



PTB GROUP LIMITED

ABN 99 098 390 991

ANNUAL REPORT

30 June 2010

Corporate Directory and Information

Directors

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

Company Secretary

James Barbeler

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Bankers

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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 Street
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 2010

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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.

Chairman's and Managing Director's Review

for the year ended 30 June 2010

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Results

Net profit after tax increased from \$0.1 million in 2009 to \$1.602 million in 2010. Basic earnings per share were 5.37 cents (0.4 cents in 2009).

This represents a return on average shareholders' funds of 3.98 per cent (0.3 per cent in 2009). No dividend will be paid for the June 2010 year (2009: nil). The emphasis on debt reduction means that it is highly unlikely that a dividend will be paid in the 2011 year.

The 2010 Year in Review

As detailed in our 2009 Annual Report, the default by the Middle Eastern operator on the two ATP LFD aircraft during the global financial crisis was a major setback for the Group. As this was to be a cash sale, the Group was faced with many external challenges, including the renegotiation of \$14.7 million in external debt that would have otherwise been extinguished as a result of the sale.

In recognition of these challenges, the Group implemented several key initiatives including the strategic shift back to core trading operations, the focus on asset utilisation and deployment, the restructuring of financing facilities, and expanding the engine care and maintenance contracts.

While the global downturn in aviation activity and the relatively high Australian dollar continues to impact on underlying sales and profitability, significant progress has been made in these key areas as detailed below:

- The AUD/USD averaged .8850 for the financial year compared to .74 in the previous year. This had a significant impact by reducing margins across the Group. In recognition of the continuing impact of the AUD and the slow recovery in aviation activity on core operating businesses, Management have procured strategic purchases such as the MD90 project as part of the refocus on trading. The MD90 project was a tender of an aircraft in Indonesia that was secured by IAP in order to break the aircraft down for parts. The purchase was funded by an international aviation Group on a 50% profit share basis. The Group is currently in discussions with several customers for the sale of the engines and other parts. The profit to IAP will be significant and underpins IAP parts margins over the 2011 year;
- On 6 January 2010 the Group completed its Commonwealth Bank refinancing of the Emerald Financier and the ANZ bank. The Emerald Financier accepted a total payment of \$10.4 million in cash, together with the issue of approximately 4.6 million shares, in full settlement of the

outstanding loan balance of approximately \$15 million. The profit on settlement of the transaction was approximately \$3.6 million;

- It is significant to note that as a result of the refinancing and the loan repayments from working capital, the outstanding debt relating to the Emerald facility has reduced from approximately \$15 million as at 31 December 2009, to \$8.825 million as at 30 June 2010. This is a significant achievement and one of our core strategic initiatives. However the drain on working capital has meant that some trading opportunities were foregone, and key initiatives such as the Test Cell were delayed;
- Significant assistance was provided to the LFD ATP aircraft operator in Indonesia to ensure these aircraft were deployed on a timely basis. In addition one of the Metro aircraft was leased into Korea;
- Closure of UK Emerald refurbishment operation;
- During the year, all of the existing PTB engine maintenance contracts were renewed or extended for periods of up to five years. A five year contract was also signed with an operator in the Maldives which has one of the largest PT6 fleets in the world;
- PTB now has over 122 engines under lease and care and maintenance. In a very competitive environment this provides a strong base and profit opportunity for the engine business; and
- IAP renewed the aircraft leases with a regional NSW based RPT operator, including the deployment of a fourth aircraft. These types of long term support contracts are a key competitive advantage for the Group.

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, and trading in spare parts for engines, and engines;
- 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.

Commentary on operations during the year

A summary of results for the year is as follows:

Division	Actual 2010 \$'000	Revised Budget 2010 \$'000	Variance 2010 \$'000	Actual 2009 \$'000
PTB Business	1,594	1,682	(88)	3,228
IAP Business	598	817	(219)	2,178
Emerald Assets	628	665	(37)	2,630
Emerald Currency	(265)	(818)	553	(3,147)
Emerald Interest	(2,212)	(2,384)	172	(3,004)
Corporate Overheads	(1,344)	(1,595)	251	(1,583)
Sale of Aeropelican	-	-	-	652
Emerald Refinancing	3,633	3,633	-	-
Bad and doubtful debts	(395)	-	(395)	(621)
Profit before Tax	2,237	2,000	237	333

The Group had a profit downgrade in November 2009 to reflect the ongoing effects of the global financial crisis (GFC) and the resulting downturn in global aviation passenger and freight activity. Although profitability was skewed towards the second half in recognition of improving trading conditions, Management did not believe the shortfall would be fully recovered by year end.

The Group had a profit upgrade in February to reflect the profit from the refinance of the Emerald Financier loan by the CBA, offset by the continuing reduction of business from the GFC.

The effect of the continued strengthening of the \$A against the \$US was also a major impact on Group performance for the year, and significant unrealised losses were budgeted and incurred on the net USD receivables exposure of the Group. These would normally have been funded in USD thus providing a natural hedge. Unfortunately constraints from one of our previous financiers has meant the Group was unable to achieve this balance in one sector and this had a material effect on the results to date. Due to the depreciation of the AUD with respect to the USD at balance date, the unrealised exchange loss impact is less than forecast.

The aviation assets we buy and sell are world commodities sold in \$US. The continuing weakness of the \$US has a major impact on our margin. An item sold for \$US200 with a US\$100 margin at an \$AUD/\$US exchange rate of .75 produces a margin of \$A133. At a \$A/\$US exchange rate of .90 the margin is \$A111. This is a 17% reduction in margin. This requires a 20% increase in sales volume to achieve the same overall forecast dollar margin.

Pacific Turbine Brisbane

The Pacific Turbine Brisbane (PTB) business was slightly behind the revised budget for 2010 and was well behind the prior year's results.

The major contributors were a \$990,000 exchange effect as a result of the strong \$A, an unrealised exchange loss of \$360,000 and the short fall in the engine rental business.

The rental engine business was down on budget as a result of the flow through of operators parking aircraft or going out of business. The air ambulance aircraft was out for three months on scheduled maintenance. Rental engine results will improve in 2011 as regional passenger and freight activity increases.

The PTB engine business performed well during the GFC. Actual physical production was ahead of the prior year. The engine business result was underwritten by the Engine Maintenance Contract agreements we have with operators around the world.

Our business with the USA based engine parts wholesalers was down on previous years as a result of the economic slowdown, the adequate level of existing inventory holdings at some of our key customers, and the lack of cash in the USA for investing in new parts.

PTB's prospects for the future are very positive.

The benefits of its Engine Maintenance Contract agreements cannot be underestimated as to their value in providing the engine business a base load. PTB continues to develop its regional customer base and each of its new and established customers is another potential engine management customer.

Chairman's and Managing Director's Review

for the year ended 30 June 2010 (Continued)

PTB has a number of future initiatives that will grow and strengthen the business.

Engine finance is a very valuable engine sales tool and in today's financial climate would generate new business. With the Group's new banking arrangements we expect at some time in the future to be in a position to again offer engine finance which will enhance future growth in this area.

The cash support from PTB for our Emerald Financier repayments and now the CBA, and the continued rationalisation of Emerald's UK operation has reduced PTB's ability to generate additional speculative engine sales and opportunistic engine parts purchases. Once the Group's CBA loan repayment becomes self funding, PTB will have cash available for additional speculative engine transactions.

The PTB business has commenced planning for the installation of a PT6A engine test cell. A test cell would significantly expand the profit opportunities for Brisbane in the PT6A engine repair and overhaul business. PTB currently subcontracts all the major overhaul and PT6A repair work to shops in the USA. With a test cell PTB would only carry out selected high profit repair and overhaul PT6A work that it currently subcontracts to the USA.

The engine cell will have the capacity to test additional engine types. This will provide the basis for further growth in the future through an additional engine line. The key to progressing the engine test cell is our ability to finance the \$2.2 million of capital expenditure.

IAP Business

The IAP business was down on budget and well down on the prior year's result.

The comparison with the prior year's result illustrates the negative effect on IAP of the GFC and the strengthening of the \$A against the \$US. A major contributor was a \$700,000 exchange effect as a result of the strengthened \$A against the \$US. The unrealised exchange loss was immaterial. The balance of the shortfall is as a direct result of the GFC and slow down in global aviation activity.

A number of the core product lines that IAP specialises in have been severely impacted with the parking of aircraft around the world. Operators "Christmas Tree" these aircraft by removing parts to keep their remaining aircraft flying which further delays their potential parts purchases from IAP.

In spite of the 2010 difficulties for IAP, the future prospects are promising.

The MD90 aircraft in Indonesia has been dismantled and the engines have been received and evaluated by the engine overhaul shop. IAP expects to sell the engines in the 2011 financial year and the profit from this sale will underwrite any short fall in IAP sales as a result of the GFC.

The lease of the four J32 aircraft continues to create long-term part sales opportunities for IAP and engine repair and overhaul opportunities for PTB.

The lease of the Metro 23 to Korea will create sales opportunities for IAP and engine opportunities for Brisbane. The Korean company would take our second Metro 23 but the financier is unable to release the aircraft for operation in Korea. This is an excellent long-term profit opportunity on which IAP is currently unable to capitalise.

The two LFD ATP's in Indonesian have been slow to build up their flying hours. In the last two months they have increased aircraft utilisation on contract flying. This will provide a long-term base for new product lines in ATP parts sales for IAP.

IAP is actively working on an initiative that if successful will underpin IAP's parts business for a number of years.

Again, working capital is important as the future growth of the core IAP business is dependent upon access to working capital for aircraft part-out opportunities.

Emerald Assets

The global financial crisis, the resulting restriction in available finance, and the number of aircraft parked around the world continues to have a major effect on this division and the Group's results. The aim is to have this operation profitable and self-funding by maximising aircraft deployment and asset utilisation. The renegotiation of the loan and new CBA financing package is a major step in reducing the current trading loss. Every additional aircraft deployed enhances rental and leasing revenue and is also an additional parts sale opportunity for IAP.

The two LFD ATP freighters have been successfully deployed to Indonesia. The Indonesian operator has been slow to build up flying hours but this is increasing. They now have a requirement for a Passenger ATP aircraft. This aircraft is in the UK and will deploy to Indonesia before the end of the year. A further passenger ATP has been mothballed and is stored at Blackpool in the UK. At a later date the Company will complete the refurbishment when it has the appropriate commercial opportunity.

The cost to keep the aircraft in care and maintenance in the UK is significant. With the dispatch of the PAX ATP

the Group will be left with two HS748 Freighters on care and maintenance. As soon as the funds become available it will deploy these aircraft to a lower cost environment or find work.

Emerald has a number of aircraft assets not deployed at present. These aircraft are all future opportunities.

Brief details are:

- *Completed PAX ATP:* Our Indonesian operator is expected to lease this aircraft;
- *Two UK HS748's:* The two HS748 aircraft returned off lease by a UK operator. Available on care and maintenance program in the UK;
- *African LFD HS748:* The new operator in Africa has not commenced operations as the intended UN contracts have been delayed due to a current lack of available funding; and
- *Bangladesh HS748:* One aircraft was returned. However we have a further two HS748's flying in Bangladesh and both customers have expressed an interest in operating this aircraft.

The Company is working to finding alternative markets for the unused HS748's. The continued weakness in the European and US economies have reduced the leasing options.

The Group is working its way toward obtaining an Australian AOC. The AOC will enable the HS748 aircraft to be offered crewed and maintained which significantly expands the lease potential for the aircraft. The process has been slowed to conserve working capital.

Corporate Overheads

Corporate overhead costs are below budget at \$1.344 million (Budget: \$1.595 million) to 30 June 2010, and have reduced significantly from \$1.58 million in the prior year. As a result of ongoing efficiency improvements reductions in insurance, legal, audit and accounting fees were achieved. This was also facilitated by the absence of any business disposals or other such activities. Reductions in Directors fees and employee share option expenses were also achieved, with salary and wage costs remaining stable.

