



# PTB GROUP LIMITED

ABN 99 098 390 991



**ANNUAL REPORT**  
30 June 2012

## Corporate Directory and Information

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### Directors

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

### Company Secretary

Pierre Kapel

### Registered Office and Principal Administrative Office

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Pinkenba QLD 4008

Mailing Address  
PO Box 90  
Pinkenba QLD 4008

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### Share Register

Link Market Services  
Level 15, 324 Queen Street  
BRISBANE QLD 4000

Telephone: +61 7 3320 2212  
Facsimile: +61 7 3228 4999

### Bankers

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

### Solicitors

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

### Auditor

Crowe Horwath Brisbane  
Level 16  
120 Edward St  
Brisbane QLD 4000

### Stock Exchange Listing

The Company is listed on the  
Australian Securities Exchange

### Internet address

[www.pacificturbine.com.au](http://www.pacificturbine.com.au)



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30 June 2012

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This financial report covers PTB Group Limited, a 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 public company limited by shares, incorporated and domiciled in Australia.

## Chairman and Managing Director's Review

for the year ended 30 June 2012

### 1. Results

Net profit after tax for the Group was \$1.375 million in 2012 compared to \$0.657 million in 2011. Basic earnings per share were 4.27 cents (2.04 cents in 2011). The above result was achieved after incurring a total loss in Emerald of \$0.473 million on the close out of a Bangladesh-based long term HP debtor comprised of \$0.287 bad debt write-off and the crystallisation of \$0.186 million in foreign exchange ('FX') loss. Net unrealised foreign exchange movement was \$0.688 gain (\$2.274 million loss in 2011). An analysis of operational earnings is set out below; this identifies the operational progress made during the year.

### 2. The 2011 Year in Review

A summary of the divisional contributions for the year is as follows:

Division	2012 \$'000	2011 \$'000	2010 \$'000	2009 \$'000
PTB Business	3,431	2,919	1,594	3,228
IAP Business	(248)	2,128	598	2,178
Emerald Assets	987	1,227	628	2,630
Emerald : Currency - realised	(500)	(232)	316	(164)
Emerald : Currency - unrealised	841	(2,438)	(581)	(520)
Emerald : Interest	(946)	(1,256)	(2,212)	(3,004)
Corporate Overheads	(1,510)	(1,433)	(1,344)	(1,583)
Sale of Aeropelican	-	-	-	652
Emerald : Refinancing (loan forgiveness)	-	-	3,633	-
Emerald: Loan Refinancing from USD to AUD Currency - realised	-	-	-	(2,463)
Bad and doubtful debts	(282)	120	(395)	(621)
Profit before Tax	1,773	1,035	2,237	333

The above table shows the operational progress made during the year, in particular in the PTB Business. Significant progress was also made in refocusing the IAP Business, outlined below. This was a very encouraging operational result in an extremely challenging business environment. A discussion on the trading of each division of the business is set out in Section 4.

The result has been achieved while managing an aggressive loan repayment program and a strengthening of the AUD against the USD. The prior year average USD exchange rate was 0.99 with the average rate for 2012 being 1.03, a strengthening in the exchange rate of 4%.

The Group continues to make substantial progress in working through the issues created by the Global Financial Crisis (GFC) and continuing appreciation of the Australian dollar in what is basically a US dollar-based trading business. The continued strengthening of the Australian dollar in 2012 requires the Group to achieve

The 2012 result represented a return on average shareholders' funds of 3.13% (1.53% in 2011). Adjusting for the unrealised gain on foreign exchange (tax effected) the return reduces to 2.04% on average shareholders' funds. No dividend will be paid for the June 2012 year (2011: nil). The emphasis on debt reduction means that it is highly unlikely that a dividend will be paid in the 2013 year.

an increase in USD margin by 4% to deliver the same level of margin as in the prior year.

To meet these challenges the Group implemented a number of strategies in 2011 which continue to be the businesses focus. These include:

- the repayment of financing facilities and conversion of AUD 8.4 million to USD debt to better match with USD receivables;
- a focus on core competencies in all businesses;
- concentration on asset utilisation and deployment;
- process development, expanding engine care and maintenance contracts, building the skill base in the engine workshop and expanding the parts sales business; and
- expansion of the Pratt & Whitney PT6A engine shop's capability to be able to provide full in-house engine repair and overhaul service.

### **Restructure and repayment of financing facilities**

The Group has paid down \$3.5 million of debt in the 2012 financial year (2011: \$4.5 million). The Group will continue to pay down debt to reduce its exposure.

The Emerald aircraft loan term was extended by three years effective from 1 November 2011. This has meant with the reduced principal repayment the PTB Business now has the ability to review possible initiatives and trading opportunities to strengthen its offerings in an extremely competitive environment.

The Group has USD 13.2 million of HP receivables with USD 10 million of borrowings. The CBA converted \$8.4 million of AUD loans into USD denominated debt in November 2011 thus increasing the natural hedge between Receivables and Payables in USD. This will reduce the level of charges/credits to profit and loss in the future.

### **A focus on core competencies**

#### ***IAP Business***

The shift back to core trading activities is expected to reduce the reliance on one-off trading opportunities.

The traditional IAP parts business covered a wide range of inventory and product lines. This range meant minimal focus and expertise was required to sell and meet customer requirements. With the internet and the GFC the market has changed, with older aircraft being parked and aircraft operators becoming very price and condition focused.

This change in IAP's market along with the strengthening in USD/AUD exchange rate by 4% significantly reduced IAP's margins for 2012.

The IAP sales team is now focusing on a limited number of product lines including a modern product line in which it has product knowledge and established customers. Two Fokker F100 aircraft have been broken down for parts and will provide a modern product line for the parts business. The remaining product lines are demand driven and will sell down slowly over time.

Over the year IAP has been building its F100 product and customer knowledge and expects the focus on this combined with the Dart, Spey, Tay engines and F27, ATP and HS748 aircraft to be the platform to build parts sales margins. The remaining product lines will continue to contribute to sales. One-off trading opportunities will continue to be an important part of the business. However, a significant portion of expected future sales margins will be from repeat business.

A potentially significant one-off trading opportunity for IAP is the three Fokker F100 aircraft owned by the Group. Two F100's are in South Africa and one is in Europe.

#### ***PTB Brisbane***

PTB continues to focus on PT6 and 331 engine support for its current customers and travels the world looking to develop new customers and new contract customers. The parts sales business is also focused on airframe support for PTB Brisbane contract and relationship customers. This business unit's potential customer tends to be located in difficult and challenging areas of the world where PTB's skill in providing a complete engine support package is of benefit to the operator.

### **Focus on asset utilisation and deployment**

The Emerald business and IAP continue to have underutilised aviation assets. The Group's cash constraints have made it difficult to pursue opportunities. In addition, financial covenants restrict the proportion of assets that can be located outside Australia and New Zealand and hinder overseas lease deployment for these assets.

