739,246

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

Movement in ordinary share capital

	2005 Number of shares	2005 $	2004 Number of shares	2004 $
Balance at beginning of year	2,677,842	10,739,246	35,568,936	30,643,642
Shares issued during year				
Selective buyback of shares	-	-	(31,257,910)	(19,934,409)
	2,677,842	10,739,246	4,311,026	10,709,233
Consolidation 1 for 2	-	-	(2,155,513)	-
Share placement	1,750,000	175,000	522,329	104,466
	4,427,842	10,914,246	2,677,842	10,813,699
Transaction costs relating to share issues	-	-		(74,453)
Balance at end of year	4,427,842	10,914,246	2,677,842	10,739,246

18. OPTIONS

Expiry Date	Exercise Price	Number on issue 31 December 2004	Granted during year	Exercised during year	Number on issue 31 December 2005
Unlisted					
30.06.2006	0.80	500,000	-	-	500,000
31.12.2008	0.20	-	1,000,000	-	1,000,000
Total options on issue		500,000	1,000,000	-	1,500,000

	Consolidated 2005 $	Consolidated 2004 $	Company 2005 $	Company 2004 $
19. RESERVES				
Foreign Currency Translation Reserve	-	-	-	-
Movement in Reserves				
Balance at beginning of financial year	-	(236,035)	-	-
Disposal of subsidiary	-	236,035	-	
Balance at end of financial year	-	-	-	-
20. ACCUMULATED LOSSES				
Balance at beginning of financial year	(10,732,619)	(26,406,782)	(10,732,619)	(26,648,000)
Net (loss) profit for year	(120,867)	(1,134,454)	(120,867)	15,915,381
Adjustment for accumulated losses of subsidiaries sold in period	-	16,808,617	-	-
Balance at end of financial year	(10,853,486)	(10,732,619)	(10,853,486)	(10,732,619)

21. COMMITMENTS FOR EXPENDITURE

There are no commitments for expenditure at the end of the financial year (2004 : Nil).

22. CONTINGENT LIABILITIES

The company has no contingent liabilities (2004 : Nil).

23. PARTICULARS RELATING TO SUBSIDIARIES

Name of Entity	Country of Incorporation	Ownership Interest 2005 %	Ownership Interest 2004 %
Controlled entities			
Utbox Pty Ltd (formerly Unified-Tele.Com Pty Limited)	Australia	100	100
Envio Pty Ltd (formerly e.COM Global International Pty Limited)	Australia	100	100

Information relating to disposal of subsidiaries	Consolidated 2005 $	Consolidated 2004 $
Proceeds on disposal		
Cash	-	-
Disposal price being cancellation of 31,257,910 shares at a value of 10c.	-	3,125,791
Forgiveness of intercompany loans	-	-
	-	3,125,791
The carrying amounts of assets and liabilities disposed of by major class are:		
Cash	-	-
Investment in subsidiaries	-	2,108,319
Receivables	-	1,205,833
Cash	-	7,600,585
Property, plant and equipment	-	14,112
Accounts payable	-	(7,607,720)
Current year losses	-	(2,480,509)
Net assets of entities disposed	-	840,620
Profit (loss) on disposal	-	(840,620)
Outflow of cash on disposal of subsidiaries		
Cash proceeds on disposal	-	-
Cash balance disposed	-	-
Bank guarantee transferred to subsidiaries in cash	-	-
Repayment of related party creditors forming part of the disposal process	-	-
Net outflow of cash on disposal of subsidiaries	-	-

24. SUBSEQUENT EVENTS

There has not been any matter or circumstance that has arisen since the end of the financial year that has significantly affected, or may significantly affect, the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

25. FINANCIAL INSTRUMENTS

a) Significant Accounting Policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements.

b) Interest Rate Risk

The consolidated entity is exposed to interest rate risk through primary financial assets and liabilities.

The company has not entered into interest rate hedging transactions.

The company has no other exposure to interest rate risk.