Bad and Doubtful Debts

Bad and doubtful debts expense for the year totalled \$0.395 million (2009: \$0.6 million). These expenses were largely attributable to customers on long-standing open account operating regional passenger and freight airline operations in Australia and the Pacific Islands who were largely affected by the global downturn in passenger and freight activity. A provision for impairment of \$0.818 million (2009: \$0.6 million) has been booked

at year end. Management is confident however that recovery efforts will realise funds which will reduce the final amount to be written off on these customers.

We conduct business with second and third tier aviation companies and extending credit is a risk of the business. An engine sale or engine repair is often of high monetary value with significant margin and credit levels evolving over time.

Debt and Equity Finance

PTB Emerald Finance Facility

On 6 January 2010 the Group completed the Commonwealth Bank sourced refinancing which enabled the payout of the Emerald Financier and the ANZ bank. The Emerald Financier accepted a total payment of \$10.4 million in cash, together with the issue of approximately 4.6 million shares, in full settlement of the outstanding loan balance of approximately \$15 million.

The facilities provided by the Commonwealth Bank consist of a \$10 million commercial bill relating to the Emerald operations at an average rate of 10%, and the refinancing of the ANZ bank via a \$2 million commercial bill relating to PTB Group at a current rate of 7%. The terms are three and two years respectively and will significantly reduce interest and other costs of financing concurrent with the reduction in net debt exposure.

It is significant to note that as a result of the refinancing and the loan repayments from working capital, the outstanding debt relating to the Emerald facility has reduced from approximately \$15 million as at 31 December 2009 to \$8.825 million as at 30 June 2010. This is a significant achievement and one of our core strategic initiatives. However the drain on working capital has meant that some trading opportunities were foregone, and key initiatives such as the Test Cell were delayed.

Equity

The company continues to review the possibility of a placement to several sophisticated investors. If successful, an issue on the same terms would be made available to all shareholders via a Share Placement Plan. Capital raised would be used to pay down expensive debt and provide working capital for the core business.

Other Matters

Exchange rates

The exchange rate has been volatile over the past twelve months ranging from 0.81 at 30 June 2009, to a high of 0.94 in November 2009, and falling to 0.85 at balance date.

Chairman's and Managing Director's Review

for the year ended 30 June 2010 (Continued)

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 and 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.

Significant unrealised losses were budgeted and incurred on the net USD receivables exposure of the Group. These would normally have been funded in USD thus providing a natural hedge.

Unfortunately constraints from a previous financier has meant that the Group was unable to achieve this balance in one sector and this had a material effect on the results to date. It is expected that some or all of this unrealised loss will reverse over the life of these transactions, some of which extend to five years.

Asset Values

Aviation inventory and assets are global commodities and are valued, bought, and sold in USD. The Directors are of the opinion that assets are carried in the books at conservative values.

Balance Sheet and Net Assets

The net asset position has increased from \$39.010 million as at 30 June 2009 to \$41.498 million at 30 June 2010. The increase is mainly attributable to the net effect on profit of refinancing the Emerald facility.

Included in net assets are:

The Emerald assets: These are predominantly aircraft and make up \$12.9 million (2009: \$13.3 million) of Inventories, \$3.1 million (2009: \$3.2 million) of property, plant and equipment, and \$15.5 million (2009: \$16.6 million) of extended credit receivables, mainly consisting of the hire purchase type arrangements.

As previously disclosed above, the remaining inventory largely consists of completed ATP and 748 aircraft, with one incomplete PAX ATP aircraft remaining that can be refurbished or parted-out. The completed aircraft 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).

Cashflows

The positive operating cashflow of \$4.807 million (2009: \$2.110 million) has been predominantly due to the continued realisation of inventory and reduction in the days to collect accounts receivable. As mentioned in previous years, the Group will normally have a negative operating cashflow as short-term debt is utilised to

acquire aviation asset inventory 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. The overall positive net cash inflow of \$0.676 million (2009: \$1.121 million net cash outflow) is due to the use of operating cashflow and working capital to pay down long-term borrowings, and complete the refurbishment of aircraft for deployment.

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 Group 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 Outlook

The Group has completed a number of initiatives that has allowed it to "weather the storm" of an unprecedented global aviation slowdown in passenger and freight activity. Management of IAP and PTB have concentrated on their core businesses and built a strong foundation for future improved performance and profitability.

The rental and lease side of the business, widely perceived as an annuity income stream has not lived up to this expectation. Even tier one operators are cancelling or renegotiating leases. The ordinary IAP and PTB businesses are vital as they provide a platform for the creation of entrepreneurial, and lease and rental opportunities.

The turboprop market is our core business and is well placed to generate sound levels of activity in the present economic climate. We wrote about this in last year's annual report and a section on this aspect is detailed below. It has several key characteristics:

- Fuel efficiency and low operating costs;
- Relatively low capital cost; and
- Relatively low numbers of aircraft available due to the concentration on small jets through the 1990's and into the early years of this century.

While finance availability for customers is very limited, PTB Group has aircraft available for rental and lease and the above dynamics of our low cost fuel efficient aircraft work in our favour.

The Board and management have experienced a number of economic cycles and downturns in the aviation industry. While economic indicators remain mixed, the Board are confident that the Group has experienced the worst of the trading environment that has occurred over the past two years, and are confident that conditions will continue to improve over future reporting periods.

For the next 12 months we will be concentrating on:

- Executing our core trading and business capabilities to capitalise on improving trading conditions;
- Deploying our underutilised aircraft back out on lease and generating income, or selling to generate cash;
- Renegotiating new engine care and maintenance contracts and continuing to build on this competitive advantage;
- Using cash flows to pay down debt and limiting the effect on working capital, while continuing to seek less expensive alternate funding for facilities requiring renewal; and
- Completing strategic initiatives such as the Test Cell feasibility and realisation of profit and cashflows from special projects such as the MD90 part out.

Once recovery begins aircraft start flying and often these aircraft require maintenance catch-up. This leads to additional parts sales, engine repair and overhaul work, and rental and lease opportunities which will underpin future growth.

PTB Group Limited



Harvey Parker
Chairman



Craig Baker
Managing Director

Directors' Report

for the year ended 30 June 2010

Your Directors present the financial report of PTB Group Limited ("the Company") and its controlled entities ("the Group") for the year ended 30 June 2010.

Directors

The following persons were Directors in office at any time during or since the end of the year:

Name	Position
H Parker	Director (non-executive), Chairman
CL Baker	Managing Director (Group)
RS Ferris	Managing Director (IAP Division)
APS Kemp	Director (non-executive)

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 performed:

- 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 22 per cent of the expanded Group.

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. During that year the Shorts aircraft and related parts were sold.

In December 2006 the Company moved from the NSX to the 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.

In June 2007, a USD \$40 million financing and rental fund was created with debt provided by an Australian financial institution. The purpose of the fund was to acquire and refurbish a diverse array of aviation assets for resale or lease. By this time, PTB Emerald had also refurbished and delivered one of the ATP and three of the HS748 freighters to European customers.

The 2008 financial year saw a complete change of fortunes for the PTB Group as the effect of the global financial crisis impacted on all areas of its operations. Most significantly, the refurbishment of the Emerald aircraft was largely financed with debt with the intention to roll these aircraft into the long-term USD \$40 million fund on completion. As the financial crisis impacted on global passenger and freight activity, the decision was made to sell these aircraft in order to pay down the expensive short-term debt. A delay in settlement by a Middle Eastern customer on two of the LFD ATP aircraft impacted on the interest and holding costs of the Emerald project. In addition, despite better than expected underlying sales activity, three long-standing customers of Pacific Turbine Brisbane and IAP defaulted, resulting in unprecedented bad debt write-offs of \$1.13 million.

Directors' Report

for the year ended 30 June 2010 (Continued)

The 2009 financial year was characterised by the efforts the Group undertook to respond to the external challenges imposed on its operations by the global financial crisis, and a consolidation of its position in order to rebuild its growth prospects. The effect of the financial crisis continued to impact on global passenger and freight activity, creating a fall in aircraft values, the inability to source financing, and significant oversupply of aircraft which limited sale and leasing opportunities. As a result, the sale of the two LFD ATP aircraft did not proceed as the customer defaulted.

As the sale was for cash, the default resulted in the company being forced to renegotiate the \$14.7 million Emerald loan to an amortising facility over four years at a more expensive interest rate. As part of this renegotiation, 2.875 million ordinary shares were granted to the Financier (of which 1.2 million were issued at that balance date), and as the Financier was unable to continue funding the debt in USD, a \$2.4 million currency loss was realised, which would otherwise have reversed to 30 June 2009. In addition, the USD \$40 million facility was let lapse due to the global economic conditions as the Group was unable to secure profitable projects within its risk profile.

On the positive side, as part of the strategic consolidation of its operations, the company settled on the Belmont Land resulting in a profit of \$1.9m (booked in the 2008 year), the sale of its subsidiary Aeropelican Air Services an RPT operator based at Newcastle Airport, the rollover of the \$4.5 million in Unsecured Note funding, the completion of a purpose built workshop and office complex in Brisbane, and the extension of the existing ANZ financing facilities.

Core operating business in Pacific Turbine and IAP exceeded prior year and current forecasts in a difficult year, and a major Australian freight operator was signed up to an engine management contract. Prior to the 2009 year end, the two LFD ATP aircraft were also sold to an Indonesian freight operator on an extended credit type of arrangement.

To limit the operational cash drain, a decision was made to reduce the scope of the UK refurbishment facility and complete one of the remaining PAX ATP and HS748 aircraft, and reduce to spares the remaining HS748's as part of this rationalisation of activities. This left one partially complete PAX ATP, one complete PAX ATP and four HS748 aircraft available for sale or lease.

Initiatives in the Current Period

The 2010 financial year has seen some ongoing challenges and a number of significant achievements. These events have been detailed in the Chairman's and Managing Director's Review included in this annual report.

Operating Results

The consolidated profit for the financial year after providing for income tax, was \$1,601,802 (2009: \$103,285). Operating profit before tax for the year was \$2,237,483 (2009: \$333,257).

The increase in both profit after tax and operating profit is due in part to the gain on the Emerald refinancing and improved trading conditions in the second half, offset by poorer trading results in the first half combined with an unrealised currency loss of \$0.94 million for the year.

Financial Position

The net assets of the Group have increased by \$2.488 million (6.4%) to \$41.498 million as at 30 June 2010 (2009: \$39.010 million).

Dividends

No dividend has been declared and paid for the 30 June 2010 financial year (2009: Nil). The emphasis on debt reduction means that it is highly unlikely that a dividend will be paid in the 2011 year.

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:

On 31 August 2010 an aircraft owned by the Group and leased to an operator was involved in an accident in which the aircraft was confirmed as a total loss. As a result of the settlement with the insurers a net loss of approximately \$380,000 was incurred being the difference between the settlement proceeds and the carrying value of the aircraft net of associated maintenance provisions.

Future Developments, Prospects and Business Strategies

The global aviation industry is currently experiencing difficult trading conditions with lower passenger and freight demand, and a shortage of available funding. 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.

Directors' Report

for the year ended 30 June 2010 (Continued)

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 operations:

Pacific Turbine Brisbane:

- Rebuilding PT6A and TPE331 engines at PTB's engine repair and overhaul facilities in Brisbane;
- Managing the rebuilding of engines at third party overhaul shops;
- 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 for both 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 on site. 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.

Aircraft Engine and Airframe Rental and Financing:

The Group earns recurring earnings from rental and financing although the more difficult debt market has significantly curtailed this part of the business. 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. Activities 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 Siddeley 748; BAE ATP; F27; Twin Otter and Beechcraft King Air.

Additional commentary has been included in the Chairman's and Managing Director's Review in this annual report. 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, Sydney, and Bankstown Airport 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), Director of Riding for the Disabled Association of Victoria Limited, and Director and Chairman of Jumbuck Entertainment Limited (since February 2009). During the past three years Mr Parker was also the 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.