The Emerald assets being a small door ATP freighter, one ATP passenger and two HS748 aircraft are in the UK under care and maintenance programs. An ATP and HS748 are mothballed in the UK. Before the GFC these aircraft were leased or about to commence leases in Europe and the UK. This region has not recovered with little prospect these aircraft will be utilised in Europe or the UK.

We continue to investigate opportunities for these aircraft but the significant cash requirement to relocate and make ready for possible use has hampered this endeavor.

Steve Ferris a director and one of our major shareholders is now the owner of Skyforce Aviation Pty Limited which has a heavy AOC and operates two freight aircraft. Skyforce is active in pursuing opportunities for the Emerald assets in Australia and the region. Skyforce has the ability to offer the aircraft on an ACMI (aircraft, crewed, maintained and insured) basis. These opportunities would be greatly enhanced if the asset was in Australia and on the Skyforce AOC an initiative which is expected to be achieved when a transaction which meets our business requirements is identified.



### Process development, expanding engine care and maintenance contracts, building the skill base in the engine workshop and expanding the parts sales business

#### A. Process development

A major impediment to engine workshop growth is the availability of staff with the right skills and attitude to mesh with the entrepreneurial nature of the business.

To this end the PTB Business continues its focus on developing smarter processes and making continuous improvements to ensure production employees are maximising the time they spend utilising their skills.

The actual volume growth at PTB has been significant and this has been achieved with the addition of a limited number of production staff and support staff as a result of the focus on process improvement.

#### B. Expanding engine care and maintenance program

PTB's engine care and maintenance contracts are an important part of its business. In a very competitive environment this provides a strong base and profit opportunity for PTB's workshop and parts business.

The contracts vary from one year to five years. History shows that operators tend to renew as PTB provides a seamless engine management service. PTB has renewed and added contracts during the year and to date the only contract not renewed has been where the operator's replacement aircraft utilised an engine type which PTB does not support.

We continue to have a number of contracts out with operators for discussion and expect to finalise and implement additional contracts in the 2013 financial year.

#### C. Build the skill base in PTB's engine Workshop

PTB Brisbane's engine workshop contributes around 54% of its margin. The workshop is the key to extracting value from parts and is a major factor in the success of engine maintenance contracts.

The apprentice program is providing a very valuable resource to meet the challenge caused by a lack of suitable turbine engineers who fit the Company's workplace ethos.

The Business's focus is to have a small highly skilled workshop to extract the maximum profit opportunities from the work generated from contracts and augment

capacity by subcontracting lower profit opportunity work.

#### D. Expanding the Parts Sales business

The parts sales business team continues to build and generate increased margins as it continues to focus on PT6 and TPE331 parts support and airframe support for its extensive and growing network of contract and relationship customers.

To build this team the business has had to overcome the lack of skilled aviation parts sales staff. A formal program for senior sales staff to mentor and train young, computer literate new entrants has provided potential candidates for the sales team.

#### E. Expansion of the Pratt & Whitney PT6A engine shop's capability to be able to provide full in-house engine repair and overhaul service

The ability to maximise profit opportunities from the work generated by PTB Brisbane's PT6A engine maintenance contracts has been limited by its ability to undertake a complete overhaul of the PT6A engine. During the 2012 year the required tooling was purchased and training completed to enable the repair and overhaul of the compressor section of the engine.

In addition, management has negotiated an arrangement with a USA engine shop to test the compressor or complete engine. Operationally sending the engines to the USA for testing is not ideal but it enables the Group to start building an important part of its expected future growth. We will delay the \$2 million investment in a test cell until the engine test volumes justify this investment.

### 3. Activities covered under PTB Group's Aviation Asset Management Operations

- PTB: TPE331 together with PT6A turbine engine repair and overhaul in the repair facility in Brisbane; trading in spare parts for engines and aircraft parts primarily for contract customers.
- 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.

#### 4. Commentary on Operations during the Year

A summary of the results for the year is as follows:

	<b>Actual 2012 \$000</b>	<i>Budget 2012 \$000</i>	<b>Actual 2011 \$000</b>	<b>Actual 2010 \$000</b>	<b>Actual 2009 \$000</b>
PTB Group	3,431	2,942	2,919	1,594	3,228
IAP	(248)	1,872	2,128	598	2,178
Head Office OH	(1,510)	(1,582)	(1,433)	(1,344)	(1,583)
Aeropelican Sale	-	-	-	-	652
Bad Debts	5	-	120	(395)	(621)
<b>Total Australian Group</b>	<b>1,678</b>	<b>3,232</b>	<b>3,734</b>	<b>453</b>	<b>3,854</b>
Emerald	(273)	(839)	(29)	(1,584)	(374)
Bad Debts	(287)	-	-	-	-
Realised FX on HP Bad Debt	(186)	-	-	-	-
Emerald FX (Unrealised)	841	-	(2,670)	(265)	(684)
Emerald Refinancing	-	-	-	3,633	(2,463)
<b>Total Emerald</b>	<b>95</b>	<b>(839)</b>	<b>(2,699)</b>	<b>1,784</b>	<b>(3,521)</b>
<b>Profit before Tax</b>	<b>1,773</b>	2,393	<b>1,035</b>	<b>2,237</b>	<b>333</b>
<b>Add Back</b>					
Financing Costs	2,208	2,202	2,769	3,727	4,569
Depreciation	2,070	2,318	1,491	1,929	1,442
<b>EBITDA</b>	<b>6,051</b>	<b>6,913</b>	<b>5,295</b>	<b>7,893</b>	<b>6,344</b>
	Cents		Cents	Cents	Cents
Share Price 30 June	23		25	17	12
EPS	4.27		2.04	5.52	0.40
NTA backing per share	138		121	119	129
Average AUS/USD exchange rate	\$1.03	\$1.05	\$0.99	\$0.88	\$0.75

#### AUD/USD exchange rate

The continued strengthening of the Australian dollar against the US dollar has a major impact on Group performance as it reduces the AUD profit. The rebalancing of the Group's loan book in November 2011 with a swap of \$8.4 million into USD denominated loans has had a significant impact on increasing the Groups natural hedge and reducing the size of the unrealised foreign currency movement on operating profit.

### PTB Business Performance

The PTB Brisbane Business generated a profit before tax of \$3.431 million. This result is ahead of budget by \$0.489 million or 16.6% in AUD denominated profit or approximately 20 % in USD terms. This is a very good result in a challenging environment.

Engine rental income has stabilised and we expect this to increase slowly as working capital allows us to overhaul or add engines to the rental pool.

Engine sales margins have remained well down compared with previous years. The emphasis on engine management contracts means less opportunity exists for engine sales margins as often the contract has a fixed fee for engine purchases. We have negotiated extended credit terms with major engine suppliers, and expect this will provide an additional selling tool for engine sales.

The workshop margin has increased by 5.6% compared to the prior year's result. The ability to undertake complete repairs and overhauls on the PT6A engine is expected to generate additional workshop margins in the second half of the 2013 financial year. The workshop continues to develop its processes and skills to meet an expected increase in business.

