PTB GROUP LIMITED

ABN 99 098 390 991

ANNUAL REPORT
30 June 2008

Corporate Directory and Information

Directors
Harvey Parker, Non-executive Chairman
Craig Baker, Managing Director and CEO
Steve Ferris, Executive Director
Andrew Kemp, Non-executive Director

Secretary
James Barbeler

Registered Office
47-51 Pandanus Avenue
Brisbane Airport QLD 4007

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Share Register
Link Market Services
Level 12, 300 Queen Street
BRISBANE QLD 4000

Telephone: +61 7 3320 2212
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Bankers
ANZ Corporate Bank
Level 3, 324 Queen Street
BRISBANE QLD 4000

Commonwealth Bank
Level 2, 633 Pittwater Road
DEE WHY NSW 2099

Solicitors
McCullough Robertson Lawyers
Level 12
Central Plaza Two
66 Eagle Street
BRISBANE QLD 4000

Auditor
WHK Horwath
Level 16
120 Edward St
Brisbane QLD 4000

Stock Exchange Listing
The Company is listed on the Australian Securities Exchange

Internet address
www.pacificturbine.com.au

PTB GROUP LIMITED

ANNUAL REPORT
30 June 2008

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This financial report covers both PTB Group Limited as an individual entity and the consolidated entity consisting of PTB Group Limited and its controlled entities. The financial report is presented in the Australian currency.

PTB Group Limited is a company limited by shares, incorporated and domiciled in Australia.

Results

Net profit after tax decreased from $3.6 million in 2006-07 to $3.1 million in 2007-08, representing a reduction of 12.8 per cent. Basic earnings per share were 11.86 cents (16.10 cents in 2007).

This represents a return on average shareholders' funds of 8.3 per cent (15.8 per cent in 2007).

No dividend will be paid for the June 2008 year (2007: 3 cents). The 2009 year dividend policy will be reviewed late in calendar 2008.

Strategic shift in the business

The main shift will be that the Group will return to concentrating mainly on trading activities and further development of the turbine engine repair and overhaul business. Aircraft acquired will be refurbished and sold or will be parted out to generate profits and cashflow. The rental and financing division will concentrate predominantly on engines: these return in excess of 20% per annum and can be funded relatively easily if used in Australia and New Zealand.

In the event that aircraft can be placed to earn in excess of 20% per annum on a recurring basis, then specific funding will be arranged on a deal-by-deal basis.

During the previous 12 months, major projects such as the Emerald deal have contributed significant but irregular returns. However, a strengthened capital base and increased depth in management resources will be necessary before we enter into any new deals of similar magnitude and complexity. Accordingly we do not expect in the near term to enter into any major new deals of similar size.

The $US40 million funding pool is still available but unutilised. Before the sub prime crisis the relative availability of bank finance had caused the purchase price of aircraft to increase such that the lease rates did not allow an acceptable return on investment. We rejected a number of potential deals for this reason and this has largely protected the Group from the effects of the sub prime crisis. Our change in strategy to sell the Emerald aircraft rather than leasing them therefore came as a result of this decision. However, the delays in the ATP settlements since April have impacted on the business and its profitability so we have not totally escaped the sub prime problems.

Historically in times of change, aviation companies such as ourselves with the ability to trade have prospered. Opportunities are generated as operators and financiers exit surplus assets. Provided we can settle the balance of the Emerald aircraft (as we expect), the Group will be well positioned to take advantage of the fall in certain aviation asset prices.

A key part in this strategy change is the necessity for the Group to earn its targeted returns on assets employed. Historically we have achieved at least the targeted return level.

Activities covered under PTB Group's Aviation Asset Management Operations

The Group now has three broad business groupings under its aviation asset management umbrella:

- PTB: TPE331 together with PT6A turbine engine repair and overhaul in the repair facility in Brisbane, trading in turbine engines, and spare parts for engines. The Dart engine line will be added during 2009;

- IAP: Spare parts supply and the continued acquisition of aircraft and redundant spares as well as trading in aircraft. All aircraft are acquired at a price underwritten by their parts value with a view to resell or reduce to parts; and

- Financing and Rentals: Purchase of engines and aircraft for lease, rental or hire purchase and sale of engines and aircraft from the aircraft and engine pool. As outlined above, it is now expected that engine financing and rentals will make up the majority of the business of this division. Aircraft will only be financed against specific funding.

Commentary on operations during the Year

The Company did not achieve the guidance announced at the November AGM. The major variances and reasons are set out in the table below:

Division	Actual $'000	Revised Low Forecast $'000	Variance $'000
PTB Business	1,686	2,047	(361)
IAP Business	785	729	56
Emerald Assets	2,747	4,142	(1,395)
Corp Overheads	(1,761)	(1,518)	(243)
Sale of Belmont	1,839	-	1,839
Bad and doubtful debts	(1,134)	-	(1,134)
Profit before Tax	4,162	5,400	(1,238)

PTB Business

The PTB Business was well under budget with its margins on engine and parts trading. The PT6 engine rebuilding section performed well but was let down by a shortage of engineers in the 331 division, resulting in it falling short of its targets. The continued appreciation of the Australian dollar against the US dollar also impacted on margins.

The engine financing and rentals section performed satisfactorily.

Overall we are happy with the management work in revamping the PTB Business and expect a significant improvement in 2009. The new building referred to below, will provide additional space to continue growing the PTB Business engine repair and overhaul section.

IAP Business

Lower than expected profits on aircraft sales, rentals, and financing were the major reasons for IAP's result for the year. With Steve Ferris, the driver of activity in these areas spending so much time on Emerald, IAP suffered. The parts and engine business were ahead of budget. On a positive note, the Aeropelican section recovered in the final part of the year with Qantas withdrawing from the Newcastle route.

Since June 2008, Steve Ferris has been able to spend more time in the IAP business and activity has increased in a number of areas, including the acquisition of two aircraft for parting out. In particular:

- Aeropelican: Following an unsolicited approach, we are in negotiations for the sale of Aeropelican and lease of three J32 aircraft;
- Purchase of Indian ATP turboprop aircraft: The 1993 build aircraft was slightly damaged in a landing accident in India and IAP negotiated and was successful in purchasing the aircraft. The aircraft has been parted out in India as a rebuild project in India was not considered viable. The parts and engines are in transit for resale; and
- Purchase of BA146–200: An Australian based BA146-200 aircraft was purchased from British Aerospace. This is a four-engined Jet aircraft of 1988 vintage. Profitability will be maximised by parting the aircraft out.

These two aircraft will add modern aircraft parts to IAP's trading stock and exchange pool.

Emerald Assets

The main reason for the lower than expected profit was that one of the large freight door (LFD) ATP freighters expected to be taken up in the 2008 year will now be realised in the 2009 year as the contract was conditional as at 30 June 2008. This was caused by the delay in acceptance by our Middle East customer and settlement is now expected prior to 30 November 2008.

This business will now be reduced in scale and will focus on contract maintenance from early calendar 2009. The EASA 145 approval is a valuable commodity in Europe and opportunities will be sought to maximise this asset. Profitability for the 2009 year is expected to be strong with two ATP passenger (PAX) aircraft available for sale on completion of their refurbishment and the delivery and sale of the second large freight door ATP to our Middle East customer as detailed above.

Bad Debts

Bad debts expense totalled $1.13 million attributable to three customers. These three had been customers on open account since PTB Brisbane's incorporation in 2000 and longer with IAP.

We will continue to pursue the Airlink debt which has been written off.

We conduct business with second and third tier aviation companies and extending credit is a risk of the business. An engine or engine repair is often of high monetary value with significant margin and credit levels evolving over time. All these operators had been allowed credit on their past payment performance based on eight years of history and had established high credit limits.

Over eight years of trading our total bad debts expense, including this year's write-off of $1.13 million, is less than $1.6 million. To have three long term customers fail in one year is very unusual. After a review of our current debtors we are not expecting bad debts to be significant this financial year.

Corporate Overheads

Corporate overheads costs are ahead of budget due to higher salary and financing costs, offset by lower overall insurance premiums. The higher salary costs were due to additional resources utilised during the initial period of ASX listing and IAP acquisition. Head office staffing levels have reduced for the 2009 financial year. Financing costs included increased legal fees and charges as a result of a higher number of transactions. Insurance premiums were reduced in rate and amount, partially due to the aggregation of the PTB and IAP businesses.

Other Matters

Exchange rate increase

While the group has a natural hedge in respect to its assets and liabilities, the fact that a large part of PTB Group's trading is undertaken in US dollars in US dollar valued assets means that the conversion to Australian dollars has a significant negative impact on the gross margins and sales of the PTB and IAP businesses when the AUD appreciates against the USD.

Sale of Belmont property

Settlement took place in early July 2008 with a $1.9 million profit being booked on the sale. The Belmont airport was part of IAP's purchase of Ansett's aviation assets.

Brisbane relocation

In November the Company will move into its new combined engineering, warehouse and office facility near Brisbane airport. This will enable the business to once again combine under one roof. The lease on the Brisbane facility expires in January 09 and the engine repair and overhaul division of the business was space constrained. The new facility will enable the expansion of the PT6 and TPE331 engine repair and overhaul business as opportunities develop. The business now has space to add additional engine lines.

In addition, the Dart engine line will be able to be installed. The line was acquired 12 months ago in the UK and has been shipped to Australia for installation. Dart engines are used in a number of aircraft types in which IAP specialises and there are substantial rebuilding work opportunities. IAP has a substantial inventory of Dart engine parts. There are only two other significant Dart engine re-builders left in the world.

Balance Sheet and Net Assets

The net asset position has increased from $9.9 million in 2006 to $40.2 million as at 30 June 2008 (2007: $35.5m). This is due to the Group's equity raisings and related acquisitions, and the earnings retained during this period.

Included in net assets are:

- The Emerald assets: These are predominantly aircraft and make up $15.3 million (2007: $12.8 million) of Inventories and $3.3 (2007: $3.3 million) million of property, plant and equipment. As previously disclosed above, during the next year a significant proportion of the remaining inventory will be refurbished and completed. These assets will either be sold outright to reduce debt and generate working capital, or moved to the financing and rentals pool (classified as plant and equipment non-current assets); and
- AASB 139 requires that effective hedges of foreign currency be recognised as a derivative financial instrument in current assets, offset by a hedging reserve in equity. As at 30 June 2008 net assets increased by the $1.5 million recognised as net effective hedges.

Cashflows

The negative operating cashflow has been predominantly due to the continued investment in inventory across the Group which has been financed by short-term borrowings. As mentioned in previous years, the Group will normally have a negative operating cashflow as short-term debt is utilised to acquire aviation asset inventories which are either sold or placed in the recurring earnings lease and rental pool as non-current assets. The short-term debt is then reduced and substituted with longer-term debt secured over the leased or rented assets.

Management

The Company now has a small team with the financial skills to meet its management and reporting requirements and obligations. The Company continues to work at building the systems and processes to meet the complexities of a multicurrency, multi-country business. In the Operations area the PTB Business has a good team which can handle growth.

The aim is to have good support, financial, and other management staff freeing up the deal doers to spend a greater proportion of their time creating sales and new business.

PTB Group's aviation sector outlook

The Turboprop market has gone from strength to strength since a downturn in 2001.

Airlines have realised that the future was not necessarily in the small regional jets and have flocked back to turboprops due to their fuel efficiency and low operating costs. This is a worldwide phenomenon, where we are seeing major carriers making huge investments in Bombardier, Dash 8 and ATR aircraft to replace both small and large Jet transport aircraft. With the high cost of fuel, this trend seems to be increasing at a staggering rate which has effectively seen the death of the small regional Jet, the aircraft that replaced and squeezed the turboprop out of the same market.

The aviation industry pre 2000 effectively wrote the turboprop off in favour of the Regional Jet and almost all manufacturers ceased production prior to the downturn. Only ATR and Bombardier remained, concentrating on the larger 50+ seat turboprop aircraft.

Today the smallest new commercial turboprop available is the 50 seat ATR42 selling at USD 16 million.

Times have come full circle and the high cost of fuel has made airlines look again at the turboprop, but they are now faced with little choice and very tight availability. This has resulted in driving Turboprop prices up – in some cases up to three times what we saw immediately after 9/11.

Low time, well cared for aircraft are in short supply and hard to source. There is only a very limited supply of fewer than 50 seat aircraft and this pool is continually diminishing as older aircraft are retired. Supply is further hampered as soon after 2001, many of the "newer" turboprops were snapped up by the freight market. These are now dedicated freighters and no longer available to cycle through the passenger networks. No new aircraft are coming in to top up this pool except in the 50+ range.

The 19 seat sector is in the biggest short supply. These are in demand from both the smaller passenger operator and the freighter market. The power plant for most 19 seat aircraft is the P&W PT6 engine or the Honeywell TPE331 engine, both products extensively handled by PTB. The 19 to 50 seat market is also dominated by 1970's, 80's and 90's build aircraft that cannot be replaced, regardless of funding. Many smaller operators and freight operators rely upon this size aircraft and we are now seeing even 1950's turboprop aircraft flying in Australia carrying freight. Unthinkable just five years ago.

From our point of view this is all good news for the PTB Group as there is a limited amount of spares and engines in the marketplace and the demand for parts and support can only increase. The value of inventory is climbing as the larger manufacturers are unwilling to make small production runs of new parts.

The primary focus for the group is aircraft and engines in the Turbo Prop market and the group is well placed to continue to build business in this section of the market. Our existing inventories are the largest within Australia and our extensive experience in this sector bodes well for our growth in the coming year.

PTB Group Limited

Harvey Parker
Chairman

Craig Baker
Managing Director

Your Directors present the financial report of PTB Group Limited ("the Company") and its controlled entities ("the Group") for the year ended 30 June 2008.

Directors

The names of Directors in office at any time during or since the end of the year are:

Name	Position
H Parker	Director (non-executive), Chairman
CL Baker	Managing Director (Group)
RS Ferris	Managing Director (IAP Division)
APS Kemp	Director (non-executive)
RJ David	Director (non-executive) – resigned 22 February 2008
SG Smith	Sales and Marketing Director (Pacific Turbine Brisbane Division) – resigned 30 November 2007
R Blumberg	Director (non-executive) – appointed 4 July 2007 – resigned 22 February 2008.

Principal Activities

The principal activities of the Group during the financial year were the provision of the following services in relation to aviation assets:

- A specialist Pratt & Whitney PT6A and Honeywell TPE331 turbine engine repair and overhaul business based at Brisbane Airport, Australia;
- Trading operations in Australia and internationally in aircraft airframes, turbine engines, and related parts;
- The provision of finance for aircraft and turbine engines sold to customers; and
- The lease, rental, or hire of aircraft and turbine engines to customers from the Group's aviation assets pool.

There have been no significant changes in the nature of these activities during the year not otherwise disclosed in this report.

Review of Operations

Background

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

The Company undertook:

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

The Company listed on the Stock Exchange of Newcastle Ltd (NSX) in March 2005. In September 2006 it acquired IAP Group for $13.8 million. IAP Group is a Sydney-based niche aviation asset management company providing aircraft inventory support, encompassing:

- Global supply of aviation parts; and
- Global aircraft and engine financing and sales.

Its business operations are highly complementary to PTB Group's business. Steve Ferris, the founder of IAP Group, took approximately 80 per cent of the consideration as PTB Group shares and now holds approximately 26 per cent of the expanded Group. PTB Group's management has known and dealt with Steve Ferris for a number of years.

In December 2006 the Company moved from the NSX to ASX. In conjunction with this move the Company issued 2.5 million shares at $2 to raise $5 million. This followed capital raisings totalling $7.9 million earlier in the period to fund part of the IAP Group and Emerald assets acquisitions (refer next section).

In October 2006 the Company announced it had acquired the aircraft and associated parts of the UK companies Emerald Airways Ltd and Emerald Airways Engineering Ltd for approximately $16.25 million. The assets acquired comprised five British Aerospace ATPs, 14 HS 748s, 10 Shorts 360s and their related spare parts along with a lease of an engineering facility at the Blackpool airport. The ATP and HS 748 aircraft are assets in which IAP Group has a long-term history of trading and managing. Refer update to Emerald Assets section below.

Initiatives in Current Period

The management team has completed the following initiatives in the current period:

Dart Engine Line

The Dart engine line was acquired in July 2007 from the UK and shipped to Australia for installation in the new facility in Brisbane as detailed below. Dart engines are used in a number of aircraft types in which IAP specialises and there are substantial rebuilding work opportunities. IAP has a substantial inventory of Dart engine parts and there are only two other significant Dart engine re-builders left in the world. It is expected that this line will be operational in the 2010 financial year.

Brisbane Relocation

During the year, the Company purchased a new combined engineering, warehouse and office facility near Brisbane airport. It is expected to relocate on completion in November 2008. This will enable the business to once again combine under one roof. The lease on the Brisbane facility expires in January 09 and the engine repair and overhaul division of the business was space constrained. The new facility will enable the expansion of the PT6 and TPE331 engine repair and overhaul business as opportunities develop. The business now has space to add additional engine lines.

Sale of Belmont Property

A contract to sell the Belmont Airport land for $5.5 million had been signed in the year ended 30 June 2007. Settlement had been delayed until a third party had completed its obligations. The settlement occurred in early July 2008 and generated a profit of $1.9 million before tax and a net $3 million in working capital.

Emerald Assets

During the year the Group has substantially completed the remaining large freight door (LFD) and passenger (PAX) ATP aircraft. One LFD was subject to an unconditional contract at year end and has been recognised in this financial report. The remaining LFD was accepted in early September 2008. Settlement is expected prior to 30 November 2008. The PAX aircraft will be sold or leased on final completion in the 2009 financial year.

In addition, three HS 748 aircraft were completed with two sold and the remaining aircraft expected to be delivered prior to 31 December 2008. These activities will substantially complete the Emerald refurbishment activities with the remaining aircraft and parts to be sold or parted-out at significant margins. The focus will then be on contract maintenance from early 2009.

Operating Results

The consolidated profit for the financial year, after providing for income tax, was $3,131,388 (2007: $3,589,000), a decrease of 12.8%.

Operating profit before tax for the year was $4,162,091 (2007: $5,185,000) a decrease of 19.7%.

The decrease in both profit after tax and operating profit is due in part to the reduced aircraft sales in PTB Emerald as a result of the deferred settlement of one of the two LFD ATP aircraft, reduced margins in the PTB Brisbane business and unusually large associated bad debts of that business.

Financial Position

The net assets of the Group have increased by 13.2% from 30 June 2007 to $40.2 million as at 30 June 2008.

Dividends

No dividend has been declared and paid for the 30 June 2008 financial year. PTB Group paid a fully franked interim dividend of 3 cents per fully paid ordinary share totalling $792,000 on 30 May 2007. A fully franked final dividend of 6 cents per fully paid ordinary share totalling $1,010,000 relating to 30 June 2006 was also paid on 15 December 2006. The 2009 year dividend policy will be reviewed late in calendar 2008.

Significant Changes in State of Affairs

There were no significant changes in the state of affairs of the Group not otherwise disclosed in this report.

After Balance Date Events

No matters or circumstances have arisen since the end of the financial year which have significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future years except as detailed below:

Settlement of Belmont Land

The settlement occurred in early July 2008 and generated a profit of $1.9 million before tax and a net $3 million in working capital.

LFD ATP Aircraft

Final acceptance was received in early September on the second LFD ATP aircraft and as such both contracts are now unconditional at a selling price of $6m USD each. Profit on the second LFD ATP will approximately be between $1m to $1.5m. Settlement on both aircraft is expected prior to 30 November 2008.

Sale of Aeropelican

Following an unsolicited approach, a contract for the sale of Aeropelican Air Services Pty Ltd was signed in early September 2008. The terms include a cash consideration of $600,000 subject to a final balancing charge, and the lease of three J32 aircraft currently owned by IAP.