Directors' Report

for the year ended 30 June 2010 (Continued)

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 is a member of the audit and remuneration committees of the Company.

Company Secretary

James Barbeler was appointed as the Chief Financial Officer from 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 23 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, CFO, Company Secretary, and CEO of various agribusiness and commercial entities in both public and private companies.

Remuneration Report (Audited)

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

Non-executive 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

Directors' Report

for the year ended 30 June 2010 (Continued)

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

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; and
- Capital management.

Executive Directors

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 performance incentives: Cash bonus 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 in cash 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).

Directors' Report

for the year ended 30 June 2010 (Continued)

13

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

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

The Executive Directors' short-term incentives are linked to return on equity and other operational objectives as described above and detailed in the table below. The base salaries for the executives are substantially in accordance with the market for executives of similar levels.

	2010	2009	2008	2007	2006
Revenue (\$'000)	27,241	38,526	46,608	40,559	16,982
Net profit (\$'000)	1,602	103	3,131	3,589	1,861
Return on average shareholder's funds (%)	3.98	0.3	8.3	15.8	20.31
Share price at year-end (\$)	0.17	0.12	0.46	1.95	1.60
Dividend paid per share in respect of each financial year	Nil	Nil	Nil	6 cents	6 cents

Directors' Report

for the year ended 30 June 2010 (Continued)

B. Details of Remuneration

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

	Short-term benefits		Post-employment	Other	Share-based payment	Total
	Cash salary and fees	Cash bonus	Non-monetary benefits	Super-annuation	Long-term benefits*	
	\$	\$	\$	\$	\$	
2010 Year						
Directors						
H Parker (Non-Executive Director)	33,000	-	-	-	-	33,000
CL Baker (Managing Director – Group)	218,623	-	-	49,519	2,334	270,476
RS Ferris (Managing Director – IAP)	271,613	-	-	30,558	(1,520)	300,651
APS Kemp (Non-Executive Director) ⁽¹⁾	21,800	-	-	-	-	21,800
Total Directors	545,036	-	-	80,077	814	625,927
Other Key Management Personnel						
JT Barbeler (Company Secretary and CFO)	182,948	-	-	16,103	-	200,149
2009 Year						
Directors						
H Parker (Non-Executive Director)	35,475	-	-	-	-	35,475
CL Baker (Managing Director – Group)	183,338	-	5,299	95,189	8,963	292,789
RS Ferris (Managing Director – IAP)	282,387	-	-	23,297	9,171	314,855
APS Kemp (Non-Executive Director)	29,480	-	-	-	-	29,480
Total Directors	530,680	-	5,299	118,486	18,134	672,599
Other Key Management Personnel						
JT Barbeler (Company Secretary and CFO)	181,680	-	-	16,139	-	200,658

* 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 (2009: \$5,500).

There were no other executives in the current or prior year. All Directors and other key management personnel are employed by PTB Group Limited except Mr S Ferris who was employed by IAP Group Australia Pty Ltd from 1 July 2008. 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 previous years, 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.

Directors' Report

for the year ended 30 June 2010 (Continued)

C. Service Contracts

Major provisions of service agreements with Executive Directors and other key management personnel as at 30 June 2010 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 month's 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).

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
30 September 2005	19 November 2008	\$1.60	\$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 2010 and 2009 financial years are set out below. When exercisable, each option is convertible into one ordinary share of PTB Group Limited.

Directors' Report

for the year ended 30 June 2010 (Continued)

D. Share-based Payment Compensation (Continued)

	Number of options granted during the year		Number of options vested during the year	
	2010	2009	2010	2009
Other Key Management Personnel				
JT Barbeler	-	-	6,666	6,667

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 24 of the financial report for the inputs into the model.

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 \$
J Barbeler	0.05%	\$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.

Loans to Directors and Executives

There are no loans to Directors and executives.

Directors' Report

for the year ended 30 June 2010 (Continued)

E. Additional Information (Continued)

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		
H Parker	12	12
CL Baker	12	12
APS Kemp	12	12
RS Ferris	12	11
Remuneration Committee		
H Parker	1	1
APS Kemp	1	1
Audit and Risk Management Committee		
H Parker	2	2
APS Kemp	2	2

Nominations Committee

Given the size of the Company and of the Board the separate Nominations Committee was discontinued in the year ended 30 June 2008 and the responsibility for this function now rests with the Board.

Share Options

Shares Issued on Exercise of Options

No ordinary shares of PTB Group Limited were issued during the year ended 30 June 2010 and subsequent to year end on exercise of options granted under the Employee Share Option Scheme.

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
\$0.40	9,177,600	30 November 2010

Directors' Interests

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

	Ordinary Shares	Number Share Options	Unsecured Notes
CL Baker	1,931,704	20,000	10,000
RS Ferris	6,908,054	10,000	5,000
H Parker	296,000	-	-
APS Kemp	208,982	851,600	425,800

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 Directors 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.

Directors' Report

for the year ended 30 June 2010 (Continued)

E. Additional Information (Continued)

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 25. During the year the following non-audit service fees were paid or payable for services provided by the auditor of the company:

	2010 \$	2009 \$
<i>Non Audit Services</i>		
<i>– WHK Horwath</i>		
Taxation compliance	42,055	31,180
Other taxation consulting	8,690	39,800

The lead auditor's independence declaration is set out on page 19 and forms part of the Directors' Report for the year ended 30 June 2010.

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
29th September 2010



To the Directors of PTB Group Limited

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2010 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.

A handwritten signature in dark ink that reads "WHK Horwath".

WHK Horwath

A handwritten signature in dark ink that reads "B. Worrall".

Brendan Worrall
Principal

Signed at Brisbane 29 September 2010.

Liability limited by a scheme approved by Professional Standards Legislation other than for acts or omissions by financial services licensees.

Total Financial Solutions

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A WHK Group firm



Crowe Horwath

WHK Pty Ltd trading as WHK Horwath Brisbane is a member of Crowe Horwath International, a Swiss Verein. Each member firm of Crowe Horwath is a separate and independent legal entity.

Corporate Governance Statement

for the year ended 30 June 2010

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 strategy, operational performance, controls and accountability systems;
- c) Appointment and removal of senior executives and the Company Secretary;
- d) Reviewing, ratifying, and monitoring 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;
- f) Approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestures; and
- g) Approving and monitoring financial and other reporting and the operation of committees.

The Managing Director and other senior executives are responsible for:

- a) Developing corporate strategy, performance targets, budgets, and business and operational plans for review and ratification by the Board;
- b) Developing, implementing, and maintaining appropriate policies, procedures, and practices for the management and control of the business; and
- c) Execution of the overall corporate strategy and business plans, and the day to day management of operations.

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 four 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. APS 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. The Board is also 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. The last amendment was on 25 September 2009. This charter sets out various other matters that are important for effective corporate governance including the following:

- a) A detailed definition of 'independence';
- b) A framework for the identification of candidates for appointment to the Board and their selection;
- c) A framework for individual performance review and evaluation;
- d) Proper training to be made available to Directors both at the time of their appointment and on an on-going basis;
- e) Basic procedures for meetings of the Board and its committees: frequency, agenda, minutes and private discussion of management issues among non-executive Directors;
- f) Ethical standards and values: formalised in a detailed code of ethics and values;
- g) 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
- h) 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. During the year the Executive Directors and CFO voluntarily waived annual increases and bonuses so only one meeting was deemed necessary.

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 Charter is available on the Company's website.

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

Corporate Governance Statement for the year ended 30 June 2010 (Continued)

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 the ASX document, 'Corporate Governance Principles and Recommendations – second edition' ('Guidelines') applying to listed entities as published in August 2007 by the ASX Corporate Governance Council with the aim of enhancing the credibility and transparency of Australia's capital markets.

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

Recommendation 1.1

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.

Recommendation 1.2

The process for evaluating the performance of senior executives is outlined in section A and B of the "Remuneration Report" included in the Directors' Report. PTB Group complies with the Guidelines in this area.

Recommendation 1.3

The Corporate Governance Statement and Board Charter are available on the Company's website. Performance evaluations have taken place in accordance with the process disclosed.

Principle 2 – Structure the Board to add value

Recommendation 2.1

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 the Board 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.

Recommendation 2.2 and 2.3

Harvey Parker is an independent non-executive Director and Chairman of the Company. PTB Group complies with the Guidelines in these areas.

Recommendation 2.4

As described above, 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.

Recommendation 2.5 and 2.6

The performance of the Board, its committees, and individual Directors is evaluated annually by the Chairman in accordance with the Company's Corporate Governance Charter. This review includes the mix and experience and skills represented, the effectiveness of Board processes, and the performance and contribution of individual members in terms of the execution of the required Board functions as described above, for the relevant year. Members of the Board whose performance is unsatisfactory are asked to retire. The Charter is available on the Company's website. PTB Group complies with the Guidelines in these areas.

Principle 3 – Promote ethical and responsible decision making

Recommendation 3.1

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 in its Corporate Governance Charter 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. The Charter is available on the Company's website. PTB Group complies with the Guidelines in these areas.

Recommendation 3.2 and 3.3

Guidelines for dealing in securities: The Company has developed specific written guidelines in its Corporate Governance Charter that prohibit Directors, executives (and their respective associates) and employees 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.

The Charter is available on the Company's website. PTB Group complies with the Guidelines in these areas.

Principle 4 – Safeguard integrity in financial reporting

Recommendation 4.1, 4.2, 4.3 and 4.4

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 the Guidelines in that it has an equal number of independent and non-independent Directors, the Chairman is also Chairman of the Board, and it has less than three members. 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.

The Charter is available on the Company's website and the names, qualifications, and the number of meetings attended has been disclosed in the Directors' Report.

Corporate Governance Statement

for the year ended 30 June 2010 (Continued)

Principle 5 – Make timely and balanced disclosure

Recommendation 5.1 and 5.2

Documented procedures in accordance with the Corporate Governance Charter 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. The Company's continuous disclosure obligations are also reviewed as a standing item on the agenda for each regular meeting of the Board. Each Director is required at every such meeting to confirm details of any matter within their knowledge that might require disclosure to the market.

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.

The Charter is available on the Company's website. PTB Group complies with the Guidelines in these areas.

Principle 6 – Respect the rights of shareholders

Recommendation 6.1 and 6.2

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. Announcements and reporting results are available on the Company's website. 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

Recommendation 7.1, 7.2 and 7.3

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 has implemented a policy framework included in the Corporate Governance

Charter, designed to ensure that the Group's risks are identified and that controls are adequate, in place, and functioning effectively.

This framework incorporates 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 Company's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the Company and Group, and are in accordance with relevant accounting standards;
- The above statement 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.

The Charter is available on the Company's website. PTB Group complies with the Guidelines in these areas.

Principle 8 - Remunerate fairly and responsibly

Recommendations 8.1, 8.2, and 8.3

As detailed above, the Company has a Remuneration committee 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. These policies are included in the Company's Corporate Governance Charter and its current members are Harvey Parker and Andrew Kemp.

Andrew Kemp is not considered to be an independent Director and consequently its composition does not comply with the recommendations in 8.1 of the ASX Corporate Governance Guidelines as it has an equal number of independent and non-independent Directors, the Chairman is also Chairman of the Board, and it has less than three members. However, the Board believes these matters are acceptable given the size of the Company, the nature of its business and the commercial experience of the members.

The Company's policies 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.

The Charter is available on the Company's website and the names and the number of meetings attended has been disclosed in the Directors' Report.