Part sales performed well with the Business's margin increasing by 36.6% relative to the prior year. The parts business continues to train sales staff and management expects parts sales margin to increase for 2013. The engine management contracts provide a base load of work for both the workshop and parts sales.

The initiatives to continue growing and strengthening the business are as follows:

- PT6A engine repairs: The business currently subcontracts the major overhaul and PT6A repair work generated by the engine management contracts to shops in the USA. At the financial year end the workshop have completed and successfully tested, in the USA, the first two PT6A compressor repairs. This section of the workshop business has significant growth potential which will be unlocked as we hire and/or train skilled turbine engine engineers.
- Engine finance: We have recently completed negotiations with a USA engine supplier to provide term finance on engines purchase from them. This access to funding will increase as the funder gains confidence in our model. This engine finance option will assist growth in engine sales margins. Part sales model: We continue to develop the parts sales model which is based on training new entrant sales staff with the ability to support contract and relationship customers thus freeing the senior sales staff to develop new markets.
- EASA Approval: PTB continues to work towards obtaining EASA (European Aviation Safety Agency) approval. This requires developing processes and systems to meet the stringent European regulations. We expect to have met all requirements and pass the EASA audit in the 2013 financial year. Every country has its own civil aviation regulator which provides approvals for work carried out on the aircraft operating in its country. However for parts or work originating outside the country, often the country will require the parts or repair or service to come from an EASA or the USA's FAA (Federal Aviation Administration) approved facility. Management expects an EASA approval to lead to an increase in our market for PT6A and TPE331 parts and engines.
- Engine Partout opportunities: As the PTB Business increases its working capital capability again we expect to take advantage of additional engine part out opportunities. With the PT6 engine repair, parts sales model and EASA approval initiatives, the part outs will produce additional sales opportunities driving future increases in margin for the Group
- Engine Test Cell: The test cell continues as an initiative but will remain on hold until the PT6A throughput justifies the \$2 million investment or we are unable to continue engine testing in the USA.

Future margin growth opportunities for the PTB Business are very encouraging.



### **IAP Business performance**

The IAP business was behind budget by \$2.1 million, mainly as a result of shortfalls in one-off projects.

A number of potential one-off project opportunities arose during the year but were unable to be concluded. The assets to support these special projects continue to be available.

The IAP traditional parts business continues to be challenged with reduced enquiries from its traditional clients and the exchange rate effect on its margins which are further eroded by the inventory effect. This has meant one-off trading activities and special projects have, over recent years, increasingly underwritten profits.

IAP has recognised the change in its traditional business and over the 2012 financial year a number of changes have been implemented as working capital allowed:

- The business has reduced its Sydney warehouse space to the Warriewood and Bankstown facilities;
- A number of staff have resigned or been made redundant. A professional operations/finance manager has been appointed; and
- The restructure established clear lines of responsibility which will enable IAP staff to focus on IAP's core competencies and free Steve Ferris to focus on one-off sales and trading opportunities.

IAP with its revised structure has the ability to review processes to ensure staff can manage future development. The underlying focus continues to be based on turning inventory into cash and special projects will continue as part of the business as funding allows.

The leased aircraft in the IAP portfolio are a valuable contributor to margin and cash flow. The lessee's become part sales customers for IAP and engine repair and overhaul work for Brisbane. IAP has a Metro 23 and a J32 that will be returned from lease overseas. The Group has lease customers for both aircraft once they are back in the country and ready to go to work. IAP has an additional J32 available for refurbishment but does not plan to invest cash in the refurbishment until it has a customer.

With the new structure and focus, IAP is expected to substantially increase its contribution to the Group with only minimal reliance on special projects.

Access to working capital is important for the future growth of the core IAP business. The working capital is required for a new modern aircraft parts product line and aircraft part out opportunities to replenish the core products.

### **Emerald Assets**

The Emerald 2012 result (excluding realised and unrealised currency movements) was a loss of \$273,000 (2011: \$29,000 loss).

The major variances were a loss on sale of \$473,000 on the close out of the HP Lease of an HS748 in Bangladesh, an increase in depreciation of \$337,000 and a reduction in interest of \$311,000.

The Emerald Assets business continues in a holding mode. The cash receipts from billings are sufficient to meet a reasonably aggressive loan repayment program and its expenses, without drawing on working capital from IAP or the PTB Business. Emerald Asset's expenses are insurance, airport charges and care and maintenance charges incurred while the aircraft are not working.

There have been approaches in 2012 to lease various Emerald aircraft but often the customer does not have adequate financial backing to enable the proposed transaction to meet our requirements.

The focus is to get the aircraft working but the working capital investment required for each aircraft means this will only happen on a case by case basis as working capital becomes available in Emerald or the project meets our cash or investment return requirements.

It is unlikely a sale or lease opportunity will present in Europe in the current economic climate. The opportunities are likely to be in Africa, Australia and PNG. The Skyforce option previously mentioned does allow the aircraft to be offered on an ACMI (aircraft, crewed, maintained and insured) basis which is a very attractive option we have not been able to offer in the past. Over time these aircraft will be out working or sold.

### **Corporate Overheads**

The Group's corporate overheads were \$1.5 million (2011: \$1.4 million) which is \$0.1 million or 4.6% below budget. Employment costs represent 61% (2011: 66%) of overheads with 2012 expenditure of \$0.9 million compared to \$0.9 million for 2011.

### **Bad and Doubtful Debts**

The Group has had a very good year with no operating debtors being written off. Emerald wrote off \$0.3 million associated with the early settlement of the Long Term HP lease in Bangladesh, which was part of the settlement arrangement on payout of this lease by the lessee.

### 5. Debt and Equity Finance

#### *CBA Facility Review*

The Group has met all its loan repayment commitments. As announced to the market, the CBA in November 2011 converted \$8.4 million of AUD denominated debt into USD denominated and significantly reduced the loan repayments on the Emerald loan facility (now a USD loan) reducing loan repayments by approximately \$2.1 million per annum.

#### *Equity and Note Finance*

At this stage there is no plan to raise additional capital. However, the Group is continually reviewing the option of using Notes or some sort of quasi equity finance to fund aircraft and engine assets located outside Australia.

### 6. Statement of Financial Position and Net Assets

The net asset position has increase from \$43.2 million to \$44.6 million as at 30 June 2012 reflecting the after tax profit for the year.

Included in net assets are:

- Emerald assets: These are predominantly aircraft assets of \$13.6 million (2011: \$15.4 million) and extended credit receivables of \$13.1 million (2011: \$10.1 million), being hire purchase arrangements for aircraft.
- IAP Assets: Land and Buildings \$6.8 million (2011: \$6.9 million), Aircraft fixed assets \$7.4 million (2011: \$7.3 million), other fixed assets \$0.3 million (2011: \$0.4 million), Aircraft inventory \$2.6 million (2011: \$2.3 million) and spare parts inventory of \$9 million (2011: \$11.2 million).
- PTB Assets: Comprise plant & equipment, engines and spare parts inventory of \$10.6 million (2011: \$11.1 million).