Amendment of Emerald Refurbishment and Term Facility

A facility of USD $5,400,000 for the refurbishment of the Emerald aviation assets was established in July 2007. On 28 August 2008 this facility was extended to 30 November 2008, or as otherwise agreed between the parties in order to complete and settle the two LFD ATP and two PAX ATP aircraft. The effective interest rate has increased from 16% to 19%. In conjunction with this amendment, the related Term facility of $6,885,000 ($6,197,334 outstanding as at 30 June 2008) will be paid out by 31 July 2009, or as otherwise agreed between the parties.

The effective interest rate on the term facility has increased from 13% to 13.5%.

Financing of Land & Buildings

On 12 February 2008 IAP Group Australia Pty Ltd signed a purchase contract for Land and Buildings to house the PTB Group Brisbane operations. On 16 September 2008 a variation to Commonwealth Bank Limited facilities was executed to fund this project for an amount of $2,275,000.

Future Developments, Prospects and Business Strategies

The global aviation industry is currently experiencing difficult trading conditions with high oil prices, shortage of available funding created by the sub prime crisis, and dampened consumer demand in key markets. However suppliers to the industry such as the PTB Group have benefited historically in these times, and the Group has the ability to acquire assets to part out or trade as operators and financiers exit surplus assets. As such the prospects for the continuing performance and growth of the Group remain sound.

The Group is maintaining a very strong focus on its core competencies and has identified a number of further initiatives that are expected to enhance its prospects.

The Group now has three broad business groupings under its aviation asset management activities:

Aircraft Engine and Airframe Rental and Financing:

The Group will continue to build its recurring earnings from rental and financing. These areas, which include profits from assets bought and sold for the pool, earn returns of between 12 and 25 per cent on assets employed. Finance leases tend to generate lower returns with operating leases being more profitable. Asset prices have increased over the last 12 months which has lowered returns. Activities will include:

- Short or medium term rental or financing of engines including: Pratt & Whitney PT6A; Honeywell TPE331; Rolls Royce Dart prop jet; Rolls Royce Tay turbo fan and Rolls Royce Spey turbo fan; and
- Airframe financing (including purchase and sale) for aircraft including: Metro 23; EMB 110 Bandeirante; Hawker Siddley 748; BAE ATP; F27; Twin Otter and Beechcraft King Air.

Pacific Turbine Brisbane:

- Rebuilding PT6A and TPE331 engines at PTB's engine repair and overhaul facilities in Brisbane;
- Managing the rebuilding of engines at Dallas Airmotive and Landmark Aviation;
- Trading in spare parts for engines; and
- Trading in parts (other than engines) for PTB clients.

IAP Group:

- Spare Parts Supply: Acquisition of redundant spares from airlines which have changed their aircraft types and then remarketing to other operators of that type. IAP Group is by far the largest surplus spare parts dealer in the southern hemisphere. Its purchasing systems are well-honed over many years and its network of contacts enables maximum exposure both for purchasing and reselling opportunities. IAP Group also has a strong parts brokering business, particularly with its Asian contacts; and
- Acquisition and Sale of Aircraft/Parting out Aircraft: As an integral activity to spares support, IAP Group has bought and sold many aircraft. The aircraft traded in this way range in size from an Islander to a Boeing 737 and Airbus A300. Its engineering operation at Bankstown airport has significant capability to perform aircraft refurbishment. IAP Group also acquires aircraft and parts them out. For example, aircraft could be acquired outside of Australia and be parted-out. Some parts such as engines could then be immediately sold to recoup the initial purchase cost, with the balance containerised as parts and shipped to the Sydney warehouse for marketing and subsequent sale.

The Directors have excluded from this report any further information on the likely developments in the operations of the Group and the expected results of those operations in future financial years, as the Directors have reasonable grounds to believe that it would be likely to result in unreasonable prejudice to the Group.

Environmental Issues

The Group operates from Brisbane, Newcastle, Inverell, Sydney, and Bankstown Airports in Australia, and Blackpool Airport in the UK. It is required to meet Brisbane Airport Corporation environment regulations and the Commonwealth's Airports (Environment Protection) Regulations 1997 as well as relevant UK legislation. The Group is subject to regular audits by these authorities. The Group also has administration and warehouse facilities in a number of locations subject to relevant legislation. There have been no non-compliances to date while the Group has operated from these various locations.

Information on Current Directors

Harvey Parker
(Non-Executive Chairman)

Harvey Parker was born in 1943 and has had a distinguished career spanning several industries. He has experience in the aviation industry as Managing Director of New Zealand Post and the Airpost Joint Venture. Presently he is the Chairman and also serves on the audit and remuneration committees of the Company.

He is presently Chairman of DWS Advanced Business Solutions Limited (since 9 May 2006) and Director of Riding for the Disabled Association of Victoria limited. During the past three years Mr Parker was also a Director of the Volante Group (until April 2006) and Chairman of Intermoco (from 2 May 2007 to 31 May 2008). He has held no other Director positions with other listed companies in the last three years.

Craig Louis Baker CA, BCA
(Managing Director – Group)

Craig Baker was born in 1946 and has had extensive experience in the aviation industry. He is a qualified accountant and has been involved in aviation businesses as a General Manager, Director, and Finance Manager for over 20 years. Along with Hugh Jones, he was involved in the development of Airwork (NZ) Limited which has grown to become a major aviation provider in New Zealand with annual sales in excess of $80 million.

Craig's duties involve the overall management of the Group. He has held no other Director positions with other listed companies in the last three years.

Royston Stephen (Steve) Ferris B.Sc
(Managing Director – IAP Division)

Steve Ferris was born in the UK in 1960. He graduated from Bristol University in 1981 with a Bachelor of Science. He incorporated the IAP Group in 1987 and has grown the company in a successful manner by utilising his vast knowledge of the aviation industry.

Steve is based in Sydney and is the Managing Director of the IAP Group operations. He has held no other Director positions with other listed companies in the last three years.

Andrew Peter Somerville Kemp B.Com, CA
(Non-Executive Director)

Andrew graduated in Commerce from the University of Melbourne and is a Chartered Accountant. After working for KPMG and Littlewoods Chartered Accountants in Melbourne and Sydney, he joined AIFC, the merchant banking affiliate of the ANZ Banking Group, in Sydney in 1978. From 1979 until 1985, Andrew was Queensland Manager of AIFC.

Andrew joined the North Queensland based Coutts Group as general manager early in 1985, and continued with this group until January 1987 when he formed Huntington Group.

Since 1980, Andrew has been involved in a range of listings, acquisitions and divestments. He has structured and implemented the ASX listing of eleven companies. He has also advised clients on a wide range of investments and divestments over the last 20 years.

Andrew is currently a Director of the following listed companies: Silver Chef Limited (from April 2005), Trojan Equity Limited (from May 2005), and SCV Group Limited (from March 2004). He was previously a Director of S8 Limited from February 2004 until January 2007.

He is a member of the audit and remuneration committees of the company.

Company Secretary

James Barbeler was appointed as the Chief Financial Officer on 28 May 2007, and Company Secretary on 15 June 2007. James has a Bachelor of Business (Accountancy) from Queensland University of Technology, a MBA with an IT major, and is a member of the Institute of Chartered Accountants. James has over 20 years experience in all aspects of financial accounting, auditing, treasury, Board, and statutory reporting.

James has held various positions including Audit Manager in a Chartered Accounting firm, and CFO, Company Secretary, and CEO of various agribusiness and commercial entities in both public and private companies.

Remuneration Report

The remuneration report is set out under the following main headings:

- A Principles used to determine the nature and amount of remuneration
- B Details of remuneration
- C Service contracts
- D Share-based payment compensation
- E Additional information.

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

A. Principles used to determine the nature and amount of remuneration

Non-executive Directors

Directors are to be paid out of Company funds as remuneration for their services, such sum as accrues on a daily basis as the Company determines to be divided among them as agreed, or failing agreement, equally. The maximum aggregate amount which has been approved by shareholders for payment to non-executive Directors is $100,000 per annum.

Directors' remuneration for their services as Directors is by a fixed sum and not a commission or a percentage of profits or operating revenue. It may not be increased except at a general meeting in which particulars of the proposed increase have been provided in the notice convening the meeting to shareholders. There is provision for Directors who devote special attention to the business of the Company or who perform services which are regarded as being outside the scope of their ordinary duties as Directors, or who at the request of the Board engage in any journey on Company business, to be paid extra remuneration determined by the Board. Directors are also entitled to their reasonable travel, accommodation and other expenses incurred in attending Company or Board meetings, or meetings of any committee engaged in the Company's business.

Any Director may be paid a retirement benefit as determined by the Board, consistent with the *Corporations Act 2001* and the ASX Listing Rules.

Executive and Key Management Pay

The remuneration committee is responsible for advising the Board on remuneration and issues relevant to remuneration policies and practices including those of senior management and executive Directors. The committee has responsibility for reviewing and evaluating market practices and trends in relation to remuneration, recommending remuneration policies, overseeing the performance and making recommendations on remuneration of members of senior management and executive Directors.

Remuneration in each case is taken as including not only monetary payments (salaries), but all other non-monetary emoluments and benefits, retirement benefits, superannuation and incentive programs.

In each case the committee refers to the general market and industry practice (as far as directly relevant benchmarks can be identified for comparative purposes) and the need to attract and retain high calibre personnel.

Compensation in the form of cash bonuses for executives and key management personnel is designed to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive and key management reward with achievement of strategic objectives and creation of value for shareholders in terms of return on equity, and conforms with market practice for delivery of reward. The Board ensures that executive and key management reward satisfies the following key criteria for good reward governance practices:

- Competitiveness and reasonableness
- Acceptability to shareholders
- Performance alignment of compensation
- Transparency
- Capital management.

Executive Directors

In the previous year the Executive Directors' pay and reward framework included base pay and long-term incentives through participation in the PTB Group Limited option plan as detailed in section D. In the current year the Executive Directors' pay and reward framework has the following components:

- Base pay and benefits, including superannuation; and
- Short-term performance incentives.

Base pay: structured as a total employment cost package which may be delivered as a combination of cash and prescribed non-financial benefits at the Executive Director's discretion. Base pay is reviewed annually and benchmarked against inflation.

Benefits: Executive Directors receive benefits including car allowances.

Superannuation: Executive Directors' base pay includes statutory and salary sacrificed superannuation contributions.

Short-term incentives: Cash bonuses incentives are based on pre-determined after tax return on equity and operational targets based on the criteria detailed above, as set by the remuneration committee. The bonuses are paid in October each year. The pre-determined targets ensure that variable reward is only available when value has been created for shareholders, and when profit and operational objectives are consistent with the business plan. Each Executive Director has a target short-term incentive opportunity depending on the accountabilities of the role and impact on the organisation or business unit performance. The maximum target bonus opportunity is 33% of base pay.

Other Executives and key management personnel

Other Executives and key management personnel's pay and reward framework includes base pay and short-term incentives. There are no fixed performance criteria for the cash bonuses. After the end of the financial year the remuneration committee assesses the performance of individuals and, where appropriate, approves discretionary cash bonuses to be paid to the individuals. Cash bonuses are paid following approval by the remuneration committee.

Long-term incentives to Executives and Employees

In order to provide a long-term incentive to the executives and employees of the Company, an Employee Share Option Scheme ("the Scheme") is in place. The incentive provided by the scheme will be of material benefit to the Company in encouraging the commitment and continuity of service of the recipients. By providing executives and employees with a personal financial interest in the Company, the Company will be able to attract and retain executive Directors, key executives and employees in a highly competitive market. This is expected to result in future benefits accruing to the shareholders of the Company.

The establishment of the Scheme was approved by shareholders on 3 June 2005. All staff are eligible to participate in the scheme, including Executive Directors (since they take part in the management of the Company).

The options issued to key management personnel were issued pursuant to the Scheme whereby options were issued to all employees (excluding Executive Directors) on the same basis and the entitlements are not linked to performance. The number of options issued to employees was determined by the remuneration committee and approved by the Board in accordance with the terms of the Scheme.

Options are granted under the Scheme for no consideration. The exercise price is the amount specified by the remuneration committee at the time of issue. The exercise period is the period specified by the remuneration committee at the time of issue. Options under the plan may not exceed 5% of the total number of issued shares of the Company at the date of issue.

Options lapse if prior to or during the exercise period the employee is terminated or resigns. If a person dies, becomes disabled, or is made redundant prior to the exercise period the option lapses. If a person dies, becomes disabled, or is made redundant during the exercise period special rules apply that allow options to be exercised.

Options granted under the Scheme carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share in PTB Group Limited. Amounts receivable on the exercise of options are recognised as share capital. The above remuneration policy together with the options package is to encourage the alignment of personal and shareholder interests.

Company Performance, Shareholder Wealth and Directors' and Executive Remuneration

In the current year, the Executive Directors' short-term incentives are linked to return on equity and other operational objectives as detailed above. In the prior year there was no specific relationship between the remuneration policy and Company performance. The base salaries for the executives are substantially in accordance with the market for executives of similar levels.

The long-term incentives for the executives was and is delivered through the options referred to above and as detailed in section D below. The share price at 30 June 2008 and at the date of this report is less than the exercise price for all of the options however the remuneration committee believes that the framework is appropriate as long-term incentives.

	2008	2007	2006	2005
Revenue ($'000)	46,608	40,559	16,982	10,135
Net profit ($'000)	3,131	3,589	1,861	1,420
Return on average shareholders funds (%)	8.3	15.8	20.31	26.29
Share price at year-end ($)	0.46	1.95	1.60	1.15
Dividend paid per share in respect of each financial year	Nil	6 cents	6 cents	6 cents

B. Details of Remuneration

The remuneration for each Director and other key management personnel of the Group was as follows:

	Short-term benefits			Post-employment	Other	Share-based payments	Total
	Cash salary and fees	Cash bonus	Non-monetary benefits	Super-annuation	Long-term benefits*	Options	
	$	$	$	$	$	$	$
2008 Year							
Directors							
CL Baker (Managing Director – Group)	167,526	-	11,793	69,734	5,500	-	254,553
SG Smith [6] (Sales and Marketing Director - Pacific Turbine Brisbane)	117,826	-	5,166	9,900	-	-	132,892
RS Ferris[4] (Managing Director – IAP)	252,344	-	-	21,450	8,415	-	282,209
H Parker (Non-Executive Director)	30,000	-	-	3,000	-	-	33,000
RJ David [8] (Non-Executive Director)	10,900	-	-	1,962	-	-	12,862
APS Kemp [1] (Non-Executive Director)	20,000	-	-	1,800	-	-	21,800
R Blumberg [7] (Non-Executive Director)	-	-	-	-	-	-	-
Total Directors	**598,596**	**-**	**16,959**	**107,846**	**13,915**	**-**	**737,316**
Other Key Management Personnel							
JT Barbeler [3] (Company Secretary and CFO)	171,496	-	-	15,030	-	6,181	192,707
2007 Year							
Directors							
CL Baker (Managing Director – Group)	131,344	-	4,858	99,408	4,737	-	240,347
SG Smith (Sales and Marketing Director - Pacific Turbine Brisbane)	207,523	-	7,558	19,800	4,737	-	239,618
RS Ferris[4] (Managing Director – IAP)	170,973	-	-	14,867	3,666	-	189,506
HR Jones [5] (Non-Executive Director)	-	-	-	-	-	-	-
H Parker (Non-Executive Director)	17,890	-	-	1,610	-	-	19,500
RJ David (Non-Executive Director)	20,000	-	-	1,800	-	-	21,800
APS Kemp [1] (Non-Executive Director)	84,833	-	-	1,650	-	-	86,483
Total Directors	**632,563**	**-**	**12,416**	**139,135**	**13,140**	**-**	**797,254**
Other Key Management Personnel							
AL Abrahams [2] (Company Secretary and Finance Manager)	68,289	6,000	-	8,686	-	1,327	84,302
JT Barbeler [3] (Company Secretary and CFO)	17,754	-	-	1,484	-	547	19,785

* comprising long service leave

(1) APS Kemp's remuneration includes additional amounts paid for services provided in respect of corporate advisory and capital raising strategy services totalling $Nil (2007: $66,500).
(2) AL Abrahams resigned as company secretary and finance manager on 6 April 2007.
(3) JT Barbeler was appointed CFO on 28 May 2007 and company secretary on 15 June 2007.
(4) RS Ferris was appointed Managing Director (IAP Division) on 21 September 2006.
(5) HR Jones resigned on 25 August 2006.
(6) SG Smith resigned on 30 November 2007.
(7) R Blumberg was appointed on 4 July 2007 and resigned on 22 February 2008.
(8) RJ David resigned 22 February 2008.

B. Details of Remuneration (Continued)

There were no other executives in the current or prior year. All Directors and other key management personnel are employed by PTB Group Limited. Cash bonuses were paid during the current and prior year to non-key management personnel. No specific service or performance criteria were used to determine the amount of the bonuses.

No share-based payment compensation benefits were granted in the current year. Details of benefits provided in the prior year, which were in the form of share options, are given in section D below. No specific service or performance criteria were used to determine the amount of the grant.

C. Service Contracts

Major provisions of service agreements with Executive Directors and other key management personnel as at 30 June 2008 are set out below:

CL Baker (Managing Director – Group)

- *Term of agreement* – Minimum of three years commencing 17 December 2007;
- *Base annual salary* – $280,000 inclusive of 9% superannuation and vehicle allowance to be reviewed annually by the remuneration committee; and
- *Notice period* – Termination by a minimum of 12 months notice in writing by either party other than for gross misconduct. Termination payment is equivalent to one year's salary plus superannuation as noted above.

RS Ferris (Managing Director – IAP)

- *Term of agreement* – Minimum of three years commencing 17 December 2007;
- *Base annual salary* – $280,000 inclusive of 9% superannuation and vehicle allowance to be reviewed annually by the remuneration committee; and
- *Notice period* – Termination by a minimum of 12 months notice in writing by either party other than for gross misconduct. Termination payment is equivalent to one year's salary plus superannuation as noted above.

JT Barbeler (Company Secretary and Chief Financial Officer)

- *Term of agreement* – Indefinite with a notice period of one month;
- *Base annual salary* – $195,030 inclusive of 9% superannuation to be reviewed annually by the remuneration committee; and
- *Notice period* – Termination by one months notice in writing by either party other than for gross misconduct.

No other key management personnel are subject to service agreements.

D. Share-based Payment Compensation

In the 2006 and 2007 financial years, options were granted to certain staff under the PTB Group Limited Employee Share Option Scheme. Refer Section A above for details of the Scheme. The options are not dependent upon the satisfaction of a performance condition as they depend upon service vesting conditions (the options vest one third each year).

During the 2005 financial year options were granted to Directors by the Company. The options were issued free of charge. Each option granted is convertible into one ordinary share in PTB Group Limited. The options were issued pursuant to the prospectus dated 4 January 2005. Options granted carry no dividend or voting rights. The options were granted upon listing on 10 March 2005 and included no vesting conditions but were considered to be a reasonable financial benefit to be applied as part of the reasonable remuneration applicable for services having regard to the benefits the Company has and will gain from their continuing involvement with the Company.

D. Share-based Payment Compensation (Continued)

The terms and conditions of each grant of options affecting key management personnel remuneration in the previous, current or future reporting periods are as follows:

Grant date	Expiry Date	Exercise price	Value per option at grant date	Date exercisable
10 March 2005	10 March 2008	$1.15	$0.137	10 March 2006 (expired 10 March 2008).
30 September 2005	19 November 2008	$1.00	$0.35	33% after 19 August 2006, 33% after 19 August 2007, and 33% after 19 August 2008.
31 May 2007	31 August 2010	$2.00	$0.54	33% after 31 May 2008, 33% after 31 May 2009, and 33% after 31 May 2010.