Statement Of Comprehensive Income

for the year ended 30 June 2010

	Note	Consolidated	
		2010 \$'000	2009 \$'000
Revenue	2	27,241	38,526
Other income	3	3,633	652
Cost of goods sold		(13,945)	(18,808)
Employee benefits expense		(4,346)	(5,116)
Depreciation and amortisation		(1,929)	(1,442)
Airport charges and taxes		-	(750)
Repairs and maintenance		(61)	(256)
Fuel costs		-	(553)
Bad and doubtful debts		(395)	(621)
Finance costs		(3,727)	(4,569)
Net foreign exchange loss		(697)	(2,517)
Net loss on sale of property, plant and equipment		(27)	(136)
Other expenses		(3,510)	(4,077)
Total expenses		(28,637)	(38,845)
Profit/(Loss) before income tax expense	4	2,237	333
Income tax (expense)/ benefit	5	(635)	(230)
Profit/(Loss) for the year attributable to the owners of the parent entity		1,602	103
Other comprehensive income net of tax		-	-
Total comprehensive income/(loss) for the period attributable to the owners of the parent entity		1,602	103
		Cents	Cents
Basic earnings per share	22	5.37	0.4
Diluted earnings per share	22	5.37	0.4

The statement of comprehensive income should be read in conjunction with the accompanying notes.

Statement Of Financial Position

as at 30 June 2010

	Note	Consolidated	
		2010 \$'000	2009 \$'000
Current Assets			
Cash and cash equivalents	21(a)	1,161	466
Trade and other receivables	6	5,344	5,438
Inventories	7	23,389	28,494
Derivative financial instruments	8	-	-
Current tax assets	9	266	353
Other current assets	10	423	493
Total Current Assets		30,583	35,244
Non-Current Assets			
Trade and other receivables	6	13,718	15,797
Inventories	7	6,000	-
Property, plant and equipment	11	25,603	27,086
Deferred tax assets	12	1,354	2,221
Intangible assets	13	4,334	4,334
Other non-current assets	10	142	367
Total Non-Current Assets		51,151	49,805
Total Assets		81,734	85,049
Current Liabilities			
Trade and other payables	14	4,394	3,458
Borrowings	15	11,468	7,823
Current tax liabilities	9	-	429
Derivative financial liabilities	8	9	-
Provisions	17	674	702
Other current liabilities	18	1,687	1,034
Total Current Liabilities		18,232	13,446
Non Current Liabilities			
Borrowings	15	18,522	29,462
Deferred tax liabilities	16	2,910	2,702
Provisions	17	136	150
Other non-current liabilities	18	436	279
Total Non-Current Liabilities		22,004	32,593
Total Liabilities		40,236	46,039
Net Assets		41,498	39,010
Equity			
Contributed equity	19	28,973	28,096
Reserves	20	283	274
Retained profits		12,242	10,640
Total Equity		41,498	39,010

The statement of financial position should be read in conjunction with the accompanying notes.

Statement Of Changes In Equity

for the year ended 30 June 2010

	Contributed Equity		Reserves		Retained Earnings	Total Equity
	Issued Capital \$'000	Other Equity Securities \$'000	Share Based Payments \$'000	Hedging Reserve \$'000	\$'000	\$'000
Consolidated						
At 1 July 2008	27,780	183	241	1,484	10,537	40,225
Total comprehensive income for the year	-	-	-	-	103	103
Employee share options	-	-	33	-	-	33
Dividends paid	-	-	-	-	-	-
Issues of share capital (net of transaction costs)	133	-	-	-	-	133
Recognition of effective cashflow hedge	-	-	-	(1,484)	-	(1,484)
At 30 June 2009	27,913	183	274	-	10,640	39,010
Total comprehensive income for the year	-	-	-	-	1,602	1,602
Employee share options	-	-	9	-	-	9
Dividends paid	-	-	-	-	-	-
Issues of share capital (net of transaction costs)	877	-	-	-	-	877
Recognition of effective cashflow hedge	-	-	-	-	-	-
At 30 June 2010	28,790	183	283	-	12,242	41,498

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

Statement Of Cashflows
for the year ended 30 June 2010

	Note	Consolidated	
		2010 \$'000	2009 \$'000
Cash Flow From Operating Activities			
Cash receipts in the course of operations		28,268	39,592
Cash payments in the course of operations		(21,834)	(33,248)
Interest received		1,338	524
Finance costs		(3,489)	(3,449)
GST recovered/(paid)		73	209
Income tax refund/(paid)		451	(1,518)
Net cash provided by/(used in) operating activities	21(b)	4,807	2,110
Cash Flow From Investing Activities			
Proceeds from sale of subsidiary (net of cash disposed)		-	271
Payments for property, plant and equipment		(1,365)	(5,789)
Proceeds on disposal of property, plant and equipment		37	1,909
Net cash provided by/(used in) investing activities		(1,328)	(3,609)
Cash Flow From Financing Activities			
Proceeds from borrowings		10,474	5,384
Repayment of borrowings		(13,016)	(4,927)
Repayment of lease liabilities		(247)	(68)
Proceeds from issue of shares		-	-
Share issue transaction costs		(14)	(11)
Dividends paid		-	-
Net cash provided by/(used in) financing activities		(2,803)	378
Net increase/(decrease) in cash and cash equivalents		676	(1,121)
Cash and cash equivalents at the beginning of the year		(454)	667
Cash and cash equivalents at the end of the year	21(a)	222	(454)

The cash flow statement 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 the financial statements for PTB Group Limited as 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, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*. This Report was authorised for issue on 29 September 2010.

Compliance with IFRS

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 (IFRS).

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 statement of comprehensive income, 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).

Financial Statement Presentation

The Group has applied the revised AASB101 Presentation of Financial Statements which became effective on 1 January 2009. The revised standard requires the separate presentation of a statement of comprehensive income and a statement of changes in equity. All non-owner changes in equity must now be presented in the statement of comprehensive income. As a consequence, the Group had to change the presentation of its financial statements.

(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 2010 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 30.

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 acquisition method of accounting is used to account for business combinations 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.

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Directors.

(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.

1. Summary of Significant Accounting Policies (Continued)

(d) Foreign currency translation (Continued)

(ii) Transactions and balances

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

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Translation differences on non-monetary assets and liabilities such as equities held at fair value through the statement of comprehensive income are recognised in the 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 in other comprehensive income.

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 recognised in other comprehensive income. 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 statement of comprehensive 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 Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. 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 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 is recognised in profit or loss, except to the extent that it relates to items recognised in

other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively.

Tax consolidation legislation

PTB Group Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation effective 1 July 2008. The head entity, PTB Group Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, PTB Group Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group. Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from, or payable to, other entities in the Group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities. PTB Group limited may also require payment of interim funding amounts to assist with its obligations to pay tax instalments. The funding amounts are recognised as current intercompany receivables or payables.

(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).

1. Summary of Significant Accounting Policies (Continued)

(h) Leased assets (Continued)

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).

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 acquisition method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, equity instruments issued or liabilities incurred or assumed at the date of exchange. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree, and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's

share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit and loss as a bargain purchase.

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 the purpose of presentation in the statement of cash flows, 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 using the effective interest method, less provision for impairment. Trade receivables are due for settlement in 30 to 90 days.

Collectability 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

1. Summary of Significant Accounting Policies (Continued)

(l) Trade and other receivables (Continued)

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.

Inventories are classified as non-current assets if the asset is expected to be realised in a period greater than twelve months from balance date.

(n) Other financial assets

The Group classifies its financial assets 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);

1. Summary of Significant Accounting Policies (Continued)

(p) Derivatives and hedging activities
(Continued)

- 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.

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 19. 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 statement of comprehensive income, 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 statement of comprehensive income 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 statement of comprehensive income 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 statement of comprehensive income 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 the statement of comprehensive income and in the hedging reserve in equity. The gain or loss relating to the ineffective portion is recognised immediately in the statement of comprehensive income within 'other income' or 'other expense'.

Amounts accumulated in equity are recycled in the statement of comprehensive income 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 statement of comprehensive income 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 statement of comprehensive income 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, any 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 statement of comprehensive income. 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 statement of comprehensive income.

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 other comprehensive income and accumulated reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in the statement of comprehensive income, within 'other income' or 'other expense'. Gains or losses accumulated in equity are included in the statement of comprehensive income when the foreign operation is partially disposed of or sold.

Notes to the Financial Statements

for the year ended 30 June 2010 (Continued)

1. Summary of Significant Accounting Policies (Continued)

(p) Derivatives and hedging activities (Continued)

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 statement of comprehensive income 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 statement of comprehensive income during the financial period in which they are incurred.

Increases in the carrying amounts arising on revaluation of land and buildings are credited, net of tax, in other comprehensive income and 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 recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset, all other decreases are to profit or loss.

Land is not depreciated. Depreciation on other assets 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 statement of comprehensive income 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 statement of comprehensive income. 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.

1. Summary of Significant Accounting Policies (Continued)

(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. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segments (note 28).

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 employees' 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 statement of comprehensive income 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.

(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 statement

of comprehensive income 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. The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

1. Summary of Significant Accounting Policies (Continued)

(v) Employee benefits (Continued)

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. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Share-based payments

Share based compensation benefits are provided to employees via the PTB Group Limited Employee Share Option Scheme as detailed in note 24.

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.

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

1. Summary of Significant Accounting Policies (Continued)

(z) Earnings per share (Continued)

ordinary shares and the weighted average number of shares that would have been outstanding assuming the conversion of all 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;
- 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; or
- Cashflows are presented on a gross basis and the GST components of cashflows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cashflows.

(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 statements. Amounts in the financial statements 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 is the registered office, principal place of business, and its principal administrative office:

22 Orient Avenue
Pinkenba QLD 4007
Ph: +61 7 3637 7000

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

(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 13 for details of these assumptions and the potential impact of changes to the assumptions.

(ae) New accounting standards and interpretations

Accounting Standards not Previously Applied

The Group has adopted the following new and revised Australian Accounting Standards issued by the AASB which have mandatory application to the current interim period. Disclosures required by these Standards that are deemed material have been included in this financial report on the basis that they represent a significant change in information from that previously made available.

Presentation of Financial Statements

AASB 101 *prescribes* the contents and structure of the financial statements. Changes reflected in these financial statements include:

- the replacement of Income Statement with Statement of Comprehensive Income. Total comprehensive income includes the changes in equity during the period other than changes resulting from transactions with owners in their capacity as owners. Items of income and expense not recognised in profit or loss are now disclosed as components of 'other comprehensive income';
- the adoption of the single statement approach to the Statement of Comprehensive Income; and
- other financial statements are renamed in accordance with the Standard.

Notes to the Financial Statements

for the year ended 30 June 2010 (Continued)

1. Summary of Significant Accounting Policies (Continued)

(ae) New accounting standards and interpretations (Continued)

Operating Segments

As a result of the adoption of AASB 8 "Operating Segments" from 1 July 2009, segments are identified and segment information disclosed on the basis of Internal reports that are regularly provided to, or reviewed by, the group chief operating decision maker which, for the Group, is the Executive Directors. There have been no changes to segment disclosure as a result of this standard.

New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2010, but have not been applied in preparing this financial report:

- (i) AASB 9 Financial Instruments includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the project to replace AASB 139 Financial Instruments: Recognition and Measurement. AASB 9 will become mandatory for the consolidated entity's 30 June 2014 financial statements. Retrospective application is generally required, although there are exceptions, particularly if the entity adopts the standard for the year ending 30 June 2012 or earlier. The consolidated entity has not yet determined the potential effect of the standard.
- (ii) AASB 124 Related party Disclosures (revised December 2009) simplifies and clarifies the intended meaning of the definition of a related party and provides a partial exemption from the disclosure requirements for government-related entities. The amendments, which will become mandatory for the consolidated entity's 30 June 2012 financial statements, are not expected to have any impact on the financial statements.
- (iii) AASB 2009-5 Further amendments to Australian Accounting Standards arising from the Annual Improvements Process affect various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments, which become mandatory for the consolidated entity's 30 June 2011 financial statements, are not expected to have a significant impact on the financial statements.
- (iv) AASB 2009-8 Amendments to Australian Accounting Standards – Group Cash-settled

Share-based Payment Transactions resolves diversity in practice regarding the attribution of cash-settled share-based payments between different entities within a group. As a result of the amendments AI 8 Scope of AASB 2 – Group and Treasury Share Transactions will be withdrawn from the application date. The amendments, which will become mandatory for the consolidated entity's 30 June 2011 financial statements, are not expected to have a significant impact on the financial statements.