### 7. Cashflows

The Group's sound performance for 2012 is reflected in the excellent cashflow result. Operating cashflow was \$5.4 million (2011: \$2.1 million) which is \$3.3 million higher than the previous year.

Capital expenditure is \$2.6 million (2011: \$0.4 million), of which \$2.2 million is capitalised maintenance on operating aircraft with the balance mainly being expenditure on rental engine purchases and the expansion of Brisbane's workshop facilities. These investments are expected to generate strong returns in 2013 and beyond.

The Group reduced debt by \$3.5 million (2011: \$4.5 million).

### 8. Management

The Group continues to build on developing or recruiting staff with management skills to maintain and build growth without losing its entrepreneurial flair.

The Group has the staff to continue to build the processes and systems to allow front line sales staff and skilled turbine engineers to focus on their respective roles and not be involved with unproductive processes.

## 9. PTB Group's Outlook

Progress has been slow but steady as we have worked through the cash and operational constraints created by the events of the last four years. The Group is confident the steady progress will continue and the focus is now on building a strong foundation for improved operational performance and profitability.

The AUD to USD currency appreciation has meant the business has had to increase physical output significantly to achieve even small increases in business. Further significant appreciation could slow future profitability increases.

For the next 12 months we will be concentrating on:

- Managing cash flow to pay down debt and build working capital in each business;
- Building IAP parts sales business to reduce reliance on one-off trading;
- Continuing to build PTB's parts sales model;
- Building the PT6 repair and overhaul capability;
- Deploying underutilised aircraft through sale or lease (as working capital allows) ;
- Continuing to travel the globe to unearth possible purchase opportunities in the Group's core product lines;
- Developing new (or renewing) engine care and maintenance contracts;
- Continuing the focus on turning inventory into cash;
- Realising cash and profit from the Fokker F100 special project; and
- Obtaining EASA approval to increase potential markets for PT6A and TPE331 engines and engine parts.

All the above are components which will contribute to our steady progress in continuing to build profitability in the face of global economic challenges.

## PTB Group Limited



**Harvey Parker**  
Chairman



**Craig Baker**  
Managing Director

## Directors' Report

for the year ended 30 June 2012

Your Directors present the financial report of PTB Group Limited and its controlled entities ("the Group") for the year ended 30 June 2012.

### 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, 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, 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.

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 each 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.

A brief summary of the years ended June 2008 to June 2011 as the Company dealt with the global financial crisis and its aftermath is set out below:

#### FY 2008:

- Global financial crisis;
- Decision made to sell aircraft rather than roll into USD40 million Fund; and
- 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.

## Directors' Report

for the year ended 30 June 2012 (Continued)

### FY 2009:

- 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;
- The sale of the two LFD ATP aircraft did not proceed as the customer defaulted;
- The Group was forced to renegotiate the \$14.7 million Emerald loan to an amortising facility over four years at a more expensive interest rate;
- The facility was moved to AUD at request of the Financier causing a \$2.4 million currency loss;
- The USD \$40 million facility was allowed to lapse as the Group was unable to secure profitable projects within its risk profile;
- 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); subsidiary Aeropelican Air Services an RPT operator based at Newcastle Airport was sold; the \$4.5 million Unsecured Note facility was rolled over; a purpose built workshop and office complex in Brisbane was completed; and the existing ANZ financing facilities were extended;
- 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 sold to an Indonesian freight operator on an extended credit type of arrangement; and
- Decision made to reduce the scope of the UK refurbishment facility.

### FY 2010:

- Emerald financier debt refinanced by CBA Bank leading to a profit on settlement of approximately \$3.6 million;
- MD 90 project in Indonesia (purchase of aircraft for part-out and sale) was settled, financed on a profit share basis by an international aviation group;
- One of the Metro aircraft leased into South Korea; fourth J32 aircraft deployed with NSW RPT operator;
- PTB engine maintenance contracts expanded; and
- Continued strengthening of Australian dollar.

### FY 2011:

- Substantial increase in operating performance of PTB Division;
- Good IAP Division result with one-off trading events contributing strongly;
- Debt of \$4.5 million paid down; and
- Refinanced \$4.6 million of Note finance by \$4 million CBA Bank facility.

### *Initiatives in the Current Period*

The 2012 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.



## Directors' Report

for the year ended 30 June 2012 (Continued)

### Operating Results

The consolidated profit for the financial year after providing for income tax was \$1.375 million (2011: \$0.657 million). Operating profit before tax for the year was \$1.773 million (2011: \$1.035 million).

The impact of unrealised foreign currency (FX) movements has reduced significantly as the Group increased its level of natural hedge by converting \$8.4 million of its AUD funding into USD denominated funding in November 2011. Unrealised FX has reduced from a loss of \$2.274 million in 2011 to a gain of \$0.688 million in 2012.

From an operational performance perspective, the performance for the Group was down on the prior year due to no major project sales at IAP and losses in Emerald due to the write off of a portion of the Bangladesh based long term HP Debtor in exchange for a lump sum cash settlement. The Brisbane business continued to deliver strong results.

Comments on Group operational performance:

- Strong performance from PTB Brisbane;
- Emerald: satisfactory performance in the circumstances with an abnormal loss of \$0.473 million incurred following the closure of a Bangladesh-based long term HP deal which did realise a sound level of cash for the Group; and
- IAP Business: performance down with no significant one-off sales recorded; good progress in refocusing traditional parts business.

### Financial Position

The net assets of the Group have increased by \$1.375 million (3.2%) to \$44.575 million as at 30 June 2012 (2011: \$43.200 million).

### Dividends

No dividend has been declared and paid for the 30 June 2012 financial year (2011: Nil).

### Franking Credits

Franking credits available for subsequent financial years based on a tax rate of 30% are \$11.911 million (2011: \$11.911 million).

### 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.

### 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.

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 is made up of three broad business groupings comprising:

#### *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;
- 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; and
- IAP Group also acquires aircraft and parts them out. For example, aircraft could be acquired

## Directors' Report

for the year ended 30 June 2012 (Continued)

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.

### *Emerald:*

- Management of the Emerald acquisition assets
- Provision of HP finance for Lessors of Emerald Aircraft
- Sales and leasing of Emerald aircraft assets

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. It is required to meet Brisbane Airport Corporation environmental regulations, the Commonwealth's Airports (Environment Protection) Regulations 1997. 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 Dip P.A, B.A. MBA (Melb) (Non-Executive Chairman)

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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 Limited (since 9 May 2006), Director and Chairman of Jumbuck Entertainment Limited (since February 2009) and was formerly Director of Riding for the Disabled Association of Victoria Limited (resigned October 2010). He has held no other Director positions with other listed companies in the last three years.

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

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Craig Baker was born in 1946 in New Zealand. He has had extensive experience in the aviation industry and is a qualified accountant having 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)

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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)

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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 G8 Education Limited (from March 2011). He was a director of SCV Group Limited from March 2004 to February 2011.