Details of options over ordinary shares in the Company provided to each Director of PTB Group Limited and each of the key management personnel of the Group in the 2008 and 2007 financial years are set out below. When exercisable, each option is convertible into one ordinary share of PTB Group Limited.

	Number of options granted during the year		Number of options vested during the year	
	2008	2007	2008	2007
Other Key Management Personnel				
AL Abrahams	-	-	-	6,666
JT Barbeler	-	20,000	6,666	-

The amounts disclosed for remuneration relating to options above are the assessed fair values at grant date of options granted, allocated equally over the period from grant date to vesting date. Fair values at grant date are determined using a Binomial option pricing model which takes into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option. Refer note 25 of the financial report for the inputs into the model.

In the prior year, AL Abrahams exercised 6,666 remuneration options on 13 March 2007 at an amount of $1.00 per ordinary share issued ($6,666 in total for 6,666 ordinary shares). No amounts were unpaid on the exercise of these options. On termination, 13,334 options were forfeited as the service period was not met.

No other remuneration options granted to key management personnel were exercised or lapsed during this or the prior financial year.

E. Additional Information

Details of remuneration: cash bonuses and options

As both the grant of options and cash bonuses during the year were discretionary, no part of the grants was forfeited and no part is payable in future years. For details of option vesting conditions and number vested refer to Section D.

Share-based compensation: Options

There were no options granted, exercised, or lapsed during the year.

Name	A Remuneration consisting of options	B Value at grant date $	C Value at exercise date $	D Value at lapse date $	E Total of columns B-D $
J Barbeler	3.3%	$10,754	-	-	$10,754

A = The percentage of the value of remuneration consisting of options, based on the value of options expensed during the year.
B = The value at grant date calculated in accordance with AASB 2 *Share-based Payment* of options granted during the year as part of remuneration.
C = The value at exercise date of options that were granted as part of remuneration and were exercised during the year.
D = The value at lapse date of options that were granted as part of remuneration and that lapsed during the year.

E. Additional Information (Continued)

Loans to Directors and Executives

There are no loans to Directors and executives.

Meetings of Directors

Attendances by each Director during the financial year were as follows:

	Number of Meetings Held While a Director	Number of Meetings Attended
Full Board		
CL Baker	17	17
H Parker	17	17
APS Kemp	17	16
RS Ferris	17	12
SG Smith	10	7
RJ David	12	10
R Blumberg	11	9
Remuneration Committee		
H Parker	2	2
APS Kemp	2	2
Audit and Risk Management Committee		
H Parker	4	4
RJ David	3	3
APS Kemp	4	4
R Blumberg	3	2

Nominations Committee

Members of the committee were H Parker and RJ David. No meetings of the nominations committee were held during the year ended 30 June 2008. Given the size of the Company and of the Board the separate Nominations Committee has not been continued and the responsibility for this function now rests with the Board.

Share Options

Shares Issued on Exercise of Options

The following ordinary shares of PTB Group Limited were issued during the year ended 30 June 2008 and subsequent to year end on exercise of options granted under the Employee Share Option Scheme:

Date Options Granted	Issue Price of Shares	Number of Shares Issued
During the year		
30 September 2005	$1.00	6,667
Subsequent to year-end		
Nil shares issued.		

Shares Under Option

At the date of this report, PTB Group Limited has unissued ordinary shares under option as follows:

Exercise price	No. of ordinary shares	Expiry date of options
$1.15	-	10 March 2008
$1.00	80,002	19 November 2008
$1.60	1,529,600	30 November 2008
$1.60	120,000	20 February 2010
$2.00	40,000	31 August 2010

Directors' Interests

Directors' shares and options in the Company at the date of this report are as follows:

	Number	
	Ordinary Shares	Share Options
CL Baker	1,782,104	-
RS Ferris	6,908,054	-
H Parker	296,000	-
APS Kemp	167,248	38,267

E. Additional Information (Continued)

Indemnification and Insurance of Directors, Officers and Auditors

During or since the end of the financial year, the Company has not given any indemnity or entered into any agreement to indemnify, or paid or agreed to pay insurance premiums in relation to an officer or auditor, except as detailed below.

The Company has Director and Officers insurance in place for all Directors and officers of the Company.

This insurance insures any person who is or has been an officer of the Company against certain liabilities in respect of their duties as an officer of the Company, and any other payments arising from or in connection with such proceedings, other than where such liabilities arise from conduct involving a wilful breach of duty.

The policy prohibits disclosure of details of the cover and the amount of the premium paid.

Proceedings on Behalf of the Company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

Non-Audit Services

The Company may decide to employ the auditor on assignments additional to statutory audit duties where the auditor's expertise and experience with the Company are important.

The Board of Directors has considered the position and, in accordance with the advice received from the audit committee is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risk and rewards.

During the year WHK Horwath, the Company's auditor, has performed other services in addition to their statutory audit duties as set out in note 26. During the year the following non-audit service fees were paid or payable for services provided by the auditor of the company:

	2008 $	2007 $
Non Audit Services – WHK Horwath		
Taxation advice and compliance	$55,000	-
Non Audit Services – Other Audit Firms		
Taxation advice and compliance	-	$62,500
Other assurance services	-	$47,510
Other compliance services	-	$5,000

The lead auditor's independence declaration is set out on page 17 and forms part of the Directors' Report for the year ended 30 June 2008.

WHK Horwath continues in office in accordance with Section 327 of the *Corporations Act 2001*.

Rounding of Amounts

The Company is of a kind referred to in class order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Directors' report. Amounts in the Directors' report have been rounded off in accordance with that class order to the nearest thousand dollars, or in certain cases, the nearest dollar.

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

H Parker
Chairman

Brisbane
30th September 2008

WHK Horwath

To the Directors of PTB Group Limited

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2008 there have been:

(i) no contraventions of the auditor independence requirements of 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.

WHK Horwath

WHK Horwath

Don Langdon
Principal

Signed at Brisbane 30 September 2008.

Liability limited by a scheme approved by Professional Standards Legislation

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Scope of responsibility of the Board

Responsibility for the Company's proper corporate governance rests with the Board. The Board's guiding principle in meeting this responsibility is to act honestly, conscientiously and fairly, in accordance with the law, in the interests of PTB Group's shareholders (with a view to building sustainable value for them) and those of employees and other stakeholders.

The Board's broad function is to:

(a) Chart strategy and set financial targets for the Company;
(b) Monitor the implementation and execution of strategy and performance against financial targets; and
(c) Appoint and oversee the performance of executive management and generally to take and fulfil an effective leadership role in relation to the Company.

Power and authority in certain areas is specifically reserved to the Board – consistent with its function as outlined above. These areas include:

(a) Composition of the Board itself including the appointment and removal of Directors;
(b) Oversight of the Company including its control and accountability system;
(c) Appointment and removal of senior management and the Company Secretary;
(d) Reviewing and overseeing systems of risk management and internal compliance and control, codes of ethics and conduct, and legal and statutory compliance;
(e) Monitoring senior management's performance and implementation of strategy; and
(f) Approving and monitoring financial and other reporting and the operation of committees.

Composition of the Board

The Board performs its role and function, consistent with the above statement of its overall corporate governance responsibility, in accordance with the following principles:

(a) The Board should comprise at least five Directors;
(b) At least half of the Board should be non-executive Directors independent from management; and
(c) The Chairman of the Board should be one of the independent non-executive Directors.

At the date of this annual report the Board comprises four members including H Parker an independent, non-executive Chairman, APS Kemp a non-executive Director, and C Baker and RS Ferris who are Executive Directors. Andrew Kemp is not considered to be independent as he is an executive Director of Huntington Group which provides corporate advice to the Group. Notwithstanding the above, the Board is of the view that such relationships do not materially interfere with each Director's ability to act in the best interest of the Company.

During the year, three Directors resigned due to external professional and personal commitments. The Board will seek to appoint an independent non-executive Director with appropriate experience during the coming year.

Notwithstanding the above, the Board is of the view that the current composition of the Board is adequate to ensure the best interests of shareholders given the size and nature of the Company's operations. In addition, the Chairman has the deciding vote at any meetings where a vote is initially tied.

Board Charter and Policy

The Board has adopted a charter (which will be kept under review and amended from time to time as the Board may consider appropriate) to give formal recognition to the matters outlined above. This charter sets out various other matters that are important for effective corporate governance including the following:

i. A detailed definition of 'independence';
ii. A framework for the identification of candidates for appointment to the Board and their selection;
iii. A framework for individual performance review and evaluation;
iv. Proper training to be made available to Directors both at the time of their appointment and on an on-going basis;
v. Basic procedures for meetings of the Board and its committees – frequency, agenda, minutes and private discussion of management issues among non-executive Directors;
vi. Ethical standards and values – formalised in a detailed code of ethics and values;
vii. Dealings in securities – formalised in a detailed code for securities transactions designed to ensure fair and transparent trading by Directors and senior management and their associates; and
viii. Communications with shareholders and the market.

These initiatives, together with the other matters provided for in the Board's charter, are designed to 'institutionalise' good corporate governance and generally, to build a culture of best practice in PTB Group's own internal practices and in its dealings with others.

Audit and Risk Management Committee ('ARM Committee')

The purpose of this Committee is to advise on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the Company. Its current members are Harvey Parker and Andrew Kemp.

The Committee performs a variety of functions relevant to risk management and internal and external reporting and reports to the Board following each meeting. Among other matters for which the Committee is responsible are the following:

(a) Board and committee structure to facilitate a proper review function by the Board;
(b) Internal control framework including management information systems;
(c) Corporate risk assessment and compliance with internal controls;
(d) Internal audit function and management processes supporting external reporting;
(e) Review of financial statements and other financial information distributed externally;
(f) Review of the effectiveness of the audit function;
(g) Review of the performance and independence of the external auditors;
(h) Review of the external audit function to ensure prompt remedial action by management, where appropriate, in relation to any deficiency in, or breakdown of, controls;
(i) Assessing the adequacy of external reporting for the needs of shareholders; and
(j) Monitoring compliance with the Company's code of ethics.

Meetings are held at least twice each year. A broad agenda is laid down for each regular meeting according to an annual cycle. The Committee invites the external auditors to attend each of its meetings.

The ARM Committee does not comply with two of the Guidelines in that it has an equal number of independent and non-independent Directors and that the Chairman is also Chairman of the Board. However, the Board believes these matters are acceptable given the size of the Company, the nature of its business and the financial literacy of the members.

Remuneration Committee

The purpose of this Committee is to assist the Board and report to it on remuneration and issues relevant to remuneration policies and practices including those for senior management and non-executive Directors. Its current members are Harvey Parker and Andrew Kemp.

Among the functions performed by the Committee are the following:

(a) Review and evaluation of market practices and trends on remuneration matters;
(b) Recommendations to the Board in relation to the Company's remuneration policies and procedures;
(c) Oversight of the performance of senior management and non-executive Directors; and
(d) Recommendations to the Board in relation to the remuneration of senior management and non-executive Directors.

Meetings are held at least twice each year.

Nominations Committee

Best practice recommendations issued by ASX recommend a separate Nominations Committee to assist the Board and report to it on selection and appointment issues and practices including those for senior management and non-executive Directors.

However, given the size of the Company and of the Board the separate Nominations Committee has not been continued and the responsibility for this function now rests with the Board.

Best practice commitment

The Company is committed to achieving and maintaining the highest standards of conduct and has undertaken various initiatives, as outlined in this section that are designed to achieve this objective. The PTB Group's corporate governance charter is intended to 'institutionalise' good corporate governance and, generally, to build a culture of best practice both in the Company's own internal practices and in its dealings with others.

The following are a tangible demonstration of the Company's corporate governance commitment:

Independent professional advice

With the prior approval of the Chairman, which may not be unreasonably withheld or delayed, each Director has the right to seek independent legal and other professional advice concerning any aspect of the Company's operations or undertakings in order to fulfil their duties and responsibilities as Directors. Any costs incurred are borne by the Company.

Code of ethics and values

The Company has developed and adopted a detailed code of ethics and values to guide Directors in the performance of their duties.

Code of conduct for transactions in securities

The Company has developed and adopted a formal code to regulate dealings in securities by Directors and senior management and their associates. This is designed to ensure fair and transparent trading in accordance with both the law and best practice.

Charter

The code of ethics and values and the code of conduct for transactions in securities (referred to above) both form part of the Company's corporate governance charter which has been formally adopted, which complies with ASX corporate governance guidelines and best practice recommendations.

The ASX document, 'Corporate Governance Principles and Recommendations – second edition' ('Guidelines') applying to listed entities was published in August 2007 by the ASX Corporate Governance Council with the aim of enhancing the credibility and transparency of Australia's capital markets. PTB Group decided to make an early transition to these revised recommendations as at 30 June 2007.

The Board has assessed the Company's current practice against the Guidelines and outlines its assessment below:

Principle 1 – Lay solid foundations for management and oversight

The role of the Board and delegation to management have been formalised as described above in this section and will continue to be refined, in accordance with the Guidelines, in light of practical experience gained in operating as a listed company. PTB Group complies with the Guidelines in this area.

Principle 2 – Structure the Board to add value

Of the four Company Directors, Harvey Parker and Andrew Kemp are non-executive Directors. Together the Directors have a broad range of experience, expertise, skills, qualifications and contacts relevant to the business of the Company.

Andrew Kemp is not considered to be an independent Director and consequently its composition does not comply with recommendation 2.1 of the ASX Corporate Governance Guidelines.

The Board has adopted the following measures to ensure that independent judgment is achieved and maintained in respect of its decision-making processes:

- Directors are entitled to seek independent professional advice at the company's expense, subject to the approval of the Chairman;
- Directors having a conflict of interest in relation to a particular item of business must absent themselves from the Board meeting before commencement of discussion on the topic; and
- Non-executive Directors confer on a needs basis without management in attendance.

Principle 3 – Promote ethical and responsible decision making

The Board encourages the highest standards of ethical conduct by all Directors and employees of the Group. The Board has adopted a Code of Ethics that sets out the principles and standards with which all Group officers and employees are expected to comply in the performance of their respective functions. Officers and employees are expected to:

- Comply with the law;
- Act honestly and with integrity;
- Reduce the opportunity for situations to arise which result in divided loyalties or conflicts of interest;
- Use PTB Group's assets responsibly and in the best interests of its shareholders; and
- Be responsible and accountable for their actions.

Senior management immediately investigates possible failures to comply with the principles of ethical and responsible conduct, employing the use of third party expertise where necessary. The appropriate level of disciplinary action is applied where departures from these principles are confirmed.

Guidelines for dealing in securities: The Company has developed specific written guidelines that prohibit Directors and executives (and their respective associates) from acquiring, selling or otherwise trading in the Company's shares if they possess material price-sensitive information which is not in the public domain. Pursuant to these guidelines, no person may deal in securities while they are in possession of price-sensitive information. The Company's policy is that trading in PTB Group's securities is permitted, as set out below:

- Selling of Shares: During the four week period after ASX announcement of half-yearly and yearly profits and Annual General Meeting;
- Buying: Employees are able to purchase shares throughout the year except for six week periods running up to ASX announcement of half-yearly and yearly profits. Staff will be notified of these timeframes;
- Price Sensitive information: Both the above are subject to the person not being in possession of price sensitive information and the buying not being for short term or speculative gain; and
- Trading Limits: In no circumstances should any person sell more than $50,000 worth of

securities unless prior to entering into discussions they have written approval from the Chairman as to the form and timing of the sale and the management of its public disclosure.

Principle 4 – Safeguard integrity in financial reporting

PTB Group's Managing Director and Chief Financial Officer report in writing to the ARM Committee that the consolidated financial statements of PTB Group and its controlled entities for each half and full financial year present a true and fair view, in all material respects, of the Group's financial condition and operational results and are in accordance with accounting standards.

The ARM Committee operates throughout the year with the primary objective to assist the Board of Directors in fulfilling the Board's responsibilities relating to the accounting, reporting and financial risk management practices of the Company. In fulfilling this objective, the ARM Committee meets at least two times each year. The main duties and responsibilities of the committee include:

- Review and consideration of statutory compliance matters;
- Review of the annual and half-yearly financial reports;
- Recommend to the Board nominations for appointment as external auditors;
- Review the scope of the audit, the level of audit fees and the performance of the external auditors;
- Liaison with external auditors, review of audit planning and consideration of audit results; and
- Evaluation of the adequacy and effectiveness of the Company's administrative, operating and accounting policies and controls through active communication with operating management and the external auditors.

The ARM Committee (with its own charter) does not comply with two of the Guidelines in that it has an equal number of independent and non-independent Directors and that the Chairman is also Chairman of the Board. However, the Board believes these matters are acceptable given the size of the Company, the nature of its business and the financial literacy of the members.

Principle 5 – Make timely and balanced disclosure

Documented procedures are in place to identify matters that are likely to have a material effect on the price of the Company's securities and to ensure those matters are notified to the ASX in accordance with the Company's Listing Rule disclosure requirements. The Managing Director and Chief Financial Officer are responsible for monitoring the Company's activities in light of its continuous disclosure policy and where necessary discussing disclosure obligations with the Board.

The Company Secretary is responsible for all communications with the ASX. All communications with external stakeholders in respect of sensitive company information are subject to the relevant safeguarding and confidentiality procedures. These communications are undertaken in light of continuous disclosure requirements of the ASX and the broad principles of ensuring the market is fully informed of price sensitive information.

Principle 6 – Respect the rights of shareholders

The Board recognises the importance of this principle and strives to communicate with shareholders both regularly and clearly - both by electronic means and using more traditional communication methods. Shareholders are encouraged to attend and participate at general meetings. The Company's auditors will always attend the annual general meeting and will be available to answer shareholders' questions. The Company's policies comply with the Guidelines in relation to the rights of shareholders.

Principle 7 - Recognise and manage risks

The Board is responsible for oversight of the Group's risk management and control framework. The ARM Committee assists the Board in fulfilling its responsibilities in this regard by reviewing the financial and reporting aspects of the Group's risk management and control framework. The Group is currently implementing a policy framework designed to ensure that the Group's risks are identified and that controls are adequate, in place and functioning effectively. This framework will incorporate the maintenance of comprehensive policies, procedures and guidelines that encompass the Group's activities. It addresses areas such as, occupational health and safety, environmental management, trade practices, IT disaster recovery and business continuity planning. Responsibility for control and risk management is delegated to the appropriate level of management within the Group with the Managing Director and Chief Financial Officer having ultimate responsibility to the Board for the Group's risk management and internal control activities.

Arrangements put in place by the Board to monitor risk management include:

- Regular monthly reporting to the Board in respect of operations and the financial position of the Group;
- Reports by the Chairman of the ARM Committee and circulation to the Board of the minutes of each meeting held by the ARM Committee;

- Presentations made to the Board throughout the year by appropriate members of the Group's management team (and/or independent advisers, where necessary) on the nature of particular risks and details of the measures which are either in place or can be adopted to manage or mitigate the risk; and
- Any Director may request that operational and project audits be undertaken by management.

Prior to signing the Group's annual financial statements, PTB Group's Managing Director and Chief Financial Officer report in writing to the ARM Committee that:

- The statement given in accordance with Council's best practice recommendation 4.1 is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- The company's risk management and internal compliance and control framework is operating efficiently and effectively in all material respects.

Principle 8 – Remunerate fairly and responsibly

The Company's polices relating to Directors' and Senior Executives' remuneration are set out in the annual report. Options were granted to employees under an Employee Share Option Scheme. Options have also been issued to executive Directors of the Company and to a corporate adviser.