- (v) AASB 2009-10 Amendments to Australian Accounting Standards – Classification of Rights issue (AASB 132) (October 2010) clarify that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro-rata to all existing owners of the same class of its own non-derivative equity instruments. The amendments, which will become mandatory for the consolidated entity's 30 June 2011 financial statements, are not expected to have any impact on the financial statements.
- (vi) AASB 2009-14 Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement – AASB 14 make amendments to Interpretation 14 AASB 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements removing an unintended consequence arising from the treatment of the prepayments of future contributions in some circumstances when there is a minimum funding requirement. The amendments will become mandatory for the consolidated entity's 30 June 2012 financial statements, with retrospective application required. The amendments are not expected to have any impact.
- (vii) IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability. IFRIC 19 will become mandatory for the consolidated entity's 30 June 2011 financial statements, with retrospective application required. The consolidated entity has not yet determined the potential effect of the interpretation.

2. Revenue

	Consolidated	
	2010 \$'000	2009 \$'000
Sales revenue		
Sale of goods	17,708	25,855
Services	4,403	5,265
Airline passengers and freight	-	2,380
Rental of engines/aircraft		
- Minimum lease payments	2,181	2,548
- Contingent rentals	1,534	919
	25,826	36,967
Other revenue		
Interest		
- Extended credit receivables (hire purchase agreements)	1,337	469
- Other	2	40
Other	76	1,050
	27,241	38,526

3. Other Income

Net gain on disposal of subsidiary	-	652
Net gain on refinancing	3,633	-
	3,633	652

4. Expenses

Profit before income tax expense includes the following specific items:

Cost of sale of goods	13,945	18,808
Depreciation		
- Buildings	95	79
- Plant and equipment	128	171
- Rental engines/aircraft	1,521	1,079
- Leasehold improvements	8	38
Amortisation		
- Leased engines/aircraft	110	-
- Leased plant and equipment	67	75
Operating lease rentals – minimum lease payments		
- Premises	197	567
- Equipment	139	125
Impairment losses (bad and doubtful debts)		
- Trade debtors	395	621
Net foreign exchange losses	697	2,517
Defined contribution superannuation expense	519	702
Finance costs		
- Interests and finance charges paid/payable	3,727	5,144
- Amount capitalised	-	(575)
	3,727	4,569

Notes to the Financial Statements

for the year ended 30 June 2010 (Continued)

5. Income Tax Expense

	Consolidated	
	2010 \$'000	2009 \$'000
(a) Income tax expense		
Current tax	(328)	39
Deferred tax	963	178
Under/(over) provided in prior years	-	13
	635	230
(b) Numerical reconciliation of income tax expense to prima facie tax		
Profit/(loss) before income tax expense	2,237	333
Tax at the Australian tax rate of 30% (2009: 30%)	671	100
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
- Share-based payments	3	10
- Sundry items	(39)	61
	635	171
Provisions transferred in	-	46
Under/(over) provided in prior years	-	13
Income tax expense/(benefit)	635	230
(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 12 and 16)	-	-

6. Trade and Other Receivables

Current		
Trade receivables	2,889	2,876
Provision for impairment	(818)	(613)
	2,071	2,263
Maintenance contract receivables	423	766
Extended credit receivables (hire purchase agreements)	2,850	2,379
Other receivables	-	30
	5,344	5,438
Non-Current		
Extended credit receivables (hire purchase agreements)	13,161	15,797
Maintenance contract receivables	557	-
	13,718	15,797

Trade receivables

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

Impaired trade receivables

As at 30 June 2010 current trade receivables of the Group with a nominal value of \$818,530 (2009: \$634,582) were impaired. The amount of the provision was \$818,530 (2008: \$613,301). 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.

6. Trade and Other Receivables (Continued)

The ageing of trade receivables is as follows:

	Current	30+ Days	60+ Days	90+ Days	Total
Group – 2010					
Trade receivables	1,521	326	217	825	2,889
Impaired trade receivables	(1)	(75)	(8)	(734)	(818)
Unimpaired receivables	1,520	251	209	91	2,071
Group – 2009					
Trade receivables	1,324	741	294	517	2,876
Impaired trade receivables	-	(1)	(117)	(517)	(635)
Unimpaired receivables	1,324	740	177	-	2,241

Past due but not impaired

As at 30 June 2010, 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	
	2010 \$'000	2009 \$'000
At 1 July	(613)	(304)
Provision for impairment recognised during the year	(390)	(620)
Receivables written off during the year as uncollectable	185	311
At 30 June	(818)	(613)

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. 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.

Notes to the Financial Statements

for the year ended 30 June 2010 (Continued)

6. Trade and Other Receivables (Continued)

	Consolidated	
	2010 \$'000	2009 \$'000
Payments in relation to the hire purchase agreements are receivable as follows:		
Within one year	4,728	4,194
Later than one year but not later than five years	18,794	10,852
Later than five years	-	12,384
	23,522	27,430
Future finance revenue		
Within one year	(1,878)	(1,815)
Later than one year but not later than five years	(5,633)	(7,439)
Later than five years	-	-
	(7,511)	(9,254)
	16,011	18,176
Representing receivables:		
Current	2,850	2,379
Non-current	13,161	15,797
	16,011	18,176

Amounts receivable from controlled entities

Refer note 32 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 27.

7. Inventories

Current

Work in progress – at cost	981	376
Finished goods – at cost	22,408	28,118
	23,389	28,494

Non-Current

Finished goods – at cost	6,000	-
	6,000	-

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 \$Nil (2009: \$574,580) 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 Nil% (2009: 22%).

8. Derivative Financial Instruments

Current Assets

Forward foreign exchange contracts – cashflow hedges	-	-
--	---	---

Current Liabilities

Forward foreign exchange contracts – cashflow hedges	9	-
--	---	---

9. Tax balances – Current

	Consolidated	
	2010 \$'000	2009 \$'000
Current tax assets	266	353
Current tax liabilities	-	429

10. Other Assets

Current		
Prepayments	416	427
Deposits	7	66
	423	493
Non-Current		
Other	142	367

11. Property, Plant and Equipment

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:

No later than one year	2,252	1,612
Later than one year but not later than five years	3,785	3,183
Later than five years	-	-
	6,037	4,795

Non-current assets pledged as security

Refer note 15 for information on non-current assets pledged as security.

Notes to the Financial Statements

for the year ended 30 June 2010 (Continued)

11. Property, Plant and Equipment (Continued)

Consolidated

	Land & Buildings		Leasehold Improvements		Plant & Equipment		Rental Engines/ Aircraft		Assets Under Construction		Total \$'000
	Owned	Owned	Under Lease	Owned	Under Lease	Owned	Under Lease	Owned	Under Lease		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000		
At 1 July 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	
Year ended 30 June 2009											
Opening net book value	4,106	115	-	417	179	16,786	-	1,336	1,390	24,329	
Additions	3,001	-	-	596	-	1,525	-	302	401	5,825	
Transfers ¹	21	-	-	-	-	419	-	(21)	-	419	
Disposals	-	-	-	(60)	-	(1,891)	-	(94)	-	(2,045)	
Depreciation/ amortisation	(78)	(39)	-	(171)	(75)	(1,079)	-	-	-	(1,442)	
Closing net book value	7,050	76	-	782	104	15,760	-	1,523	1,791	27,086	
At 30 June 2009											
Cost	7,210	85	-	1,275	234	19,259	-	1,523	1,791	31,377	
Accumulated depreciation	(160)	(9)	-	(493)	(130)	(3,499)	-	-	-	(4,291)	
Net book value	7,050	76	-	782	104	15,760	-	1,523	1,791	27,086	
Year ended 30 June 2010											
Opening net book value	7,050	76	-	782	104	15,760	-	1,523	1,791	27,086	
Additions	-	7	-	51	-	771	29	12	323	1,193	
Transfers ²	-	-	-	-	-	1,012	1,153	(1,197)	(1,153)	(185)	
Disposals	-	-	-	(65)	-	(497)	-	-	-	(562)	
Depreciation/ amortisation	(95)	(8)	-	(128)	(67)	(1,521)	(110)	-	-	(1,929)	
Closing net book value	6,955	75	-	640	37	15,525	1,072	338	961	25,603	
At 30 June 2010											
Cost	7,210	93	-	1,085	212	20,304	1,182	338	961	31,385	
Accumulated depreciation	(255)	(18)	-	(445)	(175)	(4,779)	(110)	-	-	(5,782)	
Net book value	6,955	75	-	640	37	15,525	1,072	338	961	25,603	

1 2009: Net transfers consists of items transferred to/from inventory (\$419,000) and between owned assets under construction and owned buildings (\$21,000).

2 Net transfers consist of items transferred to/from inventory (\$185,000) and between assets under construction under lease to rental engines/aircraft under lease (\$1,153,000).

12. Deferred Tax Assets

	Consolidated	
	2010 \$'000	2009 \$'000
The balance comprises temporary differences attributable to:		
Tax losses	358	1,281
Accruals	61	65
Employee benefits	206	312
Doubtful debts	245	184
Share issue expenses	-	-
Other	484	379
Total deferred tax assets	1,354	2,221

Movements	Tax losses \$'000	Accruals \$'000	Employee benefits \$'000	Doubtful debts \$'000	Share issue expenses \$'000	Other \$'000	Total \$'000
Consolidated							
At 1 July 2008	1,350	52	308	91	-	225	2,026
(Charged)/credited to income statement	(69)	13	4	93	-	154	195
Credited directly to equity	-	-	-	-	-	-	-
At 30 June 2009	1,281	65	312	184	-	379	2,221
(Charged)/credited to income statement	(923)	(4)	(106)	61	-	105	(867)
Credited directly to equity	-	-	-	-	-	-	-
At 30 June 2010	358	61	206	245	-	484	1,354

Notes to the Financial Statements

for the year ended 30 June 2010 (Continued)

13. Intangible Assets

	Goodwill \$'000
Consolidated	
At 1 July 2008	
Cost	4,334
Accumulated amortisation and impairment	-
Net book amount	<u>4,334</u>
Year ended 30 June 2009	
Opening net book amount	4,334
Amortisation charge	-
Closing net book amount	<u>4,334</u>
At 30 June 2009	
Cost	4,334
Accumulated amortisation and impairment	-
Net book amount	<u>4,334</u>
Year ended 30 June 2010	
Opening net book amount	4,334
Amortisation charge	-
Closing net book amount	<u>4,334</u>
At 30 June 2010	
Cost	4,334
Accumulated amortisation and impairment	-
Net book amount	<u>4,334</u>

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 11.5% (2009: 13.8%). A growth rate of 2% (2009: 2%) 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.

14. Trade and Other Payables

	Consolidated	
	2010 \$'000	2009 \$'000
Trade payables and accruals	4,394	3,458

Effective Interest Rates

Information concerning the effective interest rates is set out in note 27.

15. Borrowings

Current

Secured

Bank overdraft	939	920
Bank loans	5,499	6,371
Finance company loan	155	268
Lease liabilities	148	126
	6,741	7,685

Unsecured

Notes	4,589	-
Other loans – related parties	138	138
	11,468	7,823

Non-Current

Secured

Bank loans	14,926	21,557
Lease liabilities	528	676
	15,454	22,233

Unsecured

Notes	-	4,589
Other loans – related parties	3,068	2,640
	18,522	29,462

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 in cash. The notes were rolled for a further 2 years on 30 November 2008. Nominal interest of 14% (2009: 14%) per annum (fixed) is payable monthly in arrears. Noteholders also received one option to acquire shares in PTB Group Limited for every \$2 invested in the notes in four six monthly tranches commencing from the issue date. The exercise period expires 30 November 2010 at an exercise price of \$0.40 per share. The options are transferable. Although the notes themselves are unsecured, there is an intercompany charge over the assets of PTB Rentals Pty Ltd for the benefit of noteholders at an LVR of 80%. The Group complied with this requirement for the current and previous financial year.