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

## Directors' Report

for the year ended 30 June 2012 (Continued)

### Company Secretary

Pierre Kapel was appointed as the Chief Financial Officer and Company Secretary from 22 November 2010 and has a Bachelor of Commerce from Newcastle University and is a CPA.

Pierre has over 30 years' experience in finance with a significant part of his career with BHP in Australia and Asia. He has a diverse business background ranging from Steel manufacturing & processing, Mining, Rural, Industrial Waste processing, Quarrying, Asphalt manufacture & paving and Civil Construction. Pierre has held CFO roles in the Private and Public sectors and was the CFO of ERS Limited, an ASX listed company.

### 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 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.

As advised in the following "*Section B. Details of Remuneration*", no short term incentives were paid to Executive Directors during the financial year (2011: Nil)

### *Other Executives and key management personnel*

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

### *Long-term incentives to Executives and Employees*

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

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

As advised in the following "*Section D Share-Based Payment Compensation*" no options were issued under the scheme during the year (2011: Nil).

### *Company Performance, Shareholder Wealth and Directors' and Executive Remuneration*

The base salaries for the executives are substantially in accordance with the market for executives of similar levels.

## Directors' Report

for the year ended 30 June 2012 (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* \$	Options \$	\$
<b>2012 Year</b>							
<b>Directors</b>							
H Parker (Non-Executive Director)	30,000	-	-	3,000	-	-	33,000
CL Baker (Managing Director - Group)	231,498	-	-	49,519	9,254	-	290,271
RS Ferris (Managing Director - IAP)	271,180	-	-	23,119	4,386	-	298,685
APS Kemp (Non-Executive Director)	21,800	-	-	-	-	-	21,800
<b>Total Directors</b>	<b>554,478</b>	<b>-</b>	<b>-</b>	<b>75,638</b>	<b>13,640</b>	<b>-</b>	<b>643,756</b>
<b>Other Key Management Personnel</b>							
P Kapel (Company Secretary and CFO)	178,626	-	-	16,804	5,472	-	200,902
<b>Total Other Key Management Personnel</b>	<b>178,626</b>	<b>-</b>	<b>-</b>	<b>16,804</b>	<b>5,472</b>	<b>-</b>	<b>200,902</b>
<b>2011 Year</b>							
<b>Directors</b>							
H Parker (Non-Executive Director)	30,000	-	-	3,000	-	-	33,000
CL Baker (Managing Director - Group)	225,532	-	-	49,519	9,457	-	284,508
RS Ferris (Managing Director - IAP)	289,964	-	-	23,557	10,084	-	323,605
APS Kemp (Non-Executive Director)	21,800	-	-	-	-	-	21,800
<b>Total Directors</b>	<b>567,296</b>	<b>-</b>	<b>-</b>	<b>76,076</b>	<b>19,541</b>	<b>-</b>	<b>662,913</b>
<b>Other Key Management Personnel</b>							
JT Barbeler (Company Secretary and CFO) (From 1/7/2010 - 31/10/2010)	61,137	-	-	5,627	-	-	66,764
Marz Engineer (Acting Company Secretary and CFO)	7,438	-	-	669	-	-	8,107
P Kapel (Company Secretary and CFO) (From 22/11/2010 - 30/6/2011)	115,041	-	-	10,078	2,138	-	127,258
<b>Total Other Key Management Personnel</b>	<b>183,616</b>	<b>-</b>	<b>-</b>	<b>16,375</b>	<b>2,138</b>	<b>-</b>	<b>202,129</b>

\* comprising accrued long service leave



## Directors' Report

for the year ended 30 June 2012 (Continued)

There were no other executives in the current or prior year. All Directors and other key management personnel are employed by PTB Group Limited 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.

### C. Service Contracts

Major provisions of service agreements with Executive Directors and other key management personnel as at 30 June 2012 are set out below:

#### CL Baker (Managing Director – Group)

- *Term of agreement* – of one year commencing 18 December 2011;
- *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* – of one year commencing 18 December 2011;
- *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.

#### Pierre Kapel (Company Secretary and Chief Financial Officer)

- *Term of agreement* – Minimum of three years commencing 22 November 2010 ;
- *Base annual salary* – \$207,000 inclusive of 9% superannuation + LSL accrual + Bonus to be reviewed annually by the remuneration committee; and
- *Notice period* – Termination by three months' notice in writing by either party other than for gross misconduct.

No other key management personnel are subject to service agreements.

### D. Share-based Payment Compensation

All issued share-based remuneration options expired in the previous reporting period.

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

## Directors' Report

for the year ended 30 June 2012 (Continued)

### 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 were forfeited and no part is payable in future years.

#### **Share-based compensation: options**

There were no options granted during the year. As at 30 June 2012 all options had expired.

#### **Loans to Directors and Executives**

There are no loans to Directors and executives.

#### **Meetings of Directors**

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

	Number of Meetings Held While a Director	Number of Meetings Attended
<b>Full Board</b>		
H Parker	11	10
CL Baker	11	11
APS Kemp	11	11
RS Ferris	11	10
<b>Remuneration Committee</b>		
H Parker	2	2
APS Kemp	2	2
<b>Audit and Risk Management Committee</b>		
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 2012 and subsequent to year end no shares were issued pursuant to the exercise of options granted under the Employee Share Option Scheme.

#### *Shares Under Option*

At the date of this report, PTB Group Limited has no unissued ordinary shares under option.

### **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*.

## Directors' Report

for the year ended 30 June 2012 (Continued)

### Non-Audit Services

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

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

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

During the prior year Crowe Horwath, the Company's auditor, had performed other services in addition to their statutory audit duties as set out in note 24. During the year no non-audit service fees were paid or payable for services provided by the auditor of the company:

	2012 \$	2011 \$
<i>Non Audit Services- Crowe Horwath</i>		
Taxation compliance	-	16,881
Other taxation consulting	-	13,000

The lead auditor's independence declaration is set out on page 20 and forms part of the Directors' Report for the year ended 30 June 2012.

Crowe 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

23 August 2012

**Auditor's Independence Declaration**

for the year ended 30 June 2012



Crowe Horwath Brisbane  
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A WHK Group Firm

**Auditor's Independence Declaration under Section 307C of the *Corporations Act 2001* to the directors of PTB Group Limited**

I declare that, to the best of my knowledge and belief during the year ended 30 June 2012 there have been:

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

A handwritten signature in black ink that reads "Crowe Horwath Brisbane".

**Crowe Horwath Brisbane**

A handwritten signature in black ink that reads "B.P. Worrall".