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

- Retention and motivation of key executives;
- Attraction of quality management to the Company; and
- Performance incentives which allow executives to share the rewards of the success of the Group.

In relation to the payment of bonuses and options the Board, having regard to the overall performance of PTB Group and the performance of the employee during the period, exercises discretion.

Income Statements

for the year ended 30 June 2008

	Note	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent Entity 2008 $'000	Parent Entity 2007 $'000
Revenue	2	46,608	40,559	15,066	18,954
Other income	3	2,019	214	-	110
Cost of goods sold		(24,961)	(21,721)	(11,029)	(13,649)
Employee benefits expense		(5,457)	(4,060)	(2,337)	(1,678)
Depreciation and amortisation		(2,224)	(1,772)	(223)	(147)
Airport charges and taxes		(2,343)	(1,499)	-	-
Repairs and maintenance		(626)	(303)	(21)	(27)
Fuel costs		(1,483)	(783)	-	-
Bad and doubtful debts		(1,135)	(158)	(843)	(149)
Finance costs		(2,836)	(1,987)	(396)	(391)
Other expenses		(3,400)	(3,305)	(1,476)	(1,334)
Total expenses		(44,465)	(35,588)	(16,325)	(17,375)
Profit/(Loss) before income tax expense	4	4,162	5,185	(1,259)	1,689
Income tax (expense)/ benefit	5	(1,031)	(1,596)	324	(566)
Profit/(Loss) for the year		3,131	3,589	(935)	1,123

		Cents	Cents
Basic earnings per share	23	11.86	16.10
Diluted earnings per share	23	11.85	15.60

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

Balance Sheets
for the year ended 30 June 2008

	Note	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent Entity 2008 $'000	Parent Entity 2007 $'000
Current Assets					
Cash and cash equivalents	22	1,200	290	750	91
Trade and other receivables	6	17,614	9,763	4,085	7,210
Inventories	7	27,691	26,835	5,550	5,321
Derivative financial instruments	8	1,770	–	–	–
Current tax assets	9	517	–	443	–
Other current assets	10	545	280	157	136
Total Current Assets		49,337	37,168	10,985	12,758
Non-Current Assets					
Trade and other receivables	6	3,914	4,254	9,890	11,597
Other financial assets	11	–	–	14,019	14,019
Property, plant and equipment	12	24,329	25,764	1,441	1,606
Deferred tax assets	13	2,026	717	715	366
Intangible assets	14	4,334	4,334	–	–
Other non-current assets	10	116	–	–	–
Total Non-Current Assets		34,719	35,069	26,065	27,588
Total Assets		84,056	72,237	37,050	40,346
Current Liabilities					
Trade and other payables	15	4,626	4,956	1,450	2,142
Borrowings	16	18,404	8,923	2,809	3,509
Current tax liabilities	9	1,423	635	–	215
Provisions	18	826	644	355	256
Other current liabilities	19	1,072	389	346	167
Total Current Liabilities		26,351	15,547	4,960	6,289
Non-Current Liabilities					
Borrowings	16	14,397	18,928	–	1,052
Deferred tax liabilities	17	2,685	1,903	3	–
Provisions	18	201	334	36	144
Other non-current liabilities	19	197	–	40	–
Total Non-Current Liabilities		17,480	21,165	79	1,196
Total Liabilities		43,831	36,712	5,039	7,485
Net Assets		40,225	35,525	32,011	32,861
Equity					
Contributed equity	20	27,963	27,956	28,041	28,034
Reserves	21	1,725	163	241	163
Retained profits		10,537	7,406	3,729	4,664
Total Equity		40,225	35,525	32,011	32,861

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

Statements of Changes in Equity

for the year ended 30 June 2008

	Contributed Equity		Reserves		Retained	Total
	Issued Capital	Other Equity Securities	Share Based Payments	Hedging Reserve	Profits	
	$'000	$'000	$'000	$'000	$'000	$'000
Consolidated						
At 1 July 2006	3,988	183	100	-	5,619	9,890
Profit for the year	-	-	-	-	3,589	3,589
Employee share options	-	-	63	-	-	63
Dividends paid	257	-	-	-	(1,802)	(1,545)
Issues of share capital (net of transaction costs)	23,528	-	-	-	-	23,528
At 30 June 2007	27,773	183	163	-	7,406	35,525
Profit for the year	-	-	-	-	3,131	3,131
Employee share options	-	-	78	-	-	78
Dividends paid	-	-	-	-	-	-
Issues of share capital (net of transaction costs)	7	-	-	-	-	7
Recognition of effective cashflow hedge	-	-	-	1,484	-	1,484
At 30 June 2008	27,780	183	241	1,484	10,537	40,225
Parent Entity						
At 1 July 2006	3,988	261	100	-	5,343	9,692
Profit for the year	-	-	-	-	1,123	1,123
Employee share options	-	-	63	-	-	63
Dividends paid	257	-	-	-	(1,802)	(1,545)
Issues of share capital (net of transaction costs)	23,528	-	-	-	-	23,528
At 30 June 2007	27,773	261	163	-	4,664	32,861
Loss for the year	-	-	-	-	(935)	(935)
Employee share options	-	-	78	-	-	78
Dividends paid	-	-	-	-	-	-
Issues of share capital (net of transaction costs)	7	-	-	-	-	7
At 30 June 2008	27,780	261	241	-	3,729	32,011

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

Cash Flow Statements

for the year ended 30 June 2008

	Note	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent Entity 2008 $'000	Parent Entity 2007 $'000
Cash Flow From Operating Activities					
Cash receipts in the course of operations		40,840	37,224	19,325	18,672
Cash payments in the course of operations		(40,636)	(49,529)	(16,630)	(18,305)
Interest received		596	574	286	491
Finance costs		(2,136)	(2,613)	(396)	(391)
Income taxes paid		(1,290)	(1,070)	(679)	(779)
Net cash used in operating activities	22	(2,626)	(15,414)	1,906	(312)
Cash Flow From Investing Activities					
Purchase of subsidiaries (net of cash acquired)		–	(2,959)	–	(2,693)
Payments for property, plant and equipment		(3,684)	(5,916)	(60)	(743)
Proceeds on disposal of property, plant and equipment		2,309	819	3	498
Net proceeds/(repayment) of loans to subsidiaries		–	–	555	(9,336)
Net cash provided by/(used in) investing activities		(1,375)	(8,056)	498	(12,274)
Cash Flow From Financing Activities					
Proceeds from borrowings		14,147	16,442	378	4,394
Repayment of borrowings		(8,372)	(5,595)	(1,771)	(2,883)
Repayment of lease liabilities		(161)	(231)	–	(8)
Proceeds from issue of shares		7	12,953	7	12,953
Share issue transaction costs		–	(683)	–	(683)
Proceeds from issue of notes		–	–	–	–
Dividends paid		–	(1,545)	–	(1,545)
Net cash provided by financing activities		5,621	21,341	(1,386)	12,228
Net increase/(decrease) in cash and cash equivalents		1,620	(2,129)	1,018	(358)
Cash and cash equivalents at the beginning of the year		(953)	1,176	(268)	90
Cash and cash equivalents at the end of the year	22	667	(953)	750	(268)

The cash flow statements should be read in conjunction with the accompanying notes.

1. Summary of Significant Accounting Policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for PTB Group Limited as an individual entity and the consolidated entity consisting of PTB Group Limited and its subsidiaries.

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards and the *Corporations Act 2001*, and was authorised for issue on 30 September 2008.

Compliance with IFRSs

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the consolidated financial statements and notes of PTB Group Limited comply with International Financial Reporting Standards (IFRSs). The parent entity financial statements and notes also comply with IFRSs.

Historical cost convention

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

Critical accounting estimates

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 1(ad).

(b) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of PTB Group Limited ("company" or "parent entity") as at 30 June 2008 and the results of all subsidiaries for the year then ended. PTB Group Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity. For details of the subsidiaries refer note 31.

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

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

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group (refer note 1(i)).

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

Investments in subsidiaries are accounted for at cost in the individual financial statements of PTB Group Limited.

(c) Segment reporting

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

d) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

1. Summary of Significant Accounting Policies (Continued)

d) Foreign currency translation (Continued)

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges, or are attributable to part of the net investment in a foreign operation.

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

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

- Income and expenses for each income statement are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

- All resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences are recognised in the income statement, as part of the gain or loss on sale where applicable.

(e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates, and amounts collected on behalf of third parties.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved.

Revenue is recognised for the major business activities as follows:

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

- Revenue from repairs is recognised at the time the service is performed;

- Revenue from sale of goods and provision of services under maintenance contracts is recognised in accordance with the stage of completion method unless the outcome of the contract cannot be reliably estimated. When the outcome of the contract cannot be reliably estimated, contract costs are recognised as an expense as incurred, and where it is probable that costs will be recovered, revenue is recognised to the extent of costs incurred;

- Interest on extended credit receivables (under hire purchase agreements) is recognised progressively by the Group over the hire purchase term to achieve a constant periodic rate of return on the carrying amount of the receivable (being the Group's net investment in the hire purchase arrangement);

- Rental income is recognised on a basis representative of the time pattern in which the benefit of use derived from the asset is diminished. For engines rental, income is recognised based on an hourly rate and hours of usage. For aircraft rental, income is recognised on a straight-line basis over the lease term; and

- Airline revenue that mainly arises from passenger ticket sales is recognised when uplift is performed.

1. Summary of Significant Accounting Policies (Continued)

(f) Unearned revenue

Unearned revenue includes amounts received in advance from customers. Such amounts are recorded as revenue in the income statement when the above revenue recognition criteria are met.

(g) Income tax

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

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

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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

Tax consolidation legislation

PTB Group Limited and its wholly-owned Australian controlled entities have not implemented the tax consolidation legislation. Accordingly, the income tax expense, tax payable and deferred tax assets and liabilities of each entity are calculated on a standalone basis and are recognised in the entity to which they relate.

(h) Leased assets

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

As lessor

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

For operating leases, the leased asset (rental engines and aircraft) is classified as a non-current asset and depreciated in accordance with the depreciation policy set out in note 1(q). Rental income from operating leases is recognised as set out in note 1(e).

As lessee

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

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the consolidated entity's general policy on borrowing costs. Refer to note 1(u).

1. Summary of Significant Accounting Policies (Continued)

(h) Leased assets (Continued)

Finance leased assets are amortised on a diminishing value basis over the estimated useful life of the asset. Refer note 1(q).

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

(i) Business combinations

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

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the Group's share of the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

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

(j) Impairment of assets

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

(k) Cash and cash equivalents

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

(l) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment. Trade receivables are due for settlement in 30 to 90 days.

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

(m) Inventories

Raw materials, work in progress, and finished goods

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

1. Summary of Significant Accounting Policies (Continued)

(m) Inventories (Continued)

Land held for resale

Land held for sale is stated at the lower of cost and net realisable value. Cost is assigned by specific identification and includes the cost of acquisition and development costs.

(n) Other financial assets

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

The Group has no financial assets at fair value through profit or loss, held-to-maturity investments or available-for-sale financial assets.

Loans and receivables

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

Loans and receivables are initially recognised at fair value plus transaction costs and subsequently carried at amortised cost using the effective interest method.

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired.

Fair value estimation

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

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

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

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

(o) Leasehold improvements

The cost of improvements to or on leasehold properties is amortised over the unexpired period of the lease or the estimated useful life of the improvement to the Group, whichever is the shorter. Refer note 1(q).

(p) Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- Hedges of the fair value of recognised assets and liabilities or a firm commitment (fair value hedges);
- Hedges of the cashflows of recognised assets and liabilities and highly probable forecast transactions (cashflow hedges); or
- Hedges of a net investment in a foreign operation (net investment hedges).

At the inception of the hedging transaction the Group documents the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cashflows of hedged items.

1. Summary of Significant Accounting Policies (Continued)

(p) Derivatives and hedging activities (Continued)

The fair values of various derivative financial instruments used for hedging purposes are disclosed in note 8. Movements in the hedging reserve in shareholders equity are shown in note 21. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months. If the remaining maturity of the hedged item is less than 12 months it is classified as a current asset or liability. Trading derivatives are classified as a current asset or liability.

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in the income statement within 'finance costs', together with changes in the fair value of the hedged fixed rate borrowings attributable to interest rate risk. The gain or loss relating to the ineffective portion is recognised in the income statement within 'other income' or 'other expenses'.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to the income statement over the period to maturity using a recalculated effective interest rate.

Cashflow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cashflow hedges is recognised in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within 'other income' or 'other expense'.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item affects profit or loss. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the income statement within 'finance costs'. The gain or loss relating to the effective portion of forward foreign exchange contracts hedging export sales is recognised in the income statement within 'sales'. However when the forecast transaction that is hedged results in the recognition of a non-financial asset the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in the income statement as costs of goods sold in the case of inventory, or as depreciation in the case of property, plant and equipment.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, and cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

Net investment hedges

Hedges of net investments in foreign operations are accounted for similarly to cashflow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedges is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement, within 'other income' or 'other expense'. Gains or losses accumulated in equity are included in the income statement when the foreign operation is partially disposed of or sold.

Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement and are included in 'other income' or 'other expenses'.

(q) Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cashflow hedges of foreign currency purchases of property, plant and equipment.

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

1. Summary of Significant Accounting Policies (Continued)

(q) Property, plant and equipment (Continued)

Increases in the carrying amounts arising on revaluation of land and buildings are credited, net of tax, to the revaluation reserve in shareholders equity. To the extent that the increase reverses a decrease previously recognised in the income statement, the increase is first recognised in the income statement. Decreases that reverse previous increases of the same asset are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the assets, all other decreases are charged to the income statement.

Depreciation is generally calculated on a straight-line (SL) or diminishing value (DV) basis so as to allocate the cost, net of residual values, of each item of property, plant and equipment (excluding land and rental engines) over its estimated useful life to the Group. For rental engines, depreciation is based on the estimated operating hours. The line item in the income statement in which the depreciation and amortisation of property, plant and equipment is included is 'depreciation and amortisation expense'.

The estimated useful lives are as follows:

Class	Life	Basis
Buildings	40 years	SL
Leasehold improvements	5 years	SL
Leasehold improvements – leased	6 years	SL
Plant and equipment	3-10 years	DV
Plant and equipment – leased	6-8 years	DV
Rental engines	5,500-7,000 hours	Actual hours as a proportion of estimated total operating hours
Airframes	15-20 years	SL

Certain items of plant and equipment, primarily rental engines, are required to be overhauled on a regular basis. This is managed as part of an ongoing major cyclical maintenance program. The costs of this maintenance are charged as expenses as incurred, except where they relate to the replacement of a component of an asset, in which case the costs are capitalised and depreciated in accordance with the above. The carrying amount of the replaced part is derecognised. Other routine operating maintenance, repair and minor renewal costs are also charged as expenses as incurred.

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

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

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement. When re-valued assets are sold, it is Group policy to transfer the amounts included in revaluation reserves in respect of those assets to retained earnings.

(r) Intangibles

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of the acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised. Instead it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to the cash generating units for the purpose of impairment testing.

Computer software

Costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised include external direct costs of materials and service, direct payroll and payroll related costs of employee's time spent on the project. Computer software has a finite life and is carried at cost less any accumulated amortisation and any impairment losses. Computer software is amortised on a straight-line basis over its estimated useful life of 7 years. The line item in the income statement in which the amortisation of computer software is included is 'depreciation and amortisation' expense.

(s) Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost.

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

1. Summary of Significant Accounting Policies (Continued)

(t) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities, which are not an incremental cost relating to the actual draw-down of the facility, are recognised as prepayments and amortised on a straight-line basis over the term of the facility.

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

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in 'other income' or 'other expense'.

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

(u) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed. The amount of borrowing costs capitalised is determined as the actual borrowing costs incurred as funds are borrowed specifically for the purpose of obtaining a qualifying asset.

(v) Employee benefits

Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in the employee benefits provision in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Long service leave

The liability for long service leave is recognised in the employee benefits provision and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Superannuation

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

Share-based payments

Share-based compensation benefits are provided to employees via the PTB Group Limited Employee Share Option Scheme as detailed in note 25.

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

The fair value at grant date is determined using a Binomial option pricing model that takes into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

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

1. Summary of Significant Accounting Policies (Continued)

(v) Employee benefits (Continued)

Profit sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit sharing based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(w) Provisions

Provisions for service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability.

(x) Contributed equity

Ordinary shares are classified as equity.

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

(y) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the year but not distributed at balance date.

(z) Earnings per share

Basic earnings per share

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

Diluted earnings per share

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

(aa) Goods and services tax

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

- Where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or

- For receivables and payables which are recognised inclusive of GST. The net amounts of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

(ab) Rounding of amounts

The company is of a kind referred to in class order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that class order to the nearest thousand dollars, or in certain cases, the nearest dollar.

(ac) General

PTB Group Limited is a public company limited by shares, incorporated and domiciled in Australia. Listed below are the registered office and principal place of business, and its principal administrative office:

Registered office and principal place of business:	Principal Administrative Office:
47-51 Pandanus Avenue, Brisbane Airport QLD 4007 Ph: +61 7 3637 7000	341 Lavarack Avenue, Eagle Farm, Brisbane QLD 4009 Ph: +61 7 3633 9666

The company changed its name on 1 December 2006 from Pacific Turbine Brisbane Limited to PTB Group Limited.

1. Summary of Significant Accounting Policies (Continued)

(ad) Critical accounting estimates and judgements

The Group evaluates estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company. Key estimates and judgements impacting the financial statements are as follows:

Impairment

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1(j). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions. Refer to note 14 for details of these assumptions and the potential impact of changes to the assumptions.

(ae) New accounting standards and interpretations

Australian Accounting Standards that have recently been issued or amended but are not yet effective and have not been adopted for the annual reporting period ended 30 June 2008, are as follows:

Standard/ Interpretation	Application date of standard*	Application date for the Group*
AASB 8 Operating Segments and consequential amendments to other accounting standards resulting from its issue	1 January 2009	1 July 2009
AASB 123 Borrowing Costs revised and consequential amendments to other accounting standards resulting from its issue	1 January 2009	1 July 2009
AASB 101 Presentation of Financial Statements and consequential amendments to other accounting standards resulting from its issue	1 January 2009	1 July 2009
Interpretation 12 Service Concession Arrangements	1 January 2008	1 July 2008
Interpretation 13 Customer Loyalty Programs	1 July 2008	1 July 2008
Interpretation 14 Limit on a defined benefit asset, Minimum Funding Requirements and their Interaction	1 January 2008	1 July 2008

* Application date is for annual reporting periods beginning on or after the date shown in the above table.

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the company or the Group. The application of AASB 101 (revised), AASB 8, AASB 123, may change the disclosures presently made in relation to the company's and the Group's assets, liabilities, segments, financial instruments and the objectives, policies and processes for managing capital. The circumstances addressed by Interpretations 12, 13, and 14 do not have application to the business of the company or the Group.