The fourth tranche of options with a record date of 31 May 2010 were issued for zero cash consideration to noteholders holding unsecured notes issued in PTB Finance Limited on 15 July 2010.

Bank Overdraft, Bank Loans and Bills Payable

On 6 January 2010 the Group completed the refinancing of its existing bank facilities and the Emerald loan in which the Emerald Financier accepted a total payment of \$10.4 million in cash, together with the issue of 4,203,283 shares, in full settlement of the outstanding loan balance of approximately \$15 million. The profit on the settlement was \$3.6 million.

Notes to the Financial Statements

for the year ended 30 June 2010 (Continued)

15. Borrowings (Continued)

Under the new arrangements, the bank overdraft, bank loans and bills payable are secured by way of a registered company charge over the whole of the assets and undertakings of the parent entity and that of its subsidiaries PTB Emerald Pty Ltd and IAP Group Australia Pty Ltd of \$40,612,459 (2009: \$38,165,337). Included in the above are bank loans and finance leases in the subsidiaries that are secured by the relevant aviation assets included in plant and equipment and inventory of the relevant subsidiary. In addition while there is money owed to the lender, no return of capital, dividends or payments can be made to ordinary shareholders in PTB or related parties without its approval.

In the prior year the existing refurbishment and term loan were rolled into an AUD term loan at an interest rate of 15% per annum (previously 22%), minimum monthly loan repayments of \$165,000, a four year loan term (i.e. to 31 July 2013), and the existing security arrangements to remain in place. The balance at 30 June 2009 was \$14.9 million (2008: \$11.9 million). The Financier was granted 2,875,000 ordinary shares in PTB on the basis that these shares can be issued progressively over five tranches. The first tranche of shares, i.e. for 1.2 million shares, was issued on 30 June 2009 as approved by the shareholders on that date. Refer to note 19.

In addition, a second ranking charge over the assets of the parent entity and IAP Group Australia Pty Ltd was signed on 31 July 2009 in favour of the financier. The carrying value of the Group assets at 30 June 2009 was \$39,010,493. This second ranking charge was rescinded as part of the refinancing that occurred on 6 January 2010.

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 23 for information on other loans from related parties.

Effective Interest Rates

Information concerning the effective interest rates is set out in note 27.

Finance Facilities

Information concerning the finance facilities is set out in note 27.

Assets Pledged as Security

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

16. Deferred Tax Liabilities

	Consolidated	
	2010 \$'000	2009 \$'000
The balance comprises temporary differences attributable to:		
Property, plant and equipment	2,345	2,038
Inventory	-	388
Other	565	276
Total deferred tax liabilities	2,910	2,702

16. Deferred Tax Liabilities (Continued)

Movements	Property, plant and equipment \$'000	Inventory \$'000	Maintenance contracts \$'000	Other \$'000	Total \$'000
Consolidated					
1 July 2008	1,836	556	-	293	2,685
Charged/(credited) to income statement	202	(168)	-	(17)	17
At 30 June 2009	2,038	388	-	276	2,702
Charged/(credited) to income statement	307	(388)	-	289	208
At 30 June 2010	2,345	-	-	565	2,910

17. Provisions

	Consolidated	
	2010 \$'000	2009 \$'000
Current		
Employee benefits	551	702
Service Warranties	123	-
	674	702
Non-Current		
Employee benefits	136	150

18. Other Liabilities

Current		
Deferred revenue	242	177
Deposits in advance	1,445	857
	1,687	1,034
Non-Current		
Deferred revenue	436	279

Deferred revenue

Deferred revenue relates to maintenance contract revenue received in advance.

Notes to the Financial Statements

for the year ended 30 June 2010 (Continued)

19. Contributed Equity

	Consolidated	
	2010 \$'000	2009 \$'000
Share capital		
32,225,168 ordinary shares fully paid (2009: 27,603,135 ordinary shares fully paid)	28,790	27,913
Other equity securities		
Value of conversion rights (net of tax)	183	183
	<u>28,973</u>	<u>28,096</u>

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 2008		<u>26,403,135</u>		<u>27,780</u>
Share issues to Emerald Financier	(a)	1,200,000	0.12	144
Transaction costs net of deferred tax		-		(11)
Closing balance 30 June 2009		<u>27,603,135</u>		<u>27,913</u>
Shares issued to Emerald Financier	(a)	418,750	0.12	50
Shares issued to Emerald Financier	(a)	4,203,283	0.20	841
Transaction costs net of deferred tax		-		(14)
Closing balance 30 June 2010		<u>32,225,168</u>		<u>28,790</u>

Notes:

(a) Issue of shares pursuant to shareholder approval

In the previous year the Emerald Financier had been granted 2,875,000 ordinary shares in PTB on the basis that these shares could be issued progressively over five tranches. The first tranche of shares, i.e. for 1.2 million shares, was issued on 30 June 2009 as approved by the shareholders on that date. The shares were issued at the market rate on that day, being \$0.12 per share. The residual four tranches of 418,750 shares per tranche were to issue on 31.12.09, 30.6.10, 31.12.10, and 30.6.11 respectively. The share issue has been structured in this way to minimise the potential dilutive effect on shareholders by allowing an early repayment of this facility.

On 31 December 2009 the second tranche of 418,750 shares were issued. On 6 January 2010 the Group completed the refinancing of the Emerald loan in which the previous Financier accepted a total payment of \$10.4 million in cash, together with the issue of 4,203,283 shares, in full settlement of the outstanding loan balance of approximately \$15 million. The profit on the settlement was \$3.6 million.

19. Contributed Equity (Continued)

Options

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

	2010	2009		
	No. of Options	No. of Options	Exercise Price	Expiry Date
Employee share options	-	120,000	\$1.60	20 February 2010
Employee share options	40,000	40,000	\$2.00	31 August 2010
Note options	9,177,600	4,588,800	\$0.40	30 November 2010

An employee share option scheme was approved by shareholders on 3 June 2005. Refer to note 24 for details.

Note options were granted as part of the unsecured note placement. Refer note 15 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.

Notes to the Financial Statements

for the year ended 30 June 2010 (Continued)

20. Reserves

	Consolidated	
	2010 \$'000	2009 \$'000
Share-based payments reserve	283	274
Movements		
Reserve balance 1 July	274	241
Option expense	9	33
Reserve balance 30 June	283	274
The share-based payments reserve is used to recognise the fair value of the options issued but not exercised.		
Hedging reserve	-	-
Movements		
Reserve balance 1 July	-	1,484
Recognition of effective cashflow hedge	-	-
Settlement of cashflow hedge	-	(1,484)
Reserve balance 30 June	-	-

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 statement of comprehensive income when the associated hedged transaction affects the comprehensive income statement.

21. Cash Flow Information

(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	1,161	466
Bank overdraft (note 15)	(939)	(920)
	222	(454)

21. Cash Flow Information (Continued)

(b) Reconciliation of Net Cash Flow from Operating Activities to Profit/(Loss) for the Year

	Consolidated	
	2010 \$'000	2009 \$'000
Profit/(Loss) for the year	1,602	103
Depreciation and amortisation	1,929	1,442
(Gain)/loss on disposal of property, plant and equipment	27	136
(Gain)/loss on refinancing of borrowings	(3,633)	-
(Gain)/loss on disposal of subsidiary	-	(652)
Share-based payments	9	33
Movement in provision for doubtful debts	205	309
Interest capitalised	-	1,297
Unrealised foreign currency movements	939	2,167
Non-cash interest on unsecured notes	-	62
Changes in operating assets and liabilities net of effects from disposal of controlled entities.		
(Increase)/decrease in:		
Receivables	263	475
Inventories **	(40)	(1,222)
Deferred tax assets*	867	(1,146)
Other assets	1,059	(837)
Increase/(decrease) in:		
Trade payables, accruals, and other liabilities	1,756	(263)
Employee benefits	(42)	68
Current tax liabilities	(342)	(830)
Deferred tax liabilities*	208	968
Net cash flow from operating activities	4,807	2,110

* 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 29. Options issued to employees under the Employee Share Option Scheme are shown in note 24.

During the year the Group purchased \$Nil of property, plant and equipment by way of finance lease (2009: \$35,000).

Notes to the Financial Statements

for the year ended 30 June 2010 (Continued)

22. Earnings Per Share

	Consolidated	
	2010 cents	2009 cents
Basic earnings per share	5.37	0.4
Diluted earnings per share	5.37	0.4
	\$'000	\$'000
Earnings used to calculate basic and diluted earnings per share – profit after tax for the year	1,602	103
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	29,838,725	26,406,432
Effect of dilutive securities:		
– Director and employee share options	-	-
– Note options	-	-
Weighted average number of ordinary shares and potential ordinary shares used in calculating diluted earnings per share	<u>29,838,725</u>	<u>26,406,432</u>

In the current and prior year no options were considered to be potential ordinary shares. The options have not been included in the determination of basic earnings per share.

23. 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)

RS Ferris, Managing Director (IAP Division)

Non-executive Directors

APS Kemp

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

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

23. Key Management Personnel Disclosures (Continued)

Key management personnel compensation:

	Consolidated	
	2010 \$	2009 \$
Short-term employee benefits	727,984	717,659
Post-employment benefits	96,180	134,625
Other long-term benefits	814	18,134
Share-based payments	1,098	2,839
	826,076	873,257

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 E 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	Other Changes	Balance at the end of the year	Vested and exercisable at the end of the year
2010						
Directors						
H Parker	-	-	-	-	-	-
CL Baker	-	-	-	20,000 ²	20,000	20,000
RS Ferris	-	-	-	10,000 ²	10,000	10,000
APS Kemp	414,800	-	-	436,800 ²	851,600	851,600
Other key management personnel of the Group						
JT Barbeler	20,000	-	-	-	20,000	20,000
2009						
Directors						
H Parker	-	-	-	-	-	-
CL Baker	-	-	-	-	-	-
RS Ferris	-	-	-	-	-	-
APS Kemp	38,267	-	(38,267) ¹	414,800 ¹	414,800	414,800
Other key management personnel of the Group						
JT Barbeler	20,000	-	-	-	20,000	13,334

1 In the prior year 38,267 options issued to APS Kemp as part of the unsecured notes issued in 2006 lapsed during the year. A further 414,800 options were issued as part of the rollover of the notes as approved by shareholders on 30 June 2009 (refer note 15).

2 These options were issued as those attaching to notes acquired during the year from arm's length third parties by the respective Directors (for terms refer to note 15).

Notes to the Financial Statements

for the year ended 30 June 2010 (Continued)

23. Key Management Personnel Disclosures (Continued)

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 purchase consideration	Received during the year on the exercise of options	Other changes (on-market purchases)	Balance at date of appointment/resignation	Balance at the end of the year
2010						
Directors						
H Parker	296,000	-	-	-	-	296,000
CL Baker	1,782,104	-	-	149,600	-	1,931,704
RS Ferris	6,908,054	-	-	-	-	6,908,054
APS Kemp	181,982	-	-	27,000	-	208,982
Other key management personnel of the Group						
JT Barbeler	-	-	-	23,850	-	23,850
2009						
Directors						
H Parker	296,000	-	-	-	-	296,000
CL Baker	1,782,104	-	-	-	-	1,782,104
RS Ferris	6,908,054	-	-	-	-	6,908,054
APS Kemp	147,248	-	-	34,734	-	181,982
Other key management personnel of the Group						
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

APS Kemp's remuneration included additional amounts paid for services provided in respect of corporate advisory and capital raising strategy services of \$Nil (2009: \$5,500). These services were supplied at normal terms and conditions.

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 2010 of \$2,893,818 (2009: \$2,619,521).

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 date of 31 August 2011 and 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 2010 of \$312,162 (2009: \$158,343).

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.