**Brendan Worrall**  
**Partner**

Signed at Brisbane, 23 August 2012

*Crowe Horwath Brisbane is a member of Crowe Horwath International, a Swiss Verein (Crowe Horwath). Each member firm of Crowe Horwath is a separate and independent legal entity. Crowe Horwath Brisbane and its affiliates are not responsible or liable for any acts or omissions of Crowe Horwath or any other member of Crowe Horwath and specifically disclaim any and all responsibility or liability for acts or omissions of Crowe Horwath or any other Crowe Horwath member © 2011 Crowe Horwath Brisbane*

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### Scope of responsibility of the Board

Responsibility for the Company's 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 an independent non-executive Director, and C Baker and RS Ferris who are executive Directors.

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

### Board Charter and Policy

The Board has adopted a charter which will be kept under review and amended from time to time as the Board may consider appropriate to give formal recognition to the matters outlined above. The last amendment was on 22 December 2010. 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 the ASX Guidelines in that the Chairman is also Chairman of the Board. However the Board believes this matter is acceptable given the size of the company, the nature of its business and the financial literacy of the members.

#### **Remuneration Committee**

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

Among the functions performed by the Committee are the following:

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

Meetings are held at least twice each year.

#### **Nominations Committee**

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

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

#### **Best practice commitment**

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

The Board composition does not comply with recommendation 2.1 of the ASX Corporate Governance Guidelines as the majority of Directors are not independent Directors.

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 "Securities trading policy" 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:

#### Trading in Shares:

- Employees: are able to purchase shares throughout the year except from 31 December and 30 June during the period running up to ASX announcement of half-yearly and yearly profits. Staff will be notified of these timeframes;
- Directors: in addition to the guidelines for employees, Directors must notify the Secretary of any Trading by that Director so as to facilitate the timely lodgement with ASX of an Appendix 3Y or other prescribed form notifying ASX of the initial acquisition, change of interests or cessation of Directors' interests as required by the Listing Rules;

#### 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

the company's "Securities trading policy" has been lodged with the ASX. 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 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.

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 executive Directors. These policies are included in the Company's Corporate Governance Charter and its current members are Harvey Parker and Andrew Kemp.

Harvey Parker and Andrew Kemp are independent Directors and its composition does not fully comply with the recommendations in 8.1 of the ASX Corporate Governance Guidelines as 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.

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 2012

	Note	2012 \$'000	2011 \$'000
Revenue	2	32,275	31,347
Total Revenue		32,275	31,347
Cost of goods sold		(17,712)	(15,060)
Employee benefits expense		(5,390)	(5,028)
Depreciation and amortisation		(2,070)	(1,491)
Repairs and maintenance		(83)	(70)
Bad and doubtful debts		(282)	120
Finance costs		(2,208)	(2,769)
Net foreign exchange loss		163	(2,659)
Net loss on sale of property, plant and equipment		150	(451)
Other expenses		(3,070)	(2,904)
Total expenses		(30,502)	(30,312)
<b>Profit before income tax expense</b>	3	1,773	1,035
Income tax expense	4	(398)	(378)
<b>Profit for the year attributable to the owners of the parent entity</b>		1,375	657
Other comprehensive income net of tax		-	-
<b>Total comprehensive income for the year attributable to the owners of the parent entity</b>		1,375	657
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	21	4.27	2.04
Diluted earnings per share	21	4.27	2.04

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

## Statement Of Financial Position

as at 30 June 2012

	Note	2012 \$'000	2011 \$'000
<b>Current Assets</b>			
Cash and cash equivalents	20(a)	1,354	670
Trade and other receivables	5	6,627	4,819
Inventories	6	12,355	13,140
Derivative financial instruments	7	-	13
Other current assets	9	257	529
Total Current Assets		20,593	19,171
<b>Non-Current Assets</b>			
Trade and other receivables	5	12,111	10,523
Inventories	6	6,072	7,206
Property, plant and equipment	10	33,517	34,827
Deferred tax assets	11	2,112	1,589
Intangible assets	12	4,334	4,334
Other non-current assets	9	3	47
Total Non-Current Assets		58,149	58,526
Total Assets		78,742	77,697
<b>Current Liabilities</b>			
Trade and other payables	13	4,792	4,163
Borrowings	14	7,457	14,832
Current tax liabilities	8	-	41
Provisions	16	849	702
Other current liabilities	17	1,714	985
Total Current Liabilities		14,812	20,723
<b>Non-Current Liabilities</b>			
Borrowings	14	14,687	10,832
Deferred tax liabilities	15	3,357	2,435
Provisions	16	64	163
Other non-current liabilities	17	1,247	344
Total Non-Current Liabilities		19,355	13,774
Total Liabilities		34,167	34,497
Net Assets		44,575	43,200
<b>Equity</b>			
Issued Capital	18	28,973	28,973
Retained earnings		15,602	14,227
Total Equity		44,575	43,200

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

## Statement Of Changes In Equity

for the year ended 30 June 2012

Note	Issued Capital			Reserves		Total Equity \$'000
	Share Capital	Other Equity Securities	Total Issued Capital	Share Based Payments	Retained Earnings	
	\$'000	\$'000	\$'000	\$'000	\$'000	
<b>Balance at 1 July 2010</b>						
<b>Total comprehensive income:</b>	28,790	183	28,973	283	13,287	42,543
Profit for the year	-	-	-	-	657	657
Other comprehensive income	-	-	-	-	-	-
<b>Total comprehensive income for the year</b>	-	-	-	-	657	657
<b>Transactions with owners in their capacity as owners:</b>						
Employee share options expense	-	-	-	(283)	283	-
<b>Balance at 30 June 2011</b>	28,790	183	28,973	-	14,227	43,200
<b>Balance at 1 July 2011</b>	28,790	183	28,973	-	14,227	43,200
<b>Total comprehensive income:</b>						
Profit for the year	-	-	-	-	1,375	1,375
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-	-
<b>Balance as at 30 June 2012</b>	28,790	183	28,973	-	15,602	44,575

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

## Statement Of Cashflows

for the year ended 30 June 2012

	Note	2012 \$'000	2011 \$'000
<b>Cash Flow From Operating Activities</b>			
Cash receipts from customers (inclusive of goods & services tax)		29,468	34,110
Cash payments to suppliers and employees (inclusive of goods & services tax)		(23,797)	(31,502)
Interest received		1,952	1,974
Finance costs		(2,208)	(2,769)
Income tax (paid)/ refund		(2)	266
Net cash provided by/(used in) operating activities	20(b)	5,413	2,079
<b>Cash Flow From Investing Activities</b>			
Payments for property, plant and equipment		(2,616)	(354)
Proceeds on disposal of property, plant and equipment		1,472	1,955
Net cash (used in)/ provided by investing activities		(1,144)	1,601
<b>Cash Flow From Financing Activities</b>			
Proceeds from borrowings raised		10,615	5,308
Repayment of borrowings		(13,968)	(9,657)
Repayment of lease liabilities		(167)	(156)
Net cash used in financing activities		(3,520)	(4,505)
Net increase/(decrease) in cash and cash equivalents held		749	(825)
Cash and cash equivalents at the beginning of the year		(603)	222
Cash and cash equivalents at the end of the year	20(a)	146	(603)

The consolidated statement of cash flows 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 by the Board of Directors for issue on 23 August 2012.