The company's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities is set out below :-

2005	NOTE	WEIGHTED AVERAGE INTEREST RATES	FLOATING INTEREST RATES	FIXED MATURING IN 1 YEAR OR LESS	NON-INTEREST BEARING	TOTAL
Financial Assets						
Cash	9	4.63%	93,718	-	-	93,718
Total Assets			**93,718**	**-**	**-**	**93,718**
Financial Liabilities						
Payables	14	0.00%	-	-	37,387	37,387
Total Liabilities			**-**	**-**	**37,387**	**37,387**
Net financial assets			**93,718**	**-**	**(37,387)**	**56,331**

2004	NOTE	WEIGHTED AVERAGE INTEREST RATES	FLOATING INTEREST RATES	FIXED MATURING IN 1 YEAR OR LESS	NON-INTEREST BEARING	TOTAL
Financial Assets						
Cash	9	4.63%	8,845	-	-	8,845
Receivables	10	0.00%	-	-	-	-
Other current receivables	10	0.00%	-	-	9,149	9,149
Receivables noncurrent	11	0.00%	-	-	-	-
Investments	12				52,287	52,287
Total Assets			**8,845**	**-**	**61,436**	**70,281**
Financial Liabilities						
Payables	14	0.00%	-	-	33,358	33,358
Bank Overdraft	14	0.00%	-	-	33,439	33,439
Total Liabilities			**-**	**-**	**66,797**	**66,797**
Net financial assets (liabilities)			**8,845**	**-**	**(5,361)**	**3,484**

c) Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has adopted the policy of only dealing with creditworthy counterparts and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults. The consolidated entity measures credit risk on a fair value basis.

The consolidated entity does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

d) Net Fair Value

The carrying of financial assets and financial liabilities recorded in the financial statements represents their respective net fair values, determined in accordance with the accounting policies disclosed in note 1 to the financial statements.

26. RELATED PARTY DISCLOSURES

(a) Directors

The directors of Blue Ensign Technologies Limited during the year were:
Christopher Ryan
Alex Koszo
John Porter

(b) Remuneration of directors and key management personnel

Details of remuneration of directors are disclosed in note 7 to the financial statements.
At 31 December 2005 there were two other key management personnel - Michael Slade (contractor) and Rhett Jones (Group employee).

(c) Transactions with directors and director related entities concerning shares and share options

The value of options provided as remuneration to directors was NIL.
Aggregate numbers of shares and options of Blue Ensign Technologies Limited acquired or disposed of by directors of the company or their director-related entities from the company

	2005	2004
Acquisitions		
Ordinary Shares	1,250,000	-
Options	-	250,000

Aggregate number of shares and options of Blue Ensign Technologies Limited held directly, indirectly or beneficially by directors of the company or their director related entities at balance date :

	2005	2004
Ordinary shares	2,450,322	-
Options	500,000	500,000

Number of Options held by specified directors and executives

	Balance 1.1.05	Granted as Remuneration	Options Exercised	Lapsed	Balance 31.12.05	Total Vested & Exercisable 31.12.05
Parent Entity Directors						
Christopher Ryan	250,000	-	-	-	250,000	250,000
Alex Koszo	250,000	-	-	-	250,000	250,000
Group Executives						
Michael Slade	-	500,000	-	-	500,000	500,000
Rhett Jones	-	500,000	-	-	500,000	500,000
Total	500,000	1,000,000	-	-	1,500,000	1,500,000

Number of Shares held (directly and indirectly) by Parent Entity directors and specified executives

	Balance 1.1.05	Received as Remuneration	Options Exercised	Net Change Other	Balance 31.12.05
Parent Entity Directors					
Christopher Ryan	375,000	-	-	-	375,000
Alex Koszo	290,000	-	-	250,000	540,000
John Porter	535,322	-	-	1,000,000	1,535,322
Group Executive					
Michael Slade	-	-	-	500,000	500,000
Total	1,200,322	-	-	1,750,000	2,950,322

(d) Equity interests in related parties

Equity interests in controlled entities
Details of the percentage of ordinary shares held in controlled entities are disclosed in note 23 to the financial statements.

27. NOTES TO STATEMENTS OF CASH FLOWS

(a) Reconciliation of cash

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the statement of cash flows is reconciled in the related items in the statement of financial position as follows:-

	Consolidated		Company	
	2005	2004	2005	2004
	$	$	$	$
Cash at bank and on hand	93,718	8,845	88,621	8,845
Bank Overdraft	-	(33,439)	-	(33,439)
	93,718	(24,594)	88,621	(24,594)

(b) Non-cash financing and investing activities

Selective buy back of shares on disposal of controlled entity	-	19,934,409	-	19,934,409

27. NOTES TO STATEMENTS OF CASH FLOWS (CONTINUED)

(c) Reconciliation of operating profit (loss) after income tax to net cash flows from operating activities