23. Key Management Personnel Disclosures (Continued)

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

	Consolidated	
	2010 \$	2009 \$
Amounts recognised as expense		
Interest expense*	359,991	313,952
	359,991	313,952

Aggregate amounts receivable/payable arising from the above types of transactions with key management personnel of the Group:

– current borrowings	578,801	138,001
– non-current borrowings	3,067,979	3,054,663

* represents interest paid at 14% to APS Kemp, C Baker, and S Ferris on unsecured notes and on the two unsecured loans payable by Group companies to R.S Ferris at 8% and 10% as detailed above.

At balance date, the fourth tranche of options with a record date of 31 May 2010 remain to be issued to two companies that are related parties and associated with APS Kemp, a Director of PTB Group Limited. This remaining tranche was issued on 15 July 2010 totalling 208,000 options to Huntington Group Pty Ltd ACN 010 693 651 and a second tranche of 4,900 options to Manco (Aust) Pty Ltd ACN 062 457 658. These options were approved at a General Meeting on 30 June 2009 and are to be issued for zero cash consideration. These companies currently hold 425,800 (2009: 414,800) notes at balance date.

24. 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.

Notes to the Financial Statements

for the year ended 30 June 2010 (Continued)

24. 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 – 2010								
31 May 2007	31 Aug 2010	\$2.00	40,000	-	-	-	40,000	40,000
30 Dec 2006	20 Feb 2010	\$1.60	120,000	-	-	120,000	-	-
Consolidated and parent entity – 2009								
31 May 2007	31 Aug 2010	\$2.00	40,000	-	-	-	40,000	26,666
30 Dec 2006	20 Feb 2010	\$1.60	120,000	-	-	-	120,000	80,000
30 Sep 2005	19 Nov 2008	\$1.00	80,002	-	-	80,002	-	-

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 2010 year was 0.17 years (2009: 0.77 years).

No options were exercised during the current or prior year.

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

No such options were granted in the current or prior year.

24. Share-based Payments (Continued)

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	
	2010 \$'000	2009 \$'000
Options issued under employee option scheme	9	33

25. Auditor's Remuneration

	Consolidated	
	2010 \$	2009 \$
(a) Audit Services		
Remuneration of the auditor of the Group for:		
Audit or review of the financial reports	118,000	115,500
(b) Non audit services		
Taxation compliance	42,055	31,180
Other tax consulting	8,690	39,800

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

26. Commitments

	Consolidated	
	2010 \$'000	2009 \$'000
(a) Finance leases		
Commitments in relation to finance leases are payable as follows:		
Within one year	217	211
Later than one year but not later than five years	615	832
Later than five years	-	-
Minimum lease payments	832	1,043
Future finance charges		
- Within one year	(69)	(85)
- Later than one year but not later than five years	(87)	(156)
- Later than five years	-	-
	676	802
Representing lease liabilities:		
Current	148	126
Non-current	528	676
	676	802

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

Notes to the Financial Statements

for the year ended 30 June 2010 (Continued)

26. Commitments (Continued)

(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:

	Consolidated	
	2010 \$'000	2009 \$'000
Within one year	148	146
Later than one year but not later than five years	465	486
Later than five years	427	531
	1,040	1,163

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.

(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	280	560
Greater than one year but not later than five years	-	280
	280	840

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

(d) Capital commitments

Capital expenditure contracted for at balance date but not recognised as liabilities was payable as follows:

Within one year	-	-
	-	-

27. 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.

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

(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.

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

	30 June 2010		30 June 2009	
	USD \$'000	GBP '000	USD \$'000	GBP '000
Cash and cash equivalents	775	31	209	52
Trade and other receivables	15,199	3	16,435	7
Forward exchange contracts	9	-	-	-
Trade and other payables	(1,706)	(138)	(687)	458
Borrowings	(2,833)	-	(3,479)	-
Other liabilities	(415)	-	(60)	-

Group sensitivity

Based on the financial instruments held at 30 June 2010, 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 \$1,006,000 higher/\$823,000 lower (2009: \$1,196,000 higher/\$979,000 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 2010 than in 2009 because the net exposure is less due to the higher amount of the US dollar denominated liabilities offsetting lower US dollar denominated assets.

Equity would have been \$1,006,000 higher/\$823,000 lower (2009: \$1,196,000 higher/\$979,000 lower) had the Australian dollar weakened/strengthened by 10% against the US dollar due to the reasons noted above. Equity is equally sensitive to movements in the Australian dollar/US dollar exchange rates in 2010 as in 2009 because there are no material forward exchange contracts. The Group'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.

Notes to the Financial Statements

for the year ended 30 June 2010 (Continued)

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

(a) Market risk (Continued)

(iii) Cash flow and fair value interest rate risk (Continued)

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 \$'000	Fixed Interest Rate Maturing						Non-Interest Bearing \$'000	Total \$'000
			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		
2010										
Financial assets										
Cash and cash equivalents	1.18	1,155	-	-	-	-	-	-	6	1,161
Trade and other receivables	-	-	-	-	-	-	-	-	3,051	3,051
Extended credit receivables	13.06	-	2,850	582	449	644	11,486	-	-	16,011
Total financial assets		1,155	2,850	582	449	644	11,486	-	3,057	20,223
Financial liabilities										
Trade and other payables	-	-	-	-	-	-	-	-	4,394	4,394
Bank overdraft	7.42	939	-	-	-	-	-	-	-	939
Bank loans	7.38	294	1,322	2,408	2,355	-	-	-	-	6,379
Bills payable	8.29	5,375	3,140	3,475	2,210	-	-	-	-	14,200
Lease liabilities	10.49	-	148	158	248	122	-	-	-	676
Unsecured notes	14.00	-	4,589	-	-	-	-	-	-	4,589
Related party loans	9.81	-	138	3,068	-	-	-	-	-	3,206
Total financial liabilities		6,608	9,337	9,109	4,813	122	-	-	4,394	34,383

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

(a) Market risk (Continued)

	Effective Weighted Average Interest Rate %	Floating Interest Rate \$'000	Fixed Interest Rate Maturing						Non- Interest Bearing \$'000	Total \$'000
			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		
2009										
Financial assets										
Cash and cash equivalents	0.64	389	-	-	-	-	-	-	77	466
Trade and other receivables	-	-	-	-	-	-	-	-	3,059	3,059
Extended credit receivables	13.14	-	2,379	1,999	630	492	293	12,383	-	18,176
Total financial assets		389	2,379	1,999	630	492	293	12,383	3,136	21,701
Financial liabilities										
Trade and other payables	-	-	-	-	-	-	-	-	3,458	3,458
Bank overdraft	6.16	920	-	-	-	-	-	-	-	920
Bank loans	12.21	375	4,630	3,084	4,418	4,463	7,001	-	-	23,971
Bills payable	5.37	4,225	-	-	-	-	-	-	-	4,225
Lease liabilities	10.50	-	126	148	158	248	122	-	-	802
Unsecured notes	14.00	-	-	4,589	-	-	-	-	-	4,589
Related party loans	9.89	-	138	2,640	-	-	-	-	-	2,778
Total financial liabilities		5,520	4,894	10,461	4,576	4,711	7,123	-	3,458	40,743

There are no other interest bearing financial assets and liabilities.

Group sensitivity

As the majority of the interest rates are fixed, at 30 June 2010 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 (2009: \$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.

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

(b) Credit risk (Continued)

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.

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 2010 the largest 10 debtors comprised approximately 89% (2009: 91%) of total receivables. It should be noted that the largest debtor is an extended credit receivable to a customer in Indonesia which accounts for 70% (2009: 68%) of total receivables. The Group has security over the underlying asset in the event of a default, in conjunction with guarantees of \$5 million USD from the parent entity of the customer. There is a broad spread of other trade and extended credit receivables comprising 11% and 14% (2009: 11% and 17%) of total receivables respectively; and
- The receivables are concentrated in six main geographical areas. Refer to note 28 for further information.

At balance date cash was held with the CBA, Bank West, 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.

	Consolidated	
	2010 \$'000	2009 \$'000
Finance Facilities		
<i>Available facilities</i>		
Bank overdraft	1,586	1,613
Bank loans - chattel mortgage	6,900	24,505
- other	156	268
Bills payable - multi-option	14,200	4,225
Notes	4,589	4,589
Related party facilities	3,206	2,778
	30,637	37,978
<i>Amounts utilised</i>		
Bank overdraft	939	920
Bank loans - chattel mortgage	6,900	24,505
- other	156	268
Bills payable - multi-option	14,200	4,225
Notes	4,589	4,589
Related party facilities	3,206	2,778
	29,990	37,285
<i>Unused facilities</i>		
Bank overdraft	647	693
Bank loans - chattel mortgage	-	-
- other	-	-
Bills payable - multi-option	-	-
Notes	-	-
Related party facilities	-	-
	647	693

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

(c) Liquidity risk (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 2010							
<i>Non-derivatives</i>							
Non-interest bearing	4,394	-	-	-	-	-	4,394
Variable rate	2,550	4,610	-	-	-	-	7,160
Fixed rate	10,904	9,943	4,981	129	-	-	25,957
Total financial liabilities	17,848	14,553	4,981	129	-	-	37,511
<i>Derivatives</i>							
Gross settled – (inflow)	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
Group 2009							
<i>Non-derivatives</i>							
Non-interest bearing	3,458	-	-	-	-	-	3,458
Variable rate	3,553	107	2,302	-	-	-	5,962
Fixed rate	8,701	13,603	7,193	7,193	7,329	-	44,019
Total financial liabilities	15,712	13,710	9,495	7,193	7,329	-	53,439
<i>Derivatives</i>							
Gross settled – (inflow)	-	-	-	-	-	-	-
	-	-	-	-	-	-	-

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.

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

Notes to the Financial Statements

for the year ended 30 June 2010 (Continued)

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

(c) Liquidity risk (Continued)

Related party loans

The related party loans are at a fixed interest rate of 8% and 10% per note 23.

Bills payable

The multi-option facility includes variable rate commercial bills of \$5,375,000 at a weighted average interest rate of 7.12%. For each drawing of a bill, a rate is quoted by the bank at the time of draw down. The bills have a term between one and two years and the facility is subject to annual review. Also included are step-up fixed rate bills of \$8,825,000 at an interest rate of 10% over the three year term.

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.

28. Segment Information

The Group operates predominantly in the following business segments:

- Aircraft Transport; and
- Aircraft and Engines Sales and Rentals: Including trading in airframes, engines, and related parts, repairs, operating lease rentals, and sale on extended credit of aircraft, engines, and related parts (including hire purchase agreements).

Primary Reporting - Business Segments

During the previous year, the Aircraft transport segment, formerly comprised of the Aeropelican Air Services operation was sold. The remaining segment consists of a number of interrelated activities comprising the sale, lease or rental of aviation parts, including whole airframes and engines and does not constitute separately identifiable operating segments.