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).

### **(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 2012 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 29.

Subsidiaries are all those entities over which the Group has the power to control 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.

#### *(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.

**1. Summary of Significant Accounting Policies (continued)**

**(d) Foreign currency translation (continued)**

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 statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses for each statement of comprehensive income 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 persuasive evidence exists that the significant risks and rewards of ownership of the goods have passed to the buyer, the consideration can be measured reliably and collectability is probable. Risks and rewards are considered passed to the buyer at time of delivery to customer or where an executed sales agreement, or an arrangement exists, indicating there has been a transfer of the risks and rewards to the customer, the goods are complete and available to be despatched;
- 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

**(f) Unearned revenue**

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



### **(g) Income tax**

The income tax expense or revenue for the year is the tax payable on the current year'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).

#### *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 statement of financial position as a finance lease obligation, net of finance charges.

**1. Summary of Significant Accounting Policies (continued)**

**(h) Leased assets (continued)**

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 statement of financial position.

**(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 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 statement of comprehensive income. 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 statement of comprehensive income, 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 statement of financial position, 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 date which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the statement of financial position.

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. Losses are recognised in the statement of comprehensive income and reflected in an allowance account. When an event occurring after the impairment was recognised causes the amount of the impairment loss to decrease the decrease in impairment loss is reversed through the statement of comprehensive income. When the Directors are of the view that collection is no longer possible and the recovery action has ceased the amount in the allowance account is offset against the loan or receivable.

#### *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 reporting 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 reporting 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).

## 1. Summary of Significant Accounting Policies (continued)

### (p) Derivatives and hedging activities

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

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

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

The fair values of various derivative financial instruments used for hedging purposes are disclosed in note 7. 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 statement of comprehensive income 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.

*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 accumulated 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,

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,

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 as a loss, 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'.

and adjusted if appropriate, at each balance 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 27).

#### *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 statement of financial position 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 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.



### *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*

Sharebased compensation benefits are provided to employees via the PTB Group Limited Employee Share Option Scheme as detailed in note 23.

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 riskfree interest rate for the term of the option.

The fair value of the options granted excludes the impact of any nonmarket vesting conditions (for example, profitability and sales growth targets and performance and service criteria). Nonmarket 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**

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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**

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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**

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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**

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### *Basic earnings per share*

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

### *Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

**1. Summary of Significant Accounting Policies (continued)**

**(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
- Cash flows are presented on a gross basis and the GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

**(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

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

*Long Service Leave (LSL)*

The Group estimates the pattern and LSL taken based on history and utilises management's judgement in determining the cash flow estimates of payments of LSL. These estimates are then utilised to determine the NPV of these expected LSL payments and the adequacy of the provision.

*Hire Purchase Receivables*

Management applies judgement in assessing the recoverability of its hire purchase receivables. The Group assesses both the current payment performance and operational knowledge of the debtor's business operation as the Group is in regular contact with the debtor as it is responsible for undertaking scheduled engine maintenance and is a supplier of spare parts for the aircraft under lease to the LT HP debtors maintenance department.

**(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 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.

*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 2012, but have not been applied in preparing this financial report:

- (i) AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) (effective from 1 January 2013) AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities.

The standard is not applicable until 1 July 2013 but is available for early adoption. When adopted, the standard will affect in particular the group's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss.

There will be no impact on the group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the group does not have any such liabilities. The derecognition rules have been transferred from AASB 139 Financial Instruments: Recognition and Measurement and have not been changed. The group has not yet decided when to adopt AASB 9.

- (ii) Revised AASB 10 Consolidated Financial Statements (effective from 1 January 2013)

The standard introduces a single model of control, which is used to determine whether an investee must be consolidated. The definition of 'control' is based on various factors, and is wider than just those entities in which an investee holds greater than 50% of the voting rights.

The Group will apply the amended standard from 1 July 2013. When the amendments are applied there will be no impact on any of the amounts recognised in the financial statements.

- (iii) AASB 11 Joint operations or joint ventures (effective from 1 January 2013) replaces AASB 131 Interests in Joint Ventures (July 2004) and SIC-13 Jointly Controlled Entities – Non-monetary Contributions by Venturers (July 2004).

The revisions ensure that the form of the arrangement is no longer the primary determinant of the accounting treatment and that accounting choice has been eliminated for interests in jointly controlled entities. There are now only two forms of joint arrangement, a 'joint operation' and a 'joint venture' The use of proportionate consolidation to account for joint ventures is no longer permitted; now only equity accounting applies.

The Group does not have any joint operations or joint ventures. The amendment is therefore not expected to have any impact on the group's financial statements. The Group intends to apply the amendment from 1 July 2013.

- (iv) AASB 12 Disclosure of Involvement with Other Entities (effective from 1 January 2013)

The standard contains all the disclosure requirements associated with "other entities" i.e. subsidiaries, associates and joint ventures that were previously located in AASB's 127, 128 and 131 and Interpretations 112 and 113. The disclosures have been enhanced to ensure that a reporting entity discloses all the information that helps users of financial statements understand the composition of the Group and its interrelationships.

The amendment is not expected to have any impact on the Group's financial statements. The group intends to apply the amendment from 1 July 2013.

- (v) AASB 13 Fair Value Measurement – Replaces the existing IFRS guidance on fair value measurement and disclosure (effective from 1 January 2013)

The new standard aims to eliminate measurement inconsistencies by having one set of fair value measurement requirements and one set of disclosure requirements for all components of financial statements.

The amendment is not expected to have any impact on the group's financial statements. The Group intends to apply the amendment from 1 July 2013.

**1. Summary of Significant Accounting Policies (continued)**

**(ae) New accounting standards and interpretations (continued)**

(vi) AASB 127 Separate Financial Statements (effective from 1 January 2013). This has been revised consequential to the issue of AASB 10 Consolidated Financial Statements and has been reissued and renamed superceding its predecessor AASB 127 Consolidated and Separate Financial Statements.

AASB 127 Separate Financial Statements now deals only with the preparation of separate company financial statements.

The Group will apply the amendment from 1 July 2013. It is currently evaluating the impact of the amendment.

(viii) AASB 2010-8 Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets (effective from 1 January 2012)

In December 2010, the AASB amended AASB 112 Income Taxes to provide a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model. AASB 112 requires the measurement of deferred tax assets or liabilities to reflect the tax consequences that would follow from the way management expects to recover or settle the carrying amount of the relevant assets or liabilities that is through use or through sale.

The amendment introduces a rebuttable presumption that investment property which is measured at fair value is recovered entirely by sale. The group will apply the amendment from 1 July 2012. It is currently evaluating the impact of the amendment.

(ix) AASB 2011-4 Amendments to Australian Accounting Standards – Removal of Individual Key Management Personnel Disclosure Requirements (effective from 1 July 2013)

This standard eliminates individual key management personnel disclosures and replaces them with disclosure by class for non-remuneration disclosures for Key Management Personnel

The group will apply the amendment from 1 July 2013.