2. Revenue

	Consolidated		Parent Entity	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Sales revenue				
Sale of goods	30,795	32,170	9,840	17,452
Services	4,027	405	4,096	405
Airline passengers and freight	7,238	4,164	-	-
Rental of engines/aircraft				
- Minimum lease payments	1,717	1,445	393	161
- Contingent rentals	1,956	1,580	129	103
	45,733	39,764	14,458	18,121
Other revenue				
Interest				
- Extended credit receivables (hire purchase agreements)	551	352	276	339
- Other	44	222	10	152
Management fee - subsidiaries	-	-	167	228
Other	280	221	155	114
	46,608	40,559	15,066	18,954

3. Other Income

Net foreign exchange gains	1,803	-	-	-
Net gain on disposal of property, plant and equipment	216	214	-	110
	2,019	214	-	110

4. Expenses

Profit before income tax expense includes the following specific items:

Cost of sale of goods	24,961	21,721	11,029	13,649
Depreciation				
- Buildings	47	35	-	-
- Plant and equipment	142	92	66	48
- Rental engines/aircraft	1,943	1,579	118	54
- Leasehold improvements	41	25	39	25
Amortisation				
- Leased leasehold improvements	-	15	-	15
- Leased plant and equipment	44	22	-	1
- Software	7	4	-	4
Operating lease rentals – minimum lease payments				
- Premises	478	325	82	58
- Equipment	55	1	5	1
Impairment losses (bad and doubtful debts)				
- trade debtors	1,135	158	843	149
Net foreign exchange loss	-	85	137	46
Defined contribution superannuation expense	638	533	174	234
Finance costs				
- Interests and finance charges paid/payable	3,515	2,674	396	391
- Amount capitalised	(679)	(687)	-	-
	2,836	1,987	396	391

5. Income Tax Expense

	Consolidated		Parent Entity	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
(a) Income tax expense				
Current tax	850	1,509	–	661
Deferred tax	(527)	76	(346)	(120)
Under/(over) provided in prior years	708	11	22	25
	1,031	1,596	(324)	566
The under provision for the prior year related to tax payable on the Belmont property which is liable at the date of settlement, but included in the income tax year in which the contract was executed.				
(b) Numerical reconciliation of income tax expense to prima facie tax				
Profit before income tax expense	4,162	5,185	(1,259)	1,689
Tax at the Australian tax rate of 30% (2007: 30%)	1,249	1,556	(378)	507
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
- Share-based payments	–	19	–	19
- Deferred tax liability on assets not previously recognised	329	–	–	–
- Sundry items	17	10	9	15
	1,595	1,585	(369)	541
Provisions transferred in	–	–	(2)	–
Losses not recognised in prior year	(388)	–	–	–
Under/(over) provided in prior years	(176)	11	47	25
Income tax expense	1,031	1,596	(324)	566
(c) Amounts recognised directly in equity				
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or credited to equity:				
Net deferred tax – debited (credited) directly to equity (notes 13 and 17)	164	(205)	164	(205)

6. Trade and Other Receivables

	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent Entity 2008 $'000	Parent Entity 2007 $'000
Current				
Trade receivables	15,493	6,331	3,067	4,500
Provision for impairment	(304)	(139)	(133)	(102)
	15,189	6,192	2,934	4,398
Maintenance contract receivables	–	103	–	103
Extended credit receivables (hire purchase agreements)	2,191	3,468	987	2,709
Other receivables	234	–	164	–
	17,614	9,763	4,085	7,210
Non-Current				
Extended credit receivables (hire purchase agreements)	3,914	4,254	74	1,226
Amounts receivable from controlled entities	–	–	9,816	10,371
	3,914	4,254	9,890	11,597

6. Trade and Other Receivables (Continued)

Trade receivables

Trade receivables are generally unsecured and due 30 to 90 days from date of recognition.

Impaired trade receivables

As at 30 June 2008 current trade receivables of the Group with a nominal value of $326,821 (2007: $139,038) were impaired. The amount of the provision was $303,492 (2007: $139,038). As at 30 June 2008 current trade receivables of the parent entity with a nominal value of $153,625 (2007: $101,778) were impaired. The amount of the provision was $132,878 (2007: $101,778). It was assessed that a portion of the receivables is expected to be recovered. The Group has retention of title over the goods until the cash is received.

	Current	30+ Days	60+ Days	90+ Days	Total
The ageing of trade receivables is as follows:					
Group – 2008					
Trade receivables	12,751	735	959	1,048	15,493
Impaired trade receivables	(27)	(4)	–	(296)	(327)
Unimpaired receivables	12,724	731	959	752	15,166
Group – 2007					
Trade receivables	2,430	1,008	1,211	1,682	6,331
Impaired trade receivables	(8)	–	–	(131)	(139)
Unimpaired receivables	2,422	1,008	1,211	1,551	6,192
Parent entity – 2008					
Trade receivables	1,176	588	714	589	3,067
Impaired trade receivables	–	–	–	(154)	(154)
Unimpaired receivables	1,176	588	714	435	2,913
Parent entity – 2007					
Trade receivables	1,214	683	1,044	1,559	4,500
Impaired trade receivables	–	–	–	(102)	(102)
Unimpaired receivables	1,214	683	1,044	1,457	4,398

Past due but not impaired

As at 30 June 2008, unimpaired trade receivables greater than 30 days represent amounts past due but not impaired. Based on the credit history of these other classes, it is expected that these amounts will be received when due. The Group and parent entity hold retention of title over goods sold until cash is received.

Movements in the provision for impairment of receivables are as follows:

	Consolidated		Parent Entity	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
At 1 July	(139)	(360)	(102)	(360)
Provision for impairment recognised during the year	(1,135)	(158)	(843)	(149)
Receivables written off during the year as uncollectable	970	379	812	407
Unused amount reversed	–	–	–	–
At 30 June	(304)	(139)	(133)	(102)

6. Trade and Other Receivables (Continued)

Maintenance contract receivables

Maintenance contract receivables are generally unsecured. The relevant agreements require fixed monthly payments over the term of the contracts which are generally up to 5 years.

Extended credit receivables

Extended credit receivables (hire purchase agreements) represent amounts owed by customers for engines and aircraft sold to those customers. The amounts owed by customers are secured under hire purchase agreements between the Group and the customer. The amounts are repayable by the customers by monthly instalments of principal and fixed interest over periods of 1 to 5 years with no unguaranteed residual value. Furthermore, the agreements do not include any contingent rentals. The receivables are secured as the rights to the engine and/or aircraft revert to the Group in event of default. The engines and aircraft are maintained and insured by the customers and at the end of the term of the agreement are retained by the customers. None of the extended credit receivables are impaired, or past due but not impaired.

	Consolidated		Parent Entity	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Payments in relation to the hire purchase agreements are receivable as follows:				
Within one year	2,692	4,070	1,036	2,986
Later than one year but not later than five years	4,400	4,924	77	1,282
Later than five years	241	–	–	–
	7,333	8,994	1,113	4,268
Future finance revenue				
Within one year	(501)	(602)	(49)	(277)
Later that one year but not later than five years	(719)	(670)	(3)	(56)
Later than five years	(8)	–	–	–
	(1,228)	(1,272)	(52)	(333)
	6,105	7,722	1,061	3,935
Representing receivables:				
Current	2,191	3,468	987	2,709
Non-current	3,914	4,254	74	1,226
	6,105	7,722	1,061	3,935

Amounts receivable from controlled entities

Refer note 33 for information on amounts receivable from controlled entities.

Risk exposure

Information concerning the exposure to credit risk, foreign exchange and interest rate risk is set out in note 28.

7. Inventories

Work in progress – at cost	13,118	13,354	483	487
Finished goods – at cost	14,573	10,270	5,067	4,834
Land held for resale – at cost	–	3,211	–	–
	27,691	26,835	5,550	5,321

7. Inventories (Continued)

Finished goods includes aircraft, engines and parts held for sale. Work in progress includes engines and aircraft undergoing reconditioning in preparation for sale as well as incomplete repair jobs.

Borrowing costs of $679,000 (2006: $687,000) have been capitalised into the cost of inventory on qualifying assets (recognised in work in progress). The capitalisation rate is the interest rate applicable to the specific facility of 16% (2007: 16%)

Land held for resale was subject to a conditional sales contract entered into in June 2007 for $5.5 million. The contract settled on 4 July 2008. The land was pledged as security for the Advance from developer (refer note 16).

8. Derivative Financial Instruments

	Consolidated		Parent Entity	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Current				
Forward foreign exchange contracts – cashflow hedges	1,770	-	-	-

The Emerald operations include the contract for sale of two LFD ATP aircraft currently under contract, of which one has been included in the current year as the contract is unconditional. In order to protect against exchange rate movements, the Group has entered into forward exchange contracts (FEC's) to sell US dollars. These contracts are hedging highly probable contractual sales for the ensuing year and the FEC's are timed to mature when the settlements are scheduled to be made. The first contract is a firm commitment, and the second is highly probable.

The portion of the gain or loss on the hedging instruments that are deemed to be an effective hedge are recognised directly in equity. When the cashflows occur, the Group adjusts the initial measurement of the component recognised in the balance sheet by the related amount deferred in equity. Settlement is expected prior to 30 November 2008.

9. Tax balances – Current

	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Current tax assets	517	-	443	-
Current tax liabilities	1,423	635	-	215

10. Other Assets

	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Current				
Prepayments	468	200	91	103
Deposits	77	80	66	33
	545	280	157	136
Non-Current				
Other	116	-	-	-

11. Other Financial Assets

	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Shares in subsidiaries	-	-	14,019	14,019

These financial assets are carried at cost. For details of the subsidiaries refer note 31.

12. Property, Plant and Equipment

Consolidated

	Land & Buildings	Leasehold Improvements		Plant & Equipment		Rental Engines/ Aircraft	Assets Under Construction		Total
	Owned	Owned	Under Lease	Owned	Under Lease	Owned	Owned	Under Lease	
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 1 July 2006									
Cost	–	98	74	379	19	5,763	–	–	6,333
Accumulated depreciation	–	(43)	(43)	(202)	(3)	(753)	–	–	(1,044)
Net book value	–	55	31	177	16	5,010	–	–	5,289
Year ended 30 June 2007									
Opening net book value	–	55	31	177	16	5,010	–	–	5,289
Additions	–	24	–	415	43	3,166	2,095	1,250	6,993
Acquisition of subsidiary	4,188	–	–	63	55	6,683	875	–	11,864
Transfers	–	16	(16)	19	(19)	4,811	(816)	–	3,995
Disposals	–	–	–	(57)	–	(548)	–	–	(605)
Depreciation/ amortisation	(35)	(25)	(15)	(96)	(22)	(1,579)	–	–	(1,772)
Closing net book value	4,153	70	–	521	73	17,543	2,154	1,250	25,764
At 30 June 2007									
Cost	4,188	196	–	824	91	19,501	2,154	1,250	28,204
Accumulated depreciation	(35)	(126)	–	(303)	(18)	(1,958)	–	–	(2,440)
Net book value	4,153	70	–	521	73	17,543	2,154	1,250	25,764
Year ended 30 June 2008									
Opening net book value	4,153	70	–	521	73	17,543	2,154	1,250	25,764
Additions	–	86	–	66	166	2,026	764	140	3,248
Transfers [1]	–	–	–	–	–	1,257	(1,582)	–	(325)
Disposals	–	–	–	(21)	(16)	(2,097)	–	–	(2,134)
Depreciation/ amortisation	(47)	(41)	–	(149)	(44)	(1,943)	–	–	(2,224)
Closing net book value	4,106	115	–	417	179	16,786	1,336	1,390	24,329
At 30 June 2008									
Cost	4,188	281	–	854	235	19,986	1,336	1,390	28,270
Accumulated depreciation	(82)	(166)	–	(437)	(56)	(3,200)	–	–	(3,941)
Net book value	4,106	115	–	417	179	16,786	1,336	1,390	24,329

[1] net transfers consists of items transferred to/from inventory ($325,000) and between owned assets under construction and rental engines and aircraft ($1,582,000).

12. Property, Plant and Equipment (Continued)

Parent Entity

	Leasehold Improvements		Plant & Equipment		Rental Engines/ Aircraft	Assets Under Construction	Total
	Owned	Under Lease	Owned	Under Lease	Owned	Owned	
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 1 July 2006							
Cost	98	74	379	19	445	–	1,015
Accumulated depreciation	(43)	(43)	(202)	(3)	(75)	–	(366)
Net book value	55	31	177	16	370	–	649
Year ended 30 June 2007							
Opening net book value	55	31	177	16	370	–	649
Additions	24	–	128	–	591**	–	743
Transfers***	16	(16)	15	(15)	749	–	749
Disposals	–	–	–	–	(388)*	–	(388)
Depreciation/ amortisation	(25)	(15)	(52)	(1)	(54)	–	(147)
Closing net book value	70	–	268	–	1,268	–	1,606
At 30 June 2007							
Cost	196	–	526	–	1,340	–	2,062
Accumulated depreciation	(126)	–	(258)	–	(72)	–	(456)
Net book value	70	–	268	–	1,268	–	1,606
Year ended 30 June 2008							
Opening net book value	70	–	268	–	1,268	–	1,606
Additions	–	–	41	–	–	21	62
Transfers ***	–	–	–	–	–	–	–
Disposals	–	–	(4)	–	–	–	(4)
Depreciation/ amortisation	(39)	–	(66)	–	(118)	–	(223)
Closing net book value	31	–	239	–	1,150	21	1,441
At 30 June 2008							
Cost	196	–	538	–	1,340	21	2,094
Accumulated depreciation	(165)	–	(299)	–	(190)	–	(653)
Net book value	31	–	239	–	1,150	21	1,441

* includes engines at a written down value of $325,000 sold to a subsidiary.
** includes engines purchased from a subsidiary for $364,000.
***net transfers consist of items transferred to/from inventory.

12. Property, Plant and Equipment (Continued)

Rental arrangements – aircraft and engines

The Group rents aircraft and engines under two general arrangements:

- Contingent rentals - rented to customers under agreements with rentals payable monthly and no fixed term. As such, the agreements are cancellable. The rent is calculated on the basis of an hourly rate and hours of usage. There are no minimum hours of usage or minimum lease payments set out in the relevant agreements. As such, in accordance with AASB 117 "Leases" the rental income comprises of contingent rentals not minimum lease payments. Accordingly, there are no fixed lease commitments receivable; and
- Set or minimum rentals - the operating leases relate to aircraft and/or engines leased to third parties with lease terms of between 3-7 years. The monthly rental payments are either set or per hour of usage with minimum hours per annum. In addition, a contingent rental may be receivable based upon hours of usage. The lessee may have an option to purchase the aircraft/engine at the expiry of the lease period. However, the final purchase price is determined on a case by case basis in negotiation between the Group and the lessee.

Minimum lease payments in relation to aircraft and engine operating leases are receivable as follows:

	Consolidated		Parent Entity	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
No later than one year	1,031	1,681	509	339
Later than one year but no later than five years	3,300	4,288	1,554	1,258
Later than five years	345	892	–	–
	4,676	6,861	2,063	1,597

Non-current assets pledged as security

Refer note 16 for information on non-current assets pledged as security.

13. Deferred Tax Assets

The balance comprises temporary differences attributable to:				
Tax losses	1,350	87	475	–
Accruals	52	101	14	16
Employee benefits	308	293	116	112
Doubtful debts	91	42	40	31
Share issue expenses	–	164	–	164
Other	225	11	70	43
Finance leases	–	–	–	–
Maintenance contracts	–	19	–	–
Total deferred tax assets	2,026	717	715	366

13. Deferred Tax Assets (Continued)

Movements:	Tax losses $'000	Accruals $'000	Employee benefits $'000	Doubtful debts $'000	Share issue expenses $'000	Other $'000	Total $'000
Consolidated							
At 1 July 2006	–	20	74	108	42	30	274
(Charged)/credited to income statement	–	62	31	(175)	(83)	–	(165)
Credited directly to equity	–	–	–	–	205	–	205
Utilised against current tax liability	(326)	–	–	–	–	–	(326)
Acquisition of subsidiary	413	19	188	109	–	–	729
At 30 June 2007	87	101	293	42	164	30	717
(Charged)/credited to income statement	1,263	(49)	15	49	–	195	1,473
Credited directly to equity	–	–	–	–	(164)	–	(164)
Utilised against current tax liability	–	–	–	–	–	–	–
Acquisition of subsidiary	–	–	–	–	–	–	–
At 30 June 2008	1,350	52	308	91	–	225	2,026
Parent Entity							
At 1 July 2006	–	20	74	108	42	2	246
(Charged)/credited to income statement	–	(4)	38	(77)	(83)	25	(101)
Credited directly to equity	–	–	–	–	205	–	205
Other	–	–	–	–	–	16	16
At 30 June 2007	–	16	112	31	164	43	366
(Charged)/credited to income statement	475	(2)	4	9	–	27	513
Credited directly to equity	–	–	–	–	(164)	–	(164)
Other	–	–	–	–	–	–	–
At 30 June 2008	475	14	116	40	–	70	715

14. Intangible Assets

	Goodwill $'000
Consolidated	
At 1 July 2006	
Cost	–
Accumulated amortisation and impairment	–
Net book amount	–
Year ended 30 June 2007	
Opening net book amount	–
Acquisition of subsidiary	4,334
Closing net book amount	4,334
At 30 June 2007	
Cost	4,334
Accumulated amortisation and impairment	–
Net book amount	4,334
Year ended 30 June 2008	
Opening net book amount	4,334
Amortisation charge	–
Closing net book amount	4,334
At June 2008	
Cost	4,334
Accumulated amortisation and impairment	–
Net book amount	4,334
Parent Entity	
At 1 July 2006	
Cost	–
Accumulated amortisation and impairment	–
Net book amount	–
Year ended 30 June 2007	
Opening net book amount	–
Amortisation charge	–
Closing net book amount	–
At 30 June 2007	
Cost	–
Accumulated amortisation and impairment	–
Net book amount	–
Year ended 30 June 2008	
Opening net book amount	–
Amortisation charge	–
Closing net book amount	–
At June 2008	
Cost	–
Accumulated amortisation and impairment	–
Net book amount	–

14. Intangible Assets (Continued)

Impairment tests for goodwill

Goodwill is allocated to the IAP operations as a single cash-generating unit (CGU) which is included in the Aircraft and Engines Sales/Rentals primary business segment. The recoverable amount of the CGU is determined based on value in use calculations. These calculations use cashflow projections based on financial budgets approved by management covering a five-year period and include a terminal value adjusted for the perpetual growth rate.

Key assumptions used for value-in-use calculations

The calculations utilise a pre-tax risk adjusted discount rate of 14.2%. A growth rate of 3% has been used. Management determined budgeted net profit based on past performance and its expectations for the future. The discount rate reflects the specific risks relating to the relevant segment in which IAP operates.

Impact of possible changes in key assumptions

The Directors consider that there is no reasonably possible change in key assumptions which management has based its determination of IAP's recoverable amount which would cause the carrying amount of IAP's CGU to exceed its recoverable amount.

15. Trade and Other Payables

	Consolidated		Parent Entity	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Trade payables and accruals	4,626	4,956	1,450	2,142

Effective Interest Rates

Information concerning the effective interest rates is set out in note 28.

16. Borrowings

	Consolidated		Parent Entity	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Current				
Secured				
Bank overdraft	533	1,243	–	359
Bank loans	10,313	4,868	2,737	3,150
Finance company loan	72	577	72	–
Lease liabilities	116	97	–	–
	11,034	6,785	2,809	3,509
Unsecured				
Notes	4,528	–	–	–
Developer advance	2,044	2,000	–	–
Other loans – related parties	798	138	–	–
	18,404	8,923	2,809	3,509
Non-Current				
Secured				
Bank loans	11,133	11,421	–	1,052
Lease liabilities	802	801	–	–
	11,935	12,222	–	1,052
Unsecured				
Notes	–	4,397	–	–
Other loans – related parties	2,462	2,309	–	–
	14,397	18,928	–	1,052

16. Borrowings (Continued)

Unsecured Notes

During the 2006 year, PTB Finance Limited (a subsidiary of PTB Group Limited) issued 4,588,800 unsecured notes at $1 per note raising $4,588,800 cash. The notes are repayable on 30 November 2008. Nominal interest of 11.5% per annum (fixed) is payable monthly in arrears. Noteholders also received one option to acquire shares in PTB Group Limited for every $3 invested in the notes (being 1,529,600 options). The options are exercisable between 31 May 2008 and the note expiry date of 30 November 2008 at an exercise price of $1.60 per share. The options are transferable.