28. Segment Information (Continued)

	Aircraft Transport	Aircraft & Engines Sales/ Rentals	Elimination	Total
	\$'000	\$'000	\$'000	\$'000
2010				
Segment revenue				
Sales to external customers	-	27,241	-	27,241
Intersegment sales	-	-	-	-
Total sales revenue	-	27,241	-	27,241
Other revenue/income	-	-	-	-
Total segment revenue/income	-	27,241	-	27,241
Unallocated revenue				3,633
Consolidated revenue/income				30,874
Segment result				
Segment result	-	(52)	-	(52)
Unallocated revenue less unallocated expenses				2,289
Profit before income tax				2,237
Income tax expense				(635)
Profit for the year				1,602
Assets				
Segment assets	-	80,114	-	80,114
Unallocated assets				1,620
Total assets				81,734
Liabilities				
Segment liabilities	-	7,336	-	7,336
Unallocated liabilities				32,900
Total liabilities				40,236
Other segment information				
Acquisition of property, plant and equipment, intangibles and other non-current segment assets	-	1,193	-	1,193
Unallocated				-
Total acquisitions				1,193
Depreciation and amortisation expense	-	1,929	-	1,929
Unallocated				-
Total depreciation and amortisation				1,929

Notes to the Financial Statements

for the year ended 30 June 2010 (Continued)

28. Segment Information (Continued)

	Aircraft Transport	Aircraft & Engines Sales/ Rentals	Elimination	Total
	\$'000	\$'000	\$'000	\$'000
2009				
Segment revenue				
Sales to external customers	2,380	36,146	-	38,526
Intersegment sales	-	1,159	(1,159)	-
Total sales revenue	2,380	37,305	(1,159)	38,526
Other revenue/income	-	-	-	-
Total segment revenue/income	2,380	37,305	(1,159)	38,526
Unallocated revenue				652
Consolidated revenue/income				39,178
Segment result				
Segment result	160	1,870	(113)	1,917
Unallocated revenue less unallocated expenses				(1,584)
Profit before income tax				333
Income tax expense				(230)
Profit for the year				103
Assets				
Segment assets	-	82,475	-	82,475
Unallocated assets				2,574
Total assets				85,049
Liabilities				
Segment liabilities	-	5,349	-	5,349
Unallocated liabilities				40,690
Total liabilities				46,039
Other segment information				
Acquisition of property, plant and equipment, intangibles and other non-current segment assets	-	6,244	-	6,244
Unallocated				-
Total acquisitions				6,244
Depreciation and amortisation expense	158	1,284	-	1,442
Unallocated				-
Total depreciation and amortisation				1,442

28. 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	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Australia/NZ	12,987	13,592	42,999	46,585	915	5,368
Pacific	4,966	3,008	2,870	2,674	-	-
North America	2,408	3,604	235	518	267	865
Asia	7,788	15,335	18,935	17,894	-	-
Africa	225	398	753	1,105	-	11
Europe	2,450	3,228	15,939	16,268	11	-
Other	50	13	3	5	-	-
	30,874	39,178	81,734	85,049	1,193	6,244
Unallocated	-	-	-	-	-	-
Total	30,874	39,178	81,734	85,049	1,193	6,244

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.

29. Dividends

	Parent Entity	
	2010 \$'000	2009 \$'000
Dividends paid during the year		
No dividends were paid during the year.	-	-
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	-	-
Satisfied by the issue of shares	-	-
	-	-

Notes to the Financial Statements

for the year ended 30 June 2010 (Continued)

29. Dividends (Continued)

	Consolidated	
	2010 \$'000	2009 \$'000
Franking credits		
Franking credits available for subsequent financial years based on a tax rate of 30% (2009: 30%)	11,911	11,911

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.

	2010 \$'000	2009 \$'000
Dividends not recognised at year end		
Since year end the Directors have not recommended the payment of a final dividend (2009: nil cents). In the previous year, the aggregate amount of proposed dividends that were expected to be paid out of retained profits but not recognised as a liability at year end was:	-	-

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 (2009: \$Nil).

30. Subsidiaries

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

Name	Country of Incorporation	Equity Holding	
		2010	2009
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%
International Air Parts UK Limited ⁽⁶⁾	United Kingdom	100%	100%
PTB Emerald Limited ⁽⁷⁾	United Kingdom	100%	100%
748 Cargo 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.

Aeropelican Air Services disposed 30 September 2008.

(6) Incorporated 18 October 2006

(7) Incorporated 13 October 2006

(8) Incorporated 21 June 2007 (Previously PTB Asset Management Pty Ltd)

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

In the previous year, IAP Group Australia Pty Limited (ACN: 003 675 867) a subsidiary of PTB Group Limited, disposed of Aeropelican Air Services Pty Ltd (ACN: 000 653 083). Consideration received amounted to \$282,000 with the net deficient assets disposed of amounting to \$369,635. The net deficiency in assets comprised trade creditors of \$910,389, employee entitlements of \$244,709, trade and other receivables of \$559,270, other current assets of \$76,662, and plant and equipment of \$149,531. The profit on sale of the subsidiary was \$651,820. The profit before tax on ordinary activities of Aeropelican during the previous period, and the corresponding prior period was \$160,354 and a loss of \$239,206 respectively.

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 31.

Notes to the Financial Statements

for the year ended 30 June 2010 (Continued)

31. 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 statement of comprehensive income and a summary of movements in consolidated retained profits for the year ended 30 June 2010 of the Closed Group:

	2010 \$'000	2009 \$'000
Revenue	27,241	38,526
Other income	3,633	652
Cost of goods sold	(13,945)	(18,808)
Employee benefits expense	(4,346)	(5,116)
Depreciation and amortisation	(1,929)	(1,442)
Airport charges and taxes	-	(750)
Repairs and maintenance	(61)	(256)
Fuel costs	-	(553)
Bad and doubtful debts	(395)	(621)
Finance costs	(3,809)	(4,645)
Net foreign exchange loss	(697)	(2,517)
Net loss on sale of property, plant and equipment	(27)	(136)
Other expenses	(3,494)	(4,044)
Total expenses	(28,703)	(38,888)
Profit before income tax expense	2,171	290
Income tax expense	(615)	(217)
Profit for the year attributable to the owners of the parent entity	1,556	73
Other comprehensive income net of tax	-	-
Total comprehensive income/(loss) for the period attributable to the owners of the parent entity	1,556	73
Summary of movements in consolidated retained profits		
Retained profits at the beginning of the financial year	10,591	10,518
Profit for the year	1,556	73
Dividends provided for or paid	-	-
Retained profits at the end of the financial year	12,147	10,591

31. Deed of Cross Guarantee (Continued)

(b) Balance sheet

Set out below is a consolidated statement of financial position as at 30 June 2010 of the Closed Group:

	2010 \$'000	2009 \$'000
Current Assets		
Cash and cash equivalents	1,106	410
Trade and other receivables	5,344	5,438
Inventories	29,389	28,493
Derivative financial instruments	-	-
Current tax assets	266	353
Other current assets	423	493
Total Current Assets	36,528	35,187
Non-Current Assets		
Trade and other receivables	16,114	17,515
Other financial assets	264	264
Property, plant and equipment	25,603	27,087
Deferred tax assets	1,349	2,215
Intangible assets	4,334	4,334
Other non-current assets	142	367
Total Non-Current Assets	47,806	51,782
Total Assets	84,334	86,969
Current Liabilities		
Trade and other payables	4,380	3,452
Borrowings	6,879	7,824
Current tax liabilities	-	419
Provisions	674	702
Other current liabilities	1,697	1,033
Total Current Liabilities	13,630	13,430
Non Current Liabilities		
Borrowings	25,742	31,369
Deferred tax liabilities	2,910	2,701
Provisions	136	150
Other non-current liabilities	436	280
Total Non-Current Liabilities	29,224	34,500
Total Liabilities	42,854	47,930
Net Assets	41,480	39,039
Equity		
Contributed equity	29,050	28,174
Reserves	283	274
Retained earnings	12,147	10,591
Total Equity	41,480	39,039

Notes to the Financial Statements

for the year ended 30 June 2010 (Continued)

32. 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 30.

b) Key management personnel

Disclosures relating to key management personnel are set out in note 23.

c) Other transactions with subsidiaries

The following transactions occurred with subsidiaries:

	Parent Entity	
	2010 \$	2009 \$
Revenue - sale of engines	-	308,530
Revenue - sale of goods and services	244,705	245,150
Revenue - engine rentals	87,287	115,803
Revenue - management fee	-	125,001
Revenue - interest revenue	-	14,714
Purchase of engines	-	264,933
Purchase of goods and services	88,000	192,736
Rent expense	236,284	192,499

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

Loans to subsidiaries	14,404,399	10,920,798
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The parent entity advanced loans to subsidiaries during the current year. The loans are non-interest bearing, unsecured, at call and repayable in cash.

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

Trade and extended credit receivables	400,750	1,112,904
Trade payables	-	-

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.

33. Parent Entity Financial Information

	2010 \$'000	2009 \$'000
Current assets	9,367	10,975
Non-current assets	31,007	26,825
Total Assets	40,374	37,800
Current liabilities	3,406	4,361
Non-current liabilities	2,564	302
Total Liabilities	5,970	4,663
Net Assets	34,404	33,137
Contributed equity	29,050	28,174
Reserves	283	274
Retained earnings	5,071	4,689
Total Equity	34,404	33,137
Profit after income tax	380	960
Other comprehensive income	-	-
Total comprehensive income	380	960

Controlled entities of the parent entity have been disclosed in note 30.

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:

On 31 August 2010 an aircraft owned by the Group and leased to an operator was involved in an accident in which the aircraft was confirmed as a total loss. As a result of the settlement with the insurers a net loss of approximately \$380,000 was incurred being the difference between the settlement proceeds and the carrying value of the aircraft net of associated maintenance provisions.

35. Contingencies

There are no contingencies requiring disclosure.

Director's Declaration

for the year ended 30 June 2010

The Directors of the Company declare that:

- (a) the attached financial statements and notes, as set out on pages 26 to 77 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 2010 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; and
- (c) at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group identified in note 30 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 31; and
- (d) the financial statements also comply with International Financial Reporting Standards as disclosed in Note 1.

The Directors have been given the declarations by the chief executive officer and chief financial officer for the financial year ended 30 June 2010 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
29 September 2010



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 statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows 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.

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

Liability limited by a scheme approved by Professional Standards Legislation other than for acts or omissions by financial services licensees.

Total Financial Solutions

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A WHK Group firm



WHK Pty Ltd trading as WHK Horwath Brisbane is a member of Crowe Horwath International, a Swiss Verein. Each member firm of Crowe Horwath is a separate and independent legal entity.

Independent Auditor's Report for the year ended 30 June 2010 (Continued)

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 2010 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 11 to 16 of the directors' report for the year ended 30 June 2010. 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 2010, complies with section 300A of the *Corporations Act 2001*.



WHK Horwath



Brendan Worrall

Principal

Brisbane, 29 September 2010

Shareholders Information

for the year ended 30 June 2010

The shareholder information set out below was applicable as at 31 August 2010.

(a) Distribution of Shareholders:

Category (size of Holding)	Class of equity security	
	Ordinary Shares	Options
1 – 1,000	43	-
1,001 – 5,000	161	-
5,001 – 10,000	65	1
10,001 – 100,000	115	43
100,001 and over	33	21
	417	65

(b) The number of ordinary shareholdings held in less than marketable parcels is 149.

(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	21.44
Keybridge Capital	5,822,033	18.07
River Capital	3,923,032	12.17
CL Baker	1,931,704	6.00
SG Smith	1,843,860	6.00
GD Hills	1,776,000	6.00

(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	21.44
Keybridge Capital Limited	5,822,033	18.07
River Capital Pty Limited	3,923,032	12.17
Baker Superannuation Fund	1,249,600	3.88
J Flintoft	888,000	2.76
G Hills	888,000	2.76
M Hills	888,000	2.76
SG Smith & JA Flintoft Superannuation Fund	750,000	2.33
Norfolk Enchants P/L (Trojan Retirement Fund A/c)	616,565	1.91
S Martin	491,052	1.52
Mr & SJ Gordon Super A/c	446,276	1.38
Moat Investment Pty Ltd	435,129	1.37
Mrs C H Croaker	415,414	1.29
David Family Superannuation Family Trust	337,000	1.05
Mr K Arden & Mrs M Arden (Harpos Super Fund A/c)	333,485	1.03
SP Martin & LP Martin (Basil Martin Family A/c)	310,870	0.96
H Parker	296,000	0.92
H Jones	276,000	0.86
Dr J & Mrs M Aloizos (Superannuation Fund No.2)	275,000	0.85
Harvels Pty Ltd	200,000	0.62
	25,749,510	79.92

	Number on issue	Number of holders
Unquoted equity securities		
Options issued under the PTB Group Ltd Share Option Scheme to take up ordinary shares	40,000 ⁽¹⁾	2
Options issued in terms of the unsecured notes issue	4,588,800	65

(1) Number of unissued ordinary shares under the options as part of an employee share scheme.



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