Operating profit / (loss) after income tax	(120,867)	(1,134,454)	(120,867)	15,915,381
Non cash items included in profit and loss				
Depreciation, fixed asset writeoffs and amortisation	4,382	888,740	2,854	23,421
Provision for employee entitlements	1,686	-	-	-
Provision against loan to controlled entity	-	-	(97,300)	97,300
Forgiveness intercompany loans	-	-	-	(1,108,586)
Provision for diminution in value of investment in subsidiary	-	7,657	132,218	(15,700,031)
Net (profit) /loss on sale of noncurrent assets	(26,624)	(2,285,171)	(26,624)	195,338
Changes in assets and liabilities				
Decrease in trade debtors	-	5,489,341	-	37,751
Decrease in other assets	-	7,044,031	-	14,000
(Increase)/decrease in other receivables	3,330	-	3,330	(9,149)
Increase/(decrease) in trade creditors	4,029	(695,731)	(2,650)	(642)
(Decrease) in other liabilities	-	(18,534,250)	-	(17,397)
Net cash used in operating activities	(134,064)	(9,219,837)	(109,039)	(552,614)

28. DISCONTINUED OPERATIONS

On 27 June 2004 the company disposed of 97.58% of its investment in Pacific Travel Holdings Limited. The remaining investment was disposed of in January 2005.

Financial information relating to the discontinuing operation for the period to the date of disposal is set out below. Further information is set out in Note 5 - Segment Information.

	Consolidated 2005 $	2004 $
Financial performance information for the period 1 January 2004 to 27 June 2004.		
Revenue excluding the sale of the division	-	6,363,925
Revenue from the sale of the division	-	-
Total revenue	-	6,363,925
Expenses excluding the carrying amounts of assets from the division sold	-	7,694,925
Carrying amounts of assets from the division sold	-	-
Total expenses	-	7,694,925
Profit / (loss) before related income tax	-	(1,331,000)
Income tax	-	399,300
Net profit	-	(931,700)
Carrying amounts of assets and liabilities as at 27 June 2005 and 31 December 2004		
Trade debtors	-	1,205,833
Other current assets	-	7,600,585
Non current receivables	-	-
Other non current assets	-	2,122,431
Total assets	-	10,928,849
Trade creditors	-	(7,607,720)
Other liabilities	-	(2,480,509)
Total liabilities	-	(10,088,229)
Net assets (liabilities)	-	840,620
Cash flow information or the period 1 January 2004 to 27 June 2004 and the year ended 31 December 2004.		
Net cash (outflow) from ordinary activities	-	(694,708)
Net (decrease) in cash generated by the division	-	(694,708)
Details of the sale of the division are as follows		
Consideration received - cancellation of shares	-	3,125,791
Carrying amount of net assets sold	-	(840,620)
Gain on sale before related income tax	-	2,285,171
Income tax	-	(685,551)
Gain on sale after related income tax	-	1,599,620

29. ADDITIONAL COMPANY INFORMATION

Blue Ensign Technologies Limited is a listed public company, incorporated and operating in Australia.

Principal Registered Office and Principal Place of Business
Suite 202, Angela House
36 Bay Street
DOUBLE BAY NSW 2028

The company had 1 employee (2004 : Nil) at the end of the financial year.

30. IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL REPORTING STANDARDS ("AIFRS")

As stated in Note 1, this is the first annual financial report for the Group which has been prepared using Australian equivalents to International Financial Reporting Standards ("AIFRSs") . The following summarises the impact of the transition from previous AGAAP at the transition date (1 January 2004).

(a) AASB 1 Transitional Exemptions

The group has elected to use the following transitional exemptions allowed by AASB 1: First-Time Adoption of Australian Equivalents to International Financial Reporting Standards:

Exemption from requirement to restate financial instrument comparatives under AASB 132 and AASB 139

The group has elected to apply the exemption available in AASB 1 to restate comparatives for financial instruments.

Business combinations

AASB 3: Business Combinations has not been applied retrospectively to business combinations that were effected prior to transition date.

Share-based payments

AASB 2: Share-Based Payments has only been applied to equity instruments granted after 7 November 2002 that had not vested by 1 January 2005.

Foreign currency translation differences

The group has elected to apply the exemption available in AASB 1 to reset balances on transition in the foreign currency translation reserve to zero. This will result in subsequent gains or losses on disposal of foreign operations excluding translation differences that arose prior to transition date, 1 January 2004.

(b) Reconciliation of total equity presented under AGAAP to that under AIFRSs

The impact of adopting AIFRSs on the total equity as reported under Australian Accounting Standards applicable before 1 January 2005 ("AGAAP") is NIL, insofar as the figures apply to the current group. As discussed in note 1, any adjustments that may have been necessary relating to the financial position and performance of Pacific Travel Holdings Ltd (which was part of the group at transition date) nave NOT been either measured or taken up.