The notes are presented in the balance sheet as follows:

	Consolidated	
	2008 $'000	2007 $'000
Face value of notes issued	4,589	4,589
Other equity securities – value of conversion rights	(261)	(261)
Transaction costs	(83)	(83)
	4,245	4,245
Interest expense *	1524	610
Interest paid	(1241)	(458)
Non-current liability	4,528	4,397

* interest expense is calculated by applying the effective interest rate of 14% (2007:14%) to the liability component.

Bank Overdraft, Bank Loans and Bills Payable

The bank overdraft, bank loans and bills payable in the parent entity are secured by way of a registered mortgage debenture and chattel mortgages over all assets and undertakings of the parent entity. The bank overdraft and bills payable of the subsidiaries are secured by the land and building (recognised in property, plant and equipment) of $4,106,000 (2007: $4,153,000). The bank loans in the subsidiaries are secured by the aviation assets included in plant and equipment and inventory of the relevant subsidiary of $18,618,794 (2007: $16,161,000).

A facility of USD $5,400,000 for the refurbishment of the Emerald aviation assets was established in July 2007 in order to complete and settle the two LFD ATP and two PAX ATP aircraft. The nominal interest rate is 16% capitalised quarterly on the balance of the facility. The security arrangements are consistent with those noted below.

During the 2006 year PTB (Emerald) Pty Ltd (a subsidiary) received a term loan from a finance company of $8,263,000. The loan is repayable in monthly installments of $115,000 from February 2008 and the loan terminates on 31 December 2012. Nominal interest of 13% per annum is payable quarterly in arrears. The following security has been provided by PTB:

- Mortgage over the shares held by PTB in PTB (Emerald) Pty Ltd and the bank account;
- Mortgage over the aircraft held by PTB (Emerald) Pty Ltd as detailed above; and
- A charge over the assets and rights of PTB (Emerald) Pty Ltd which have a carrying value of $32,283,527 (2007: $16,623,000).

Advance from developer

The Belmont property was previously used by the IAP Group (Aeropelican Air Services Pty Ltd) as the Newcastle airport for its passenger and freight operations prior to moving to Williamtown Airport.

In March 2004 IAP entered into a joint venture deed with a third party developer in respect of the Belmont property. Under the joint venture deed the third party developer advanced IAP $2 million for the right to pursue the rezoning of the property as residential and/or commercial and if achieved, the development of the property by subdivision and sale of subdivided lots. The $2.04 million advance from the developer is secured by a mortgage over the property.

Prior to 30 June 2007 year end, the Group entered into an agreement to sell the land for $5.5 million. On 4 July 2008 the contract settled and the proceeds were utilised to repay the liability of $2.04 million (including accrued fees and charges).

16. Borrowings (Continued)

Lease Liabilities

Lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

Other Loans – Related Parties

Refer note 24 for information on other loans from related parties.

Effective Interest Rates

Information concerning the effective interest rates is set out in note 28.

Finance Facilities

Information concerning the finance facilities is set out in note 28.

Assets Pledged as Security

Certain assets of the Group are pledged as security for the facilities as noted above.

17. Deferred Tax Liabilities

	Consolidated		Parent Entity	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
The balance comprises temporary differences attributable to:				
Property, plant and equipment	1,836	1,725	3	–
Inventory	556	135	–	–
Other	293	–	–	–
Finance costs payable	–	43	–	–
Total deferred tax liabilities	2,685	1,903	3	–

Movements:	Property, plant and equipment $'000	Inventory $'000	Maintenance contracts $'000	Other $'000	Total $'000
Consolidated					
1 July 2006	15	–	206	70	291
Charged/(credited) to income statement	212	(68)	(206)	(27)	(89)
Acquisition of subsidiary	1,498	203	–	–	1,701
At 30 June 2007	1,725	135	–	43	1,903
Charged/(credited) to income statement	111	421	–	250	782
At 30 June 2008	1,836	556	–	293	2,685
Parent Entity					
1 July 2006	15	–	206	–	221
Charged/(credited) to income statement	(15)	–	(206)	–	(221)
At 30 June 2007	–	–	–	–	–
Charged/(credited) to income statement	3	–	–	–	3
Charged directly to equity	–	–	–	–	–
At 30 June 2008	3	–	–	–	3

18. Provisions

	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent Entity 2008 $'000	Parent Entity 2007 $'000
Current				
Employee benefits	826	644	355	256
Non-Current				
Employee benefits	201	334	36	144

19. Other Liabilities

	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent Entity 2008 $'000	Parent Entity 2007 $'000
Current				
Deferred revenue	209	389	–	167
Deposits in advance	863	–	346	–
	1,072	389	346	167
Non-Current				
Deferred revenue	197	–	40	–

Deferred revenue

Deferred revenue relates to maintenance contract revenue received in advance.

20. Contributed Equity

	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent Entity 2008 $'000	Parent Entity 2007 $'000
Share capital				
26,403,135 ordinary shares fully paid (2007: 26,396,468 ordinary shares fully paid)	27,780	27,773	27,780	27,773
Other equity securities				
Value of conversion rights (net of tax) (note 16)	183	183	261	261
	27,963	27,956	28,041	28,034

Effective 1 July 1998, the Corporations legislation in place abolished the concepts of authorised capital and par value shares. Accordingly, the parent does not have authorised capital nor par value in respect of its issued shares.

Movements in ordinary share capital	Note	No of Shares	Issue Price $	$'000
Balance 1 July 2006		11,738,632		3,988
Dividend reinvestment scheme	(a)	99,571	1.99	198
Options exercised	(b)	33,330	1.00	33
Consideration for business combination	(c)	6,908,054	1.60	11,053
Private share placement	(d)	3,150,020	1.53	4,820
Private share placement	(d)	1,937,500	1.60	3,100
Public offer	(e)	2,500,000	2.00	5,000
Dividend reinvestment scheme	(a)	29,361	2.03	59
Share issue costs (net of tax)		–		(478)
Closing balance 30 June 2007		26,396,468		27,773
Options exercised	(b)	6,667	1.00	7
Closing balance 30 June 2008		26,403,135		27,780

20. Contributed Equity (Continued)

Notes

(a) Issue of shares pursuant to dividend reinvestment scheme (refer note 30).
(b) Ordinary shares issued to employees on exercise of options for cash.
(c) On 21 September 2006, 6,908,054 ordinary shares were issued at $1.60 for the purchase of IAP Group Pty Ltd. The issue price represented the market price at that date.
(d) In August and September 2006, 3,150,020 ordinary shares were issued at $1.53 to sophisticated and professional investors raising $4,820,000 cash. In November 2006, a further 1,937,500 ordinary shares at $1.60 were issued to investors under a subscription agreement raising $3,100,000 cash.
(e) In December 2006, 2,500,000 ordinary shares were issued at $2.00 per share pursuant to a prospectus dated 8 November 2006, raising $5,000,000 cash.

The company has established a dividend reinvestment plan under which holders of ordinary shares may elect to have all or part of their dividend entitlements satisfied by the issue of new ordinary shares rather than by being paid cash. Shares are issued under the plan at up to a 4% discount to the market.

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to vote, and upon a poll each share is entitled to one vote.

Options

As at balance date the number of options to purchase ordinary shares in the parent entity was as follows:

	2008	2007		
	No. of Options	**No. of Options**	**Exercise Price**	**Expiry Date**
Director options	–	550,000	$1.15	10 March 2008
Employee share options	80,002	93,336	$1.00	19 November 2008
Employee share options	120,000	140,000	$1.60	20 February 2010
Employee share options	40,000	40,000	$2.00	31 August 2010
Note options	1,529,600	1,529,600	$1.60	30 November 2008

The Director options were issued upon listing on 10 March 2005. Refer note 25 for further details.

An employee share option scheme was approved by shareholders on 3 June 2005. Refer to note 25 for details.

Note options were granted as part of the unsecured note placement. Refer note 16 for details.

Capital Risk Management

The Group's and the parent entity's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns to shareholders, benefits to other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Board of Directors monitors the return on capital, which the Group defines as net profit after tax divided by average shareholders' equity.

21. Reserves

	Consolidated		Parent Entity	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Share-based payments reserve	241	163	241	163
Movements:				
Reserve balance 1 July	163	100	163	100
Option expense	78	63	78	63
Reserve balance 30 June	241	163	241	163

The share-based payments reserve is used to recognise the fair value of the options issued but not exercised.

	Consolidated		Parent Entity	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Hedging reserve	1,484	–	–	–
Movements:				
Reserve balance 1 July	–	–	–	–
Recognition of effective cashflow hedge	1,484	–	–	–
Reserve balance 30 June	1,484	–	–	–

The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised directly in equity, as described in note 1(p). Amounts are recognised in the income statement when the associated hedged transaction affects the income statement.

22. Cash Flow Information

	Consolidated		Parent Entity	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
(a) Reconciliation of Cash and Cash Equivalents				
Cash and cash equivalents at the end of the financial year as shown in the cash flow statements is reconciled to items in the balance sheets as follows:				
Cash and cash equivalents assets – cash at bank and on hand	1,200	290	750	91
Bank overdraft (note 16)	(533)	(1,243)	–	(359)
	667	(953)	750	(268)

22. Cash Flow Information (Continued)

	Consolidated		Parent Entity	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
(b) Reconciliation of Net Cash Flow from Operating Activities to Profit/(Loss) for the Year				
Profit/(Loss) for the year	3,131	3,589	(935)	1,123
Depreciation and amortisation	2,224	1,772	223	147
Gain on disposal of property, plant and equipment	(209)	(214)	–	(110)
Share-based payments	78	63	–	63
Movement in provision for doubtful debts	–	–	31	–
Interest capitalised	696	–	–	–
Unrealised foreign currency movements	(934)	–	–	–
Other	32	61	–	–
Changes in operating assets and liabilities net of effects from business combination.				
(Increase)/decrease in:				
Receivables	(7,511)	(4,940)	4,246	(844)
Inventories **	(856)	(18,523)	(151)	(1,288)
Deferred tax assets*	(619)	(198)	(346)	(136)
Other assets	380	(17)	(22)	2
Increase/(decrease) in:				
Trade payables and accruals	550	1,891	(306)	533
Employee benefits	49	104	(9)	151
Deferred revenue	–	274	(167)	124
Current tax liabilities	271	124	(658)	(77)
Deferred tax liabilities*	92	600	–	–
Net cash flow from operating activities	(2,626)	(15,414)	1,906	(312)

* net of amounts charged or credited directly to equity
** net of transfers to/from property, plant and equipment

(c) Non-cash Investing and Financing Activities

Dividends satisfied by the issue of shares under the dividend reinvestment scheme are shown in note 30. Options issued to employees under the Employee Share Option Scheme are shown in note 25.

During the year the Group purchased $305,896 of property, plant and equipment by way of finance lease (2007: $1,077,000).

23. Earnings Per Share

	Consolidated	
	2008 cents	**2007 cents**
Basic earnings per share	11.86	16.10
Diluted earnings per share	11.85	15.60
	$'000	**$'000**
Earnings used to calculate basic and diluted earnings per share – profit after tax for the year	3,131	3,589
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	26,402,185	22,270,165
Effect of dilutive securities:		
- Director and employee share options	23,607	326,841
- Note options	–	475,245
Weighted average number of ordinary shares and potential ordinary shares used in calculating diluted earnings per share	26,425,792	23,072,251

Options granted to Directors and to employees under the PTB Group Limited Employee Share Option Scheme (note 25) and the 1,529,600 options granted as part of the unsecured notes (note 16) are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. The options have not been included in the determination of basic earnings per share.

24. Key Management Personnel Disclosures

Directors

The following persons were Directors of PTB Group Limited during the financial year:

Chairman – non-executive
H Parker

Executive Directors
CL Baker, Managing Director (Group)
SG Smith, Sales and Marketing Director (Pacific Turbine Brisbane Division) – resigned 30 November 2007.
RS Ferris, Managing Director (IAP Division)

Non-executive Directors
RJ David – resigned 22 February 2008.
APS Kemp
R Blumberg was appointed non-executive Director on 4 July 2007 and resigned 22 February 2008.

Other key management personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, during the financial year:

Name	Position	Employer
JT Barbeler	Company Secretary and CFO	PTB Group Limited

AL Abrahams resigned on 6 April 2007. JT Barbeler was appointed on 28 May 2007.

There were no other key management personnel in either the current or prior year.

24. Key Management Personnel Disclosures (Continued)

Key management personnel compensation:

	Consolidated		Parent Entity	
	2008 $	2007 $	2008 $	2007 $
Short-term employee benefits	787,051	737,022	787,051	737,022
Post-employment benefits	122,876	149,305	122,876	149,305
Other long-term benefits	13,915	13,140	13,915	13,140
Share-based payments	6,181	1,874	6,181	1,874
	930,023	901,341	930,023	901,341

The company has taken advantage of the relief provided by *Corporations Regulations 2001* and has transferred the detailed remuneration disclosures to the Directors' report. The relevant information can be found in sections A to D of the remuneration report in the Directors' report.

Equity instrument disclosures relating to key management personnel

Options provided as remuneration and shares issued on exercise of such options

Details of options provided as remuneration and shares issued on the exercise of such options, together with terms and conditions of the options, can be found in section D of the remuneration report in the Directors' report.

Option holdings

The numbers of options over ordinary shares in the company held during the financial year by each Director of PTB Group Limited and other key management personnel of the Group, including their personally related parties, are set out below:

Name	Balance at the start of the year	Granted during the year as compensation	Exercised/ Lapsed during the year	Balance at date of appointment/ resignation	Balance at the end of the year	Vested and exercisable at the end of the year
2008						
Directors						
CL Baker	200,000	–	(200,000)[1]	–	–	–
SG Smith	200,000	–	–	(200,000)[1]	–	–
RS Ferris	–	–	–	–	–	–
H Parker	–	–	–	–	–	–
RJ David	–	–	–	–	–	–
APS Kemp	188,267	–	(150,000)[1]	–	38,267	38,267
R Blumberg	–	–	–	–	–	–
Other key management personnel of the Group						
JT Barbeler	20,000	–	–	–	20,000	6,667

Name	Balance at the start of the year	Granted during the year as compensation	Exercised/ Lapsed during the year	Balance at date of appointment/ resignation	Balance at the end of the year	Vested and exercisable at the end of the year
2007						
Directors						
CL Baker	200,000	–	–	–	200,000	200,000
SG Smith	200,000	–	–	–	200,000	200,000
RS Ferris	–	–	–	–	–	–
HR Jones	–	–	–	–	–	–
H Parker	–	–	–	–	–	–
RJ David	–	–	–	–	–	–
APS Kemp	188,267	–	–	–	188,267	150,000
Other key management personnel of the Group						
AL Abrahams	20,000	–	(6,666)	(13,334)	–	–
JT Barbeler	–	20,000	–	–	20,000	–

[1] 550,000 options issued to Directors expired and lapsed on 10 March 2008.

24. Key Management Personnel Disclosures (Continued)

In 2007 AL Abrahams exercised 6,666 remuneration options at an amount of $1.00 per ordinary share issued ($6,666 in total). On termination 13,334 options were forfeited as the service period was not met. The 38,267 note options held by APS Kemp and the 6,667 held by J Barbeler are exercisable.

Share holdings

The numbers of shares in the company held during the financial year by each Director of PTB Group Limited and other key management personnel of the Group, including their personally related parties, are set out below. There were no shares granted during the current or previous year as compensation.

Name	Balance at the start of the year	Issued as part of business combination (note 34)	Received during the year on the exercise of options	Other changes	Balance at date of appointment/ resignation	Balance at the end of the year
2008						
Directors						
CL Baker	1,782,104	–	–	–	–	1,782,104
SG Smith	1,843,860	–	–	–	(1,843,860)	–
RS Ferris	6,908,054	–	–	–	–	6,908,054
H Parker	296,000	–	–	–	–	296,000
RJ David	337,000	–	–	–	(337,000)	–
APS Kemp	136,348	–	–	10,900	–	147,248
Other key management personnel of the Group						
JT Barbeler	–	–	–	–	–	–

Name	Balance at the start of the year	Issued as part of business combination (note 34)	Received during the year on the exercise of options	Other changes	Balance at date of appointment/ resignation	Balance at the end of the year
2007						
Directors						
CL Baker	1,776,000	–	–	6,104	–	1,782,104
SG Smith	1,778,500	–	–	65,360	–	1,843,860
RS Ferris	–	6,908,054	–	–	–	6,908,054
HR Jones	1,776,000	–	–	–	(1,776,000)	–
H Parker	296,000	–	–	–	–	296,000
RJ David	212,000	–	–	125,000	–	337,000
APS Kemp	96,000	–	–	40,348	–	136,348
Other key management personnel of the Group						
AL Abrahams	3,157	–	6,666	–	(9,823)	–
JT Barbeler	–	–	–	–	–	–

Loans to key management personnel

There were no loans to Directors of PTB Group Limited or other key management personnel of the Group during the current or previous reporting period.

Other transactions with key management personnel

In the previous year APS Kemp's remuneration included additional amounts paid for services provided in respect of corporate advisory and capital raising strategy services (2007: $66,500). These services were supplied at normal terms and conditions.

24. Key Management Personnel Disclosures (Continued)

In 2007 PTB (Emerald) Pty Ltd (subsidiary) obtained a loan of $2,000,000 from Steve Ferris (Director). The loan is repayable on 16 December 2011. The loan is subordinated to the finance company loan. Nominal interest of 10% per annum (fixed) is payable monthly in arrears and capitalised to the balance of the loan. The loan is unsecured and has a balance outstanding at 30 June 2008 of $2,371,224 (2007: $2,145,878).

Additionally, IAP Group Australia Pty Ltd (subsidiary) has a loan from Steve Ferris (Director) where monies are advanced to IAP and repaid on a revolving line of credit basis. The loan has a maturity of 3 years, is unsecured and has a fixed interest rate of 8%. The loan is repayable in monthly instalments and has a balance outstanding at 30 June 2008 of $889,116 (2007: $416,306).

In October 2006, 2 aircraft costing $512,000 were purchased from Mr R.R Ferris, father of PTB Group Director Steve Ferris. These aircraft were sold at a profit to third parties during 2007.

All transactions were under normal commercial terms and conditions, unless otherwise stated. No bad or doubtful debts expense has been, or is likely to occur from transactions with related parties.

Aggregate amounts of each of the above types of other transactions with key management personnel of the Group:

	Consolidated		Parent Entity	
	2008 $	2007 $	2008 $	2007 $
Amounts recognised as expense				
Purchase of aircraft	–	512,000	–	–
Purchases of spare parts	–	–	–	–
Interest expense*	–	186,445	–	–
	–	698,445	–	–
Aggregate amounts receivable/payable arising from the above types of transactions with key management personnel of the Group:				
– current receivables	–	–	–	–
– current borrowings	798,001	138,000	–	–
– non-current borrowings	2,462,339	2,424,184	–	–

* represents interest paid at 11.5% to APS Kemp on unsecured notes and on the two unsecured loans payable by Group companies to R.S Ferris at 8% and 10%.

25. Share-based Payments

Employee Share Option Scheme

The establishment of the Employee Share Option Scheme was approved by shareholders on 3 June 2005. All staff are eligible to participate in the scheme, including executive Directors.

Options are granted under the scheme for no consideration. The exercise price will be the amount specified by the remuneration committee at the time of issue. The exercise period is the period specified by the remuneration committee at the time of issue. Options under the plan may not exceed 5% of the total number of issued shares of the company at the date of issue.

Options lapse if prior to or during the exercise period the employee is terminated or resigns. If a person dies, becomes disabled, or is made redundant prior to the exercise period the option lapses. If a person dies, becomes disabled, or is made redundant during the exercise period special rules apply that allow options to be exercised.

Options granted under the scheme carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share for cash. Amounts receivable on the exercise of options are recognised as share capital.

25. Share-based Payments (Continued)

Set out below are summaries of options granted under the scheme:

Grant date	Expiry date	Exercise price	Balance at start of year	Granted during the year	Exercised during the year	Expired/ forfeited during the year	Balance at end of the year	Exercisable at end of the year
			Number	Number	Number	Number	Number	Number
Consolidated and parent entity – 2008								
31 May 2007	31 Aug 2010	$2.00	40,000	-	-	-	40,000	13,334
30 Dec 2006	20 Feb 2010	$1.60	140,000	-	-	(20,000)	120,000	40,000
30 Sep 2005	19 Nov 2008	$1.00	93,336	-	(6,667)	(6,667)	80,002	46,667
Consolidated and parent entity – 2007								
31 May 2007	31 Aug 2010	$2.00	-	40,000	-	-	40,000	
30 Dec 2006	20 Feb 2010	$1.60	-	140,000	-	-	140,000	-
30 Sep 2005	19 Nov 2008	$1.00	140,000	-	(33,330)	(13,334)	93,336	13,332

Options held vest one third each year on the anniversary of the grant date.

The weighted average remaining contractual life of share options outstanding at the end of the 2008 year was 1.3 years (2007: 2.3 years).

The weighted average share price at the date of exercise of options exercised during the year ended 30 June 2008 was $1.52 (2007: $2.44).

Fair value of options granted

The assessed fair value at grant date of the options granted during the year ended 30 June 2007 was $1.01 per option for the 30 December 2006 grant and $0.54 per option for the 31 May 2007 grant (2006: 35 cents per option). The fair value at grant date is determined using a Binomial option pricing model that takes into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The model inputs for options granted as at 31 May 2007, 30 December 2006, and September 2005 respectively included:

Grant date	31 May 2007	30 December 2006	30 September 2005
Consideration	Nil	Nil	Nil
Life	3 years	3 years	3 years
Exercise price	$2.00	$1.60	$1.00
Expiry date	31 August 2010	20 February 2010	19 November 2008
Share price at grant date	$2.00	$2.53	$1.20
Expected price volatility	24%	36%	39%
Expected dividend yield	6%	6%	6%
Risk free interest rate	6.22%	5.93%	5.29%

The expected price volatility is based on the historic volatility of the entity up to the grant date of the options as well as the historic volatility of a number of similar entities (based on a period with a similar life of the options). The fair value of the options granted excludes the impact of any non-market vesting conditions. There were no market based conditions.

Director Options

During the 2005 year options were granted to Directors by the parent entity. Each option granted is convertible into one ordinary share in PTB Group Limited for cash. The options were issued upon listing pursuant to the prospectus dated 4 January 2005. Options granted carry no dividend or voting rights. The options vested upon listing and there were no further vesting conditions. They are exercisable at any time after 12 months after grant but before expiry.

25. Share-based Payments (Continued)

Set out below are summaries of options granted:

Grant date	Expiry date	Exercise price	Balance at start of year Number	Granted during the year Number	Exercised during the year Number	Expired during the year Number	Balance at end of the year Number	Exercisable at end of the year Number
Consolidated and parent entity – 2008								
10 Mar 2005	10 Mar 2008	$1.15	550,000	–	–	550,000	–	–
Consolidated and parent entity – 2007								
10 Mar 2005	10 Mar 2008	$1.15	550,000	–	–	–	550,000	550,000

No such options were granted in the 2007 or 2008 years.

The weighted average remaining contractual life of share options outstanding at the end of the year was Nil years (2007: 0.78 years).

Fair value of options granted

The assessed fair value at grant date of the options granted during the year ended 30 June 2005 was 13.7 cents per option. The fair value at grant date was independently determined using a Binomial option pricing model that takes into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The model inputs for options granted during the year ended 30 June 2005 included:

Options are granted for no consideration and have a three year life
Exercise price: $1.15
Grant date: 10 March 2005
Expiry date: 10 March 2008
Share price at grant date: $1.00
Expected price volatility of the company's shares: 31.5%
Expected dividend yield: 6%
Risk-free interest rate: 5.22%

The expected price volatility was based on the historic volatility of a number of similar entities (based on a period with a similar life of the options). The fair value of the options granted excludes the impact of any non-market vesting conditions. There were no market based conditions.

Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the year as part of employee benefit expense were as follows:

	Consolidated		Parent Entity	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Options issued under employee option scheme	78	63	78	63

26. Auditor's Remuneration

	Consolidated		Parent Entity	
	2008 $	2007 $	2008 $	2007 $
(a) Audit Services				
Remuneration of the auditor of the Group for:				
Audit or review of the financial reports	130,000	–	80,000	–
Related practices of the auditor for an audit of an entity within the group	10,000	–	–	–
Other Audit firms for the audit or review of financial reports of the Group	–	171,500	–	166,500
(b) Non audit services				
Taxation advice and compliance services	55,000	–	26,000	–
Other Audit firms for other assurance services	–	47,510	–	35,000
Other Audit firms for taxation compliance services	–	62,500	–	62,500
Other Audit firms for other compliance services	–	5,000	–	–

Other assurance services for 2007 comprises the provision of the independent accountant's report for the November 2006 prospectus.

There was no other remuneration paid to related practices of the auditor.

27. Commitments

	Consolidated		Parent Entity	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
(a) Finance leases				
Commitments in relation to finance leases are payable as follows:				
Within one year	215	195	–	–
Later than one year but not later than five years	915	730	–	–
Later than five years	128	341	–	–
Minimum lease payments	1,258	1,266	–	–
Future finance charges				
– Within one year	(98)	(98)	–	–
– Later than one year but not later than five years	(235)	(240)	–	–
– Later than five years	(6)	(30)	–	–
	919	898	–	–
Representing lease liabilities:				
Current	117	97	–	–
Non-current	802	801	–	–
	919	898	–	–

Finance leases comprise leases of property, plant and equipment, under normal commercial finance lease terms and conditions.

	Consolidated		Parent Entity	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
(b) Operating leases				
Commitments in relation to non-cancellable operating leases contracted for at the reporting date but not recognised as liabilities are payable as follows:				
Within one year	357	386	66	94
Later than one year but not later than five years	92	202	20	69
	449	588	86	163

Operating leases mainly comprise leases of premises in Brisbane, Sydney and Newcastle in Australia and Blackpool in UK. These leases are under normal commercial terms and conditions including rentals, in certain cases, being subject to periodic review for market and/or CPI increases as well as options for renewal.

27. Commitments (Continued)

	Consolidated		Parent Entity	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
(c) Remuneration commitments				
Commitments for payment of salaries and other remuneration under long-term employment contracts in existence at the reporting date but not recognised as liabilities payable:				
Less than one year	560	660	560	660
Greater than one year but not later than five years	840	-	840	-
	1,400	660	1,400	660

Remuneration commitments comprise the minimum amounts payable to C Baker and S Ferris upon termination under their service agreements.

(d) Capital commitments				
Capital expenditure for Land and Buildings contracted for at balance date but not recognised as liabilities are payable as follows:				
Within one year	3,380	-	-	-
	3,380	-	-	-

Capital commitments include the land and buildings contracted for at 12 February 2008 by IAP Group Australia Pty Ltd to house the PTB Group Brisbane workshop, sales, and administration activities. Settlement is expected once practical completion is achieved in early October 2008.

28. Financial Risk Management and Other Financial Instrument Disclosures

Financial Risk Management

The Group's activities expose it to a variety of financial risks; market risk (including foreign exchange risk, price risk, and cash flow and fair value interest rate risk), credit risk, and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

Risk management is carried out by management under policies approved by the Board of Directors. Management identifies, evaluates and addresses financial risks and uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, and ageing analysis for credit risk. The Board provides principles for overall risk management, as well as policies covering specific areas, such as mitigating foreign exchange, interest rate and credit risks, use of derivative financial instruments and investing excess liquidity.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

The Group operates internationally and is exposed to foreign exchange risk primarily arising from sale and purchase transactions denominated in US dollars and UK pounds. The risk is measured using sensitivity analysis and cashflow forecasting.

These derivatives are exclusively used for hedging purposes to minimise foreign exchange risk on relevant transactions and the Group does not speculate on foreign currency. The Group manages this risk through matching, to the extent possible, of US dollar denominated receivables and payables. All transactions which are exposed to foreign exchange risk are authorised by senior management.

28. Financial Risk Management and Other Financial Instrument Disclosures (Continued)

The Group's exposure to foreign currency risk at the reporting date was as follows:

	30 June 2008		30 June 2007	
	USD $'000	GBP '000	USD $'000	GBP $'000
Cash and cash equivalents	907	45	59	1
Trade and other debtors	10,654	902	6,769	475
Forward exchange contracts	12,000	-	-	-
Trade and other payables	(1,098)	(572)	(2,053)	(300)
Borrowings	(7,340)	-	(410)	-
Other liabilities	(164)	-	-	-

Group sensitivity

Based on the financial instruments held at 30 June 2008, had the Australian dollar weakened/strengthened by 10% against the USD dollar, with all other variables held constant, the Group's post tax profit for the year would have been $239,000 higher/$196,000 lower (2007: $402,000 higher/$329,000 lower), mainly as a result of foreign exchange gains and losses on translation of US dollar denominated financial instruments as detailed in the above table. Profit is less sensitive to movements in the Australian dollar/US dollar exchange rates in 2008 than in 2007 because of the increased amount of the US dollar denominated borrowings offsetting US dollar denominated receivables.

Equity would have been $466,000 lower/$359,000 higher (2007: $402,000 higher/$329,000 lower) had the Australian dollar weakened/strengthened by 10% against the US dollar, arising mainly from forward foreign exchange contracts designated as cash flow hedges. Equity is more sensitive to movements in the Australian dollar/US dollar exchange rates in 2008 than in 2007 because of the increased amount of forward foreign exchange contracts. The Group's exposure to other foreign exchange movements is not material.

The Parent entity's exposure to foreign currency risk at the reporting date was as follows:

	30 June 2008		30 June 2007	
	USD $'000	GBP '000	USD $'000	GBP $'000
Cash and cash equivalents	445	-	53	-
Trade and other debtors	1,878	-	1,851	-
Forward exchange contracts	-	-	-	-
Trade and other payables	(729)	-	(1,010)	-
Borrowings	-	-	-	-
Other liabilities	(164)	-	-	-

Parent entity sensitivity

Based on the financial instruments held at 30 June 2008, had the Australian dollar weakened/strengthened by 10% against the USD dollar, with all other variables held constant, the Parent entity's post tax profit for the year would have been $116,000 higher/$95,000 lower (2007: $82,000 higher/$67,000 lower), mainly as a result of foreign exchange gains and losses on translation of US dollar denominated financial instruments as detailed in the above table. Profit is more sensitive to movements in the Australian dollar/US dollar exchange rates in 2008 than in 2007 because of the increased amount of the US dollar denominated borrowings.

28. Financial Risk Management and Other Financial Instrument Disclosures (Continued)

Equity would have been $116,000 higher/$95,000 lower (2007: $82,000 higher/$67,000 lower) had the Australian dollar weakened/strengthened by 10% against the US dollar, arising mainly from the movement in US dollar denominated receivables. The Parent entity's exposure to other foreign exchange movements is not material.

(ii) Price risk

The Group is not directly exposed to material equity securities price risk or commodity price risk.

(iii) Cash flow and fair value interest rate risk

The Group has significant interest-bearing assets being extended credit receivables. These receivables are subject to fixed interest rates. The fair value interest rate risk associated with these receivables is not hedged. The risk is minimised through the relatively short nature of the majority of these receivables as well as funding them, where possible, by matching fixed rate bank loans.

The Group has significant interest bearing liabilities, as detailed below. The majority of these liabilities bear fixed interest rates. The fair value interest rate risk is not hedged. However, as noted above, the fixed interest rate bank loans are generally used to fund extended credit receivables. Loans from financial institutions are used to purchase and refurbish aviation assets. Although the fair value interest rate risk is not hedged where possible the loans are matched against receivables in currencies that match the interest rate risk. The unsecured notes which bear a fixed interest rate were primarily issued to fund the engine rental pool which derives rental revenue as disclosed in note 2.

Variable rate debt (primarily the bank overdraft) is also not hedged.

The Group's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and financial liabilities is set out below:

	Effective Weighted Average Interest Rate	Floating Interest Rate	Fixed Interest Rate Maturing 1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Non-Interest Bearing	Total
	%	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2008										
Financial assets										
Cash and cash equivalents	1.29	1,155	-	-	-	-	-	-	45	1,200
Trade and other debtors	-	-	-	-	-	-	-	-	15,423	15,423
Extended credit receivables	10.57	-	2,197	902	1,876	507	390	233	-	6,105
Total financial assets		1,155	2,197	902	1,876	507	390	233	15,468	22,728
Financial liabilities										
Trade and other payables	-	-	-	-	-	-	-	-	4,626	4,626
Bank overdraft	9.82	533	-	-	-	-	-	-	-	533
Bank loans	11.85	297	9,299	2,749	2,434	3,820	2,863	-	-	21,462
Bills payable	9.04	2,100	-	-	-	-	-	-	-	2,100
Lease liabilities	10.50	-	116	126	148	158	248	122	-	918
Unsecured notes	11.50	-	4,528	-	-	-	-	-	-	4,528
Related party loans	9.45	-	798	91	-	-	-	2,371	-	3,260
Total financial liabilities		2,930	14,741	2,966	2,582	3,978	3,111	2,493	4,626	37,427

28. Financial Risk Management and Other Financial Instrument Disclosures (Continued)

	Effective Weighted Average Interest Rate	Floating Interest Rate	Fixed Interest Rate Maturing 1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Non-Interest Bearing	Total
	%	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2007										
Financial assets										
Cash and cash equivalents	5.6	236	–	–	–	–	–	–	54	290
Trade and other debtors	–	–	–	–	–	–	–	–	6,192	6,192
Maintenance contract receivables	–	–	–	–	–	–	–	–	103	103
Extended credit receivables	10.3	–	3,468	1,734	1,294	816	194	216	–	7,722
Total financial assets		236	3,468	1,734	1,294	816	194	216	6,349	14,307
Financial liabilities										
Trade payables	–	–	–	–	–	–	–	–	4,956	4,956
Bank overdraft	9.3	1,243	–	–	–	–	–	–	–	1,243
Bank loans	8.2	558	2,655	1,359	946	595	2,037	–	–	8,150
Finance company loan	13.0	–	577	1,266	1,349	1,377	1,377	690	–	6,636
Bills payable	8.7	2,080	–	–	–	–	–	–	–	2,080
Lease liabilities	10.8	–	97	106	113	132	139	311	–	898
Unsecured notes	14	–	–	4,397	–	–	–	–	–	4,397
Related party loans	9.8	–	138	138	25	–	–	2,146	–	2,447
Developer advance	–	–	–	–	–	–	–	–	2,000	2,000
Total financial liabilities		3,881	3,467	7,266	2,433	2,104	3,553	3,147	6,956	32,807

There are no other interest bearing financial assets and liabilities.

Group and Parent entity sensitivity

As the majority of the interest rates are fixed, at 30 June 2008 if interest rates had changed by -/+100 basis points from year-end rates with all other variables held constant, post tax profit and equity for the year would not be materially impacted (2007: $nil).

Net Fair Values

The net fair values of financial assets and financial liabilities approximate their carrying values.

Derivative Financial Instruments

The Group does not normally use derivative financial instruments except as noted above.

(b) Credit risk

The Group trades only with recognised, creditworthy third parties.

The main credit risk arises from receivables balances. These balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not considered significant by the Directors. Management review the credit rating of each customer, taking into account any previous trading history with the Group, its financial position, and external credit reports where appropriate. Individual risk limits are set based on internal ratings and compliance is regularly monitored by management.

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 provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements.

28. Financial Risk Management and Other Financial Instrument Disclosures (Continued)

The Group does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments at balance date except as follows:

- The Group's customers are involved in the airline passenger and freight operation industry;
- There are a number of individually significant receivables. For example at 30 June 2008 the largest 10 debtors comprised approximately 80% (2007: 66%) of total receivables. It should be noted in the current year that the two largest debtors include the Belmont Land receivable of $5.2m which was settled and received on 4 July 2008, and the LFD ATP aircraft debtor of $5.9m due to be settled prior to 30 November 2008. There is a broad spread of other trade and extended credit receivables comprising 22% and 28% (2007: 44% and 55%) of total receivables respectively; and
- The receivables are concentrated in six main geographical areas. Refer to note 29 for further information.

At balance date cash was held with ANZ, CBA, and National Australia Bank.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The Group also ensures that adequate unutilised borrowing facilities and cash reserves are maintained. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, unsecured notes, and finance leases and finance company loans. Details of unused borrowing facilities are disclosed below.

		Consolidated		Parent Entity	
		2008 $'000	2007 $'000	2008 $'000	2007 $'000
Finance Facilities					
Available facilities					
Bank overdraft		1,519	1,400	500	500
Bank loans	– chattel mortgage	16,684	18,755	2,500	7,500
	– refurbishment	5,610	–	–	–
	– aviation fund	31,166	–	–	–
	– foreign currency	–	109	–	109
	– other	368	772	72	60
Bills payable	– multi-option	2,100	2,100	1,000	1,000
Notes		4,528	4,397	–	–
Related Party facilities		3,260	2,447	–	–
Developer loan		2,043	2,000	–	–
		67,278	31,980	4,072	9,169
Amounts utilised					
Bank overdraft		534	1,243	–	359
Bank loans	– chattel mortgage	15,923	15,017	1,737	3,113
	– refurbishment	4,045	–	–	–
	– aviation fund	–	–	–	–
	– foreign currency	–	109	–	109
	– other	368	558	72	–
Bills payable	– multi-option	2,100	2,080	1,000	980
Notes		4,528	4,397	–	–
Related Party facilities		3,260	2,447	–	–
Developer loan		2,043	2,000	–	–
		32,801	27,851	2,809	4,561
Unused facilities					
Bank overdraft		985	157	500	141
Bank loans	– chattel mortgage	761	3,738	763	4,387
	– refurbishment	1,565	–	–	–
	– aviation fund	31,166	–	–	–
	– foreign currency	–	–	–	–
	– other	–	214	–	60
Bills payable	– multi-option	–	20	–	20
Notes		–	–	–	–
Related Party facilities		–	–	–	–
		34,477	4,129	1,263	4,608

28. Financial Risk Management and Other Financial Instrument Disclosures (Continued)

Maturities of financial liabilities

The tables below analyse the Group's and the Parent entity's financial liabilities and net and gross settled derivative financial instruments into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cashflows.

	1 year or less $'000	1 to 2 years $'000	2 to 3 years $'000	3 to 4 years $'000	4 to 5 years $'000	Over 5 years $'000	Total $'000
Group 2008							
Non-derivatives							
Non-interest bearing	6,669	–	–	–	–	–	6,669
Variable rate	3,202	–	–	–	–	–	3,202
Fixed rate	15,416	4,323	3,642	4,712	3,478	2,736	34,307
Total financial liabilities	25,287	4,323	3,642	4,712	3,478	2,736	44,178
Derivatives							
Gross settled – (inflow)	1,769	–	–	–	–	–	1,769
	1,769	–	–	–	–	–	1,769
Group 2007							
Non-derivatives							
Non-interest bearing	6,956	–	–	–	–	–	6,956
Variable rate	3,620	–	–	–	–	–	3,620
Fixed rate	4,776	9,171	3,480	2,928	4,084	3,417	27,856
Total financial liabilities	15,352	9,171	3,480	2,928	4,084	3,417	38,432
Derivatives							
Gross settled – (inflow)	–	–	–	–	–	–	–
	–	–	–	–	–	–	–
Parent 2008							
Non-derivatives							
Non-interest bearing	1,450	–	–	–	–	–	1,450
Variable rate	1,094	–	–	–	–	–	1,094
Fixed rate	1,164	317	287	207	92	2,736	4,803
Total financial liabilities	3,708	317	287	207	92	2,736	7,347
Parent 2007							
Non-derivatives							
Non-interest bearing	2,142	–	–	–	–	–	2,142
Variable rate	1,072	–	–	–	–	–	1,072
Fixed rate	2,164	885	124	95	16	–	3,284
Total financial liabilities	5,378	885	124	95	16	–	6,498

28. Financial Risk Management and Other Financial Instrument Disclosures (Continued)

Bank overdraft

The bank overdraft facilities are subject to annual review and may be drawn at any time. The interest rate is variable and is based on prevailing market rates. The facilities are subject to annual review.

Bank loans

The chattel mortgage loans are repayable by monthly instalments of principal and fixed interest over a period of 2 to 4 years from each draw down date.

The foreign currency loan was denominated in US dollars, was repayable by quarterly principal and fixed interest repayments to clear the facility in full by the termination date on 14 January 2008.

The other bank loans are mainly interest only and are subject to annual review. The interest rate is variable and is based on prevailing market rates.

Finance company loan

The finance company loan is repayable by quarterly/monthly principal and interest repayments over five years to December 2012. These loans are drawn down for specific projects.

Bills payable

The multi-option facility includes variable rate commercial bills. For each drawing of a bill, a rate is quoted by the bank at the time of draw down. The bills have a term of 12 months and the facility is subject to annual review.

Maturities of financial liabilities

The previous tables analyse the Group's and the parent entity's financial liabilities, net and gross settled derivative financial instruments into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cashflows.

29. Segment Information

Business Segments (Primary Reporting)

The Group operates predominantly in the following business segments all of which are continuing operations:

- Aircraft Transport – Operation of Aeropelican Air Services; and
- Aircraft and Engines Sales and Rentals – Repair, rental and sale of aircraft, engines and related parts (including hire purchase agreements).

29. Segment Information (Continued)

	Aircraft Transport $'000	Aircraft & Engines Sales/ Rentals $'000	Elimination $'000	Total $'000
2008				
Segment revenue				
Sales to external customers	7,238	33,870	–	41,108
Intersegment sales	–	827	(827)	–
Total sales revenue	7,238	34,697	(827)	41,108
Other revenue/income	9	2,010	–	2,019
Total segment revenue/income	7,247	36,707	(827)	43,127
Unallocated revenue				5,500
Consolidated revenue/income				48,627
Segment result				
Segment result	(239)	4,324	–	4,085
Unallocated revenue less unallocated expenses				(77)
Profit before income tax				4,162
Income tax expense				(1,031)
Profit for the year				3,131
Assets				
Segment assets	3,449	73,855	–	77,304
Unallocated assets				6,752
Total assets				84,056
Liabilities				
Segment liabilities	2,729	6,772	–	9,501
Unallocated liabilities				34,330
Total liabilities				43,831
Other segment information				
Acquisition of property, plant and equipment, intangibles and other non- current segment assets	66	3,151	–	3,217
Unallocated				31
Total acquisitions				3,248
Depreciation and amortisation expense	343	1,872	–	2,215
Unallocated				19
Total depreciation and amortisation				2,234

29. Segment Information (Continued)

	Aircraft Transport $'000	Aircraft & Engines Sales/ Rentals $'000	Elimination $'000	Total $'000
2007				
Segment revenue				
Sales to external customers	4,164	35,026	-	39,190
Intersegment sales	-	382	(382)	-
Total sales revenue	4,164	35,408	(382)	39,190
Other revenue/income	-	1,009	-	1,009
Total segment revenue/income	4,164	36,417	(382)	40,199
Unallocated revenue				574
Consolidated revenue/income				40,773
Segment result				
Segment result	(326)	8,630	-	8,304
Intersegment elimination				-
Unallocated revenue less unallocated expenses				(3,119)
Profit before income tax				5,185
Income tax expense				(1,596)
Profit for the year				3,589
Assets				
Segment assets	4,313	64,235	-	68,548
Unallocated assets				3,689
Total assets				72,237
Liabilities				
Segment liabilities	954	5,665	-	6,619
Unallocated liabilities				30,093
Total liabilities				36,712
Other segment information*				
Acquisition of property, plant and equipment, intangibles and other non-current segment assets	348	22,538	-	22,886
Unallocated				57
Total acquisitions				22,943
Depreciation and amortisation expense	290	1,469	-	1,759
Unallocated				13
Total depreciation and amortisation				1,772

29. Segment Information (Continued)

Geographical Segments (Secondary Reporting)

The Group's management and operations are based in Brisbane and Sydney, Australia. Its customers, however, are located in six main geographical markets – Australia/New Zealand, Pacific Islands, North America, Asia, Africa, Europe.

The following table shows the distribution of the Group's sales, assets, and purchase of property, plant and equipment by those geographical markets:

	Segment Revenues From Sales to External Customers		Segment Assets		Purchase of Property, Plant and Equipment	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Australia/NZ	25,299	16,433	48,167	42,178	2,698	15,696
Pacific	3,740	4,140	2,465	3,138	–	1,364
North America	2,966	3,643	682	1,784	38	33
Asia	12,973	7,500	10,680	3,909	–	849
Africa	464	2,284	956	1,705	–	604
Europe	3,070	6,162	20,136	18,695	513	311
Other	19	518	19	111	–	–
	48,534	40,680	83,105	71,520	3,249	18,857
Unallocated	93	93	951	717	–	–
Total	48,627	40,773	84,056	72,237	3,249	18,857

Segment assets include rental engines and aircraft which are attributed either to the geographic market in which the customer who rents the engine or aircraft at year-end is based or, for non-rented engines and aircraft, where they are physically located.

All other segment assets are attributed to the geographical location where they are physically located.

30. Dividends

	Parent Entity	
	2008 $'000	2007 $'000
Dividends paid during the year		
No dividends were paid during the year. In the previous year a final dividend for 30 June 2006 of 6 cents per share fully franked (at 30%) paid 15 December 2006 and interim dividend for 30 June 2007 of 3 cents per share fully franked (at 30%) paid 30 May 2007	–	1,802
Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment scheme during the year were as follows:		
Paid in cash	–	1,545
Satisfied by the issue of shares	–	257
	–	1,802

	Consolidated		Parent Entity	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Franking credits				
Franking credits available for subsequent financial years based on a tax rate of 30% (2007: 30%)	12,847	11,284	2,623	2,197

30. Dividends (Continued)

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:
(a) franking credits that will arise from the payment of the amount of the provision for income tax;
(b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date; and
(c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

The consolidated amounts include franking credits that would be available to the parent entity if distributable profits of subsidiaries were paid as dividends.

	2008 $'000	2007 $'000
Dividends not recognised at year end		
Since year end the Directors have not recommended the payment of a final dividend (2007: 3 cents per fully paid ordinary share, fully franked based on tax paid at 30%). In the previous year, the aggregate amount of the proposed dividend expected to be paid on 30 November 2006 out of retained profits but not recognised as a liability at year end was:	–	792

The impact on the franking account of the dividend amount recommended by the Directors since year end, but not recognised as a liability at year end would be a reduction in the franking account of Nil (2007: $339,000).

31. Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries:

Name	Country of Incorporation	Equity Holding 2008	Equity Holding 2007
PTB Finance Limited (1)	Australia	100%	100%
PTB Rentals Australia Pty Ltd (1)	Australia	100%	100%
Pacific Turbine, Inc (2)	USA	100%	100%
PTB (Emerald) Pty Ltd (3)	Australia	100%	100%
Aircraft Maintenance Services Ltd (4)	United Kingdom	100%	100%
IAP Group Australia Pty Ltd (5)	Australia	100%	100%
Aeropelican Air Services Pty Ltd (5)	Australia	100%	100%
International Air Parts UK Limited (6)	United Kingdom	100%	100%
PTB Emerald Limited (7)	United Kingdom	100%	100%
PTB Asset Management Pty Ltd (8)	Australia	100%	100%

(1) Incorporated 14 October 2005
(2) Incorporated 29 September 2005
(3) Incorporated 4 October 2006
(4) Incorporated 6 November 2006
(5) Purchased as part of business combination on 21 September 2006
(6) Incorporated 18 October 2006
(7) Incorporated 13 October 2006
(8) Incorporated 21 June 2007

All subsidiaries are 100% owned by PTB Group Limited which is incorporated in Australia. All share capital consists of ordinary shares in each company. All subsidiaries were established by the parent except for those acquired as part of the business combination in prior years.

All subsidiaries except for PTB Finance Limited and Pacific Turbine Inc have been granted relief from the necessity to prepare financial reports in accordance with Class Order 98/1418 issued by the Australian Securities and Investments Commission as detailed in note 32.

32. Deed of Cross Guarantee

On 29 June 2007, PTB Group Limited and all of its subsidiaries, excluding PTB Finance Limited and Pacific Turbine Inc, entered into an arrangement as parties to a deed of cross guarantee under which each company guarantees the debts of the others. By entering into the deed, the wholly owned entities have been relieved from the requirements to prepare a financial report and Directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission.

(a) Consolidated income statement and a summary of movements in consolidated retained profits

PTB Group Limited and its subsidiaries, excluding PTB Finance Limited and Pacific Turbine Inc, represent a 'Closed Group' for the purposes of the Class Order, and as there are no other parties to the Deed of Cross Guarantee that are controlled by PTB Group Limited, they also represent the 'Extended Closed Group'.

Set out below is a consolidated income statement and a summary of movements in consolidated retained profits for the year ended 30 June 2008 of the Closed Group:

	2008 $'000	2007 $'000
Revenue	46,603	40,536
Other income	2,019	214
Cost of goods sold	(24,961)	(21,721)
Employee benefits expense	(5,547)	(4,060)
Depreciation and amortisation	(2,234)	(1,772)
Airport charges and taxes	(2,343)	(1,499)
Repairs and maintenance	(626)	(303)
Fuel costs	(1,483)	(783)
Bad and doubtful debts	(1,135)	(158)
Finance costs	(2,861)	(1,954)
Other expenses	(3,289)	(3,299)
Total expenses	44,479	(35,549)
Profit before income tax expense	4,143	5,201
Income tax expense	1,026	(1,601)
Profit for the year	3,117	3,600
Summary of movements in consolidated retained profits		
Retained profits at the beginning of the financial year	7,401	5,603
Profit for the year	3,117	3600
Dividends provided for or paid	–	(1,802)
Retained profits at the end of the financial year	10,518	7,401

32. Deed of Cross Guarantee (Continued)

(b) Balance sheet

Set out below is a consolidated balance sheet as at 30 June 2008 of the Closed Group:

	2008 $'000	2007 $'000
Current Assets		
Cash and cash equivalents	1,153	126
Trade and other receivables	17,614	9,763
Inventories	27,691	26,835
Derivative financial instruments	1,770	-
Current tax assets	517	-
Other current assets	545	280
Total Current Assets	49,290	37,004
Non-Current Assets		
Trade and other receivables	4,957	4,854
Other financial assets	264	264
Property, plant and equipment	24,329	25,764
Deferred tax assets	2,026	717
Intangible assets	4,334	4,334
Other non-current assets	116	-
Total Non-Current Assets	36,026	35,933
Total Assets	85,316	72,937
Current Liabilities		
Trade and other payables	4,616	10,039
Borrowings	13,876	6,923
Current tax liabilities	1,398	619
Provisions	826	644
Other current liabilities	1,072	2,389
Total Current Liabilities	21,788	20,614
Non-Current Liabilities		
Borrowings	20,170	14,531
Deferred tax liabilities	2,674	1,859
Provisions	202	335
Other non-current liabilities	197	-
Total Non-Current Liabilities	23,243	16,725
Total Liabilities	45,031	37,339
Net Assets	40,285	35,598
Equity		
Contributed equity	28,040	28,034
Reserves	1,727	163
Retained earnings	10,518	7,401
Total Equity	40,285	35,598

33. Related Party Transactions

a) Parent entity and subsidiaries

The ultimate parent entity of the Group is PTB Group Limited. Interests in subsidiaries are set out in note 31.

b) Key management personnel

Disclosures relating to key management personnel are set out in note 24.

c) Other transactions with subsidiaries

The following transactions occurred with subsidiaries:

	Parent Entity	
	2008 $	2007 $
Revenue - sale of engines	220,000	456,135
Revenue – sale of goods and services	37,927	44,273
Revenue – engine rentals	95,802	57,375
Revenue – management fee	166,668	228,334
Purchase of goods	187,605	381,283

In addition to the above sales, the parent has also provided, free of charge, other administrative and accounting assistance to the subsidiaries.

d) Loans to subsidiaries

	Parent Entity	
	2008 $	2007 $
Loans to subsidiaries	9,815,823	10,369,903

The parent entity advanced loans to subsidiaries during the current year (refer cash flow statement). The loans are non-interest bearing, unsecured, at call and repayable in cash.

e) Outstanding balances arising from sales/purchases of goods and services

	Parent Entity	
	2008 $	2007 $
Trade and extended credit receivables	801,700	896,761
Trade payables	167,004	391,134

No provisions for doubtful debts have been raised in relation to any outstanding balances, and no expense has been recognised in respect of bad or doubtful debts due from related parties.

34. Events after the Balance Sheet Date

No matters or circumstances have arisen since the end of the financial year which have significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future years except as detailed below:

Settlement of Belmont Land

A contract for the sale of land was entered into during the financial year, generating a profit of $1.9 million before tax and a net $3 million in working capital with settlement occurring on 4 July 2008. This has been included in the 2008 financial results as the contract was unconditional as at 30 June 2008.

LFD ATP Aircraft

Final acceptance was received in early September on the second LFD ATP aircraft and as such both contracts are now unconditional at a selling price of $6m USD each. Profit on the second LFD ATP will approximately be between $1m to $1.5m. Settlement on both aircraft is expected prior to 30 November 2008.

Sale of Aeropelican

Following an unsolicited approach, a contract for the sale of Aeropelican Air Services Pty Ltd was signed in mid September 2008. The terms include a cash consideration of $600,000 subject to a final balancing charge, and the lease of three J32 aircraft currently held by IAP.

Amendment of Emerald Refurbishment and Term Facility

A facility of $5,400,000 for the refurbishment of the Emerald aviation assets was established in July 2007. On 28 August 2008 this facility was extended to 30 November 2008, or as otherwise agreed between the parties in order to complete and settle the two LFD ATP and two PAX ATP aircraft. The effective interest rate has increased from 16% to 19%. In conjunction with this amendment, the related Term facility of $6,885,000 ($6,197,334 outstanding as at 30 June 2008) will be paid out by 31 July 2009, or as otherwise agreed between the parties. The effective interest rate on the term facility has increased from 13% to 13.5%.

Financing of Land & Buildings

On 12 February 2008 IAP Group Australia Pty Ltd signed a purchase contract for Land and Buildings to house the PTB Group Brisbane operations. On 16 September 2008 a variation to Commonwealth Bank Limited facilities was executed to fund this project for an amount of $2,275,000.

35. Contingencies

During the 30 June 2007 financial year a preference claim of $857,000 was made against the parent entity in relation to receipts from a customer who had subsequently been placed into liquidation. During the same year, a subsidiary of the Group also acquired an aircraft from the customer referred to above. The Group's management were investigating whether the correct procedures were followed by the Directors of the company in liquidation in relation to the removal of a charge in relation to this aircraft. The Directors believed that it was prudent to disclose a contingent liability of $500,000, being the full value of the aircraft purchased.

During the current year, the above claims, and potential claims, were settled for an amount totaling $164,756.

There are no other contingencies requiring disclosure.

Directors' Declaration

for the year ended 30 June 2008

The Directors of the Company declare that:

(a) the attached financial statements and notes, as set out on pages 23 to 75 are in accordance with the *Corporations Act 2001* and:
   (i) comply with Australian Accounting Standards and the *Corporations Regulations 2001*; and
   (ii) give a true and fair view of the financial position as at 30 June 2008 and of the performance for the year ended on that date of the Company and consolidated entity;

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group identified in note 31 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 32.

The Directors have been given the declarations by the chief executive officer and chief financial officer for the financial year ended 30 June 2008 required by section 295A of the *Corporations Act 2001*.

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

H Parker
Chairman

Brisbane
30 September 2008

WHK Horwath

Independent Auditor's Report

To the members of PTB Group Limited

Report on the Financial Report

We have audited the accompanying financial report of PTB Group Limited (the Company), which comprises the balance sheets as at 30 June 2008, and the income statements, statements of changes in equity and cash flow statements for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Liability limited by a scheme approved by Professional Standards Legislation

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Independent Auditor's Report

for the year ended 30 June 2008 (Continued)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's Opinion

In our opinion the financial report of PTB Group Limited is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2008 and of their performance for the year ended on that date; and

(b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

The financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included on pages 13 to 18 of the directors' report for the year ended 30 June 2008. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of PTB Group Limited for the year ended 30 June 2008, complies with section 300A of the *Corporations Act 2001*.

WHK Horwath

WHK Horwath

Don Langdon
Principal
Brisbane, 30 September 2008

The shareholder information set out below was applicable as at 31 August 2008.

(a) Distribution of Shareholders:

Category (size of Holding)	Class of equity security	
	Ordinary Shares	Options
1 – 1,000	46	-
1,001 – 5,000	192	9
5,001 – 10,000	81	30
10,001 – 100,000	115	38
100,001 and over	27	2
	461	79

(b) The number of ordinary shareholdings held in less than marketable parcels is 54.

(c) The names of the substantial shareholders (including related entities) listed in the company's register are:

	Number of Ordinary Shares Held	Percentage %
RS Ferris	6,908,054[2]	26.16
River Capital	4,397,100	16.65
CL Baker	1,782,104	6.7
SG Smith	1,843,860	6.9
GD Hills	1,776,000	6.7

(d) Voting Rights

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 carry no voting rights.

(e) 20 Largest Shareholders — Ordinary Shares (Quoted):

	Number of Ordinary Fully Paid Shares Held	% Held of issued Ordinary Capital
RS Ferris	6,908,054	26.16
River Capital Pty Limited	4,397,100	16.65
S Smith	914,140	3.46
C Baker	891,052	3.37
S Martin	891,052	3.37
J Flintoft	888,000	3.36
G Hills	888,000	3.36
M Hills	888,000	3.36
Cogent Nominees Pty Ltd	887,955	3.29
ACAO Capital Pty Ltd	498,000	1.89
Bydand Capital Pty Ltd	446,276	1.69
Hawk Capital Pty Ltd	435,129	1.65
CS Fourth Nominees Pty Ltd	354,828	1.34
David Family Superannuation Family Trust	337,000	1.28
H Parker	296,000	1.12
H Jones	276,000	1.05
Fortis Clearing Nominees P/L	260,870	0.99
Top Dog Trading Pty Ltd	231,437	0.88
Colex Pty Ltd	181,500	0.69
Harvels Pty Ltd	181,500	0.69
	21,051,893	79.73

	Number on issue	Number of holders
Unquoted equity securities		
Options issued under the PTB Group Ltd Share Option Scheme to take up ordinary shares	240,002[1]	15
Options issued in terms of the unsecured notes issue	1,529,589	64

[1] Number of unissued ordinary shares under the options. No person holds 20% or more of these securities.
[2] These shares are subject to voluntary escrow expiring 20 September 2008.

Notes:

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