(x) AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income (effective from 1 July 2012)

This amendment changes the presentation of some items within Other Comprehensive Income.

The group will apply the amendment from 1 July 2012.

**2. Revenue**

	<b>2012</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Sales revenue</b>		
Sale of goods	21,233	20,380
Services	6,303	6,007
Rental of engines/aircraft		
- Minimum lease payments	867	1,315
- Contingent rentals	1,916	1,671
	<b>30,319</b>	<b>29,373</b>
<b>Other revenue</b>		
Interest		
- Extended credit receivables (hire purchase agreements)	1,952	1,967
- Other	-	7
Other	4	-
<b>Total revenue</b>	<b>32,275</b>	<b>31,347</b>

**3. Profit before income tax expense**

Profit before income tax expense includes the following specific items:

Cost of sale of goods	17,712	15,060
Depreciation		
- Buildings	95	95
- Plant and equipment	132	130
- Rental engines/aircraft	1,740	1,099
- Leasehold improvements	8	7
Amortisation		
- Leased engines/aircraft	95	127
- Leased plant and equipment	-	33
Operating lease rentals – minimum lease payments		
- Premises	124	187
- Equipment	30	96
Impairment losses (bad and doubtful debts)		
- Trade debtors	282	(120)
Net foreign exchange losses	(163)	2,659
Defined contribution superannuation expense	437	539
Finance costs		
- Interests and finance charges paid/payable	2,208	2,769

## Notes to the Financial Statements

for the year ended 30 June 2012 (Continued)

### 4. Income Tax Expense

	2011 \$'000	2010 Restated \$'000
<b>(a) Income tax expense</b>		
Current tax	-	-
Deferred tax arising from origination or reversal of temporary differences	500	378
Under/(over) provided in prior years	(102)	-
	398	378
<b>(b) Numerical reconciliation of income tax expense to prima facie tax</b>		
Profit/(loss) before income tax expense	1,773	1,035
Tax at the Australian tax rate of 30% (2011: 30%)	532	311
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
- Sundry items	(32)	67
	500	378
Under/(over) provided in prior years	(102)	-
Income tax expense/(benefit)	398	378

### 5. Trade and Other Receivables

	2012 \$'000	2011 \$'000
<b>Current</b>		
Trade receivables	4,639	2,693
Provision for impairment	(301)	(371)
	4,338	2,322
Maintenance contract receivables	817	458
Extended credit receivables (hire purchase agreements)	1,445	2,002
Other receivables	27	37
	6,627	4,819
<b>Non-Current</b>		
Extended credit receivables (hire purchase agreements)	11,679	10,066
Maintenance contract receivables	432	457
	12,111	10,523

#### Impaired trade receivables

As at 30 June 2012 current trade receivables of the Group with a nominal value of \$297,157 (2011: \$372,069) were impaired. The amount of the provision was \$301,000 (2011: \$371,000).



## 5. Trade and Other Receivables (continued)

The ageing of trade receivables is as follows:

	Current	30+ Days	60+ Days	90+ Days	Total
<b>Group – 2012</b>					
Trade receivables	2,800	935	424	480	4,639
Impaired trade receivables	(5)	(1)	(5)	(290)	(301)
Unimpaired receivables	2,795	934	419	190	4,338
<b>Group – 2011</b>					
Trade receivables	2,097	179	133	284	2,693
Impaired trade receivables	(56)	(94)	(11)	(210)	(371)
Unimpaired receivables	2,041	85	122	74	2,322

### Past due but not impaired

As at 30 June 2012, 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 holds retention of title over goods sold until cash is received.

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

	2012 \$'000	2011 \$'000
At 1 July	(371)	(818)
Provision for impairment recognised during the year	(212)	567
Receivables written off during the year as uncollectable	282	(120)
At 30 June	(301)	(371)

### 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 2012 (Continued)

### 5. Trade and Other Receivables (continued)

	2012 \$'000	2011 \$'000
Payments in relation to the hire purchase agreements are receivable as follows:		
Within one year	3,018	3,379
Later than one year but not later than five years	13,642	13,191
Later than five years	-	-
Minimum hire purchase payments receivable	16,660	16,570
Future finance revenue		
Within one year	(1,573)	(1,376)
Later than one year but not later than five years	(1,963)	(3,126)
Later than five years	-	-
	(3,536)	(4,502)
Total hire purchase payments receivable	13,124	12,068
Representing receivables:		
Current	1,445	2,002
Non-current	11,679	10,066
	13,124	12,068

#### Amounts receivable from controlled entities

Refer note 31 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 26.

### 6. Inventories

#### Current

Work in progress – at cost	441	972
Finished goods – at cost	11,914	12,168
	12,355	13,140

#### Non-Current

Finished goods – at cost	6,072	7,206
	6,072	7,206

Finished goods include 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.

### 7. Derivative Financial Instruments

#### Current Assets

Forward foreign exchange contracts – cashflow hedges	-	13
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**8. Tax balances – Current**

	2012	2011
	\$'000	\$'000
Current tax liabilities	-	41

**9. Other Assets**

**Current**

Prepayments	241	523
Deposits	16	6
	257	529

**Non-Current**

Other	3	47
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**10. 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	889	1,748
Later than one year but not later than five years	885	885
	1,774	2,633

**Non-current assets pledged as security**

Refer note 14 for information on non-current assets pledged as security.

## Notes to the Financial Statements

for the year ended 30 June 2012 (Continued)

### 10. Property, Plant and Equipment (continued)

	Land & Buildings Owned	Leasehold Improvements		Plant & Equipment		Rental Engines/ Aircraft		Assets Under Construction		Total
	\$'000	Owned	Under Lease	Owned	Under Lease	Owned	Under Lease	Owned	Under Lease	\$'000
<b>Year ended 30 June 2011</b>										
Opening net book value	6,955	75	-	640	37	15,525	1,072	338	961	25,603
Additions	-	-	-	69	-	186	-	43	56	354
Transfers <sup>1</sup>	-	-	-	35	(4)	9,475	-	3,261	-	12,767
Disposals	-	-	-	(4)	-	(2,402)	-	-	-	(2,406)
Depreciation/ amortisation	(95)	(7)	-	(130)	(33)	(1,099)	(127)	-	-	(1,491)
Closing net book value	6,860	68	-	610	-	21,685	945	3,642	1,017	34,827
<b>At 30 June 2011</b>										
Cost	7,210	93	-	1,206	187	26,406	1,182	3,642	1,017	40,943
Accumulated depreciation	(350)	(25)	-	(596)	(187)	(4,721)	(237)	-	-	(6,116)
Net book value	6,860	68	-	610	-	21,685	945	3,642	1,017	34,827
<b>Year ended 30 June 2012</b>										
Opening net book value	6,860	68	-	610	-	21,685	945	3,642	1,017	34,827
Additions	-	37	-	42	-	1,595	205	16	721	2,616
Transfers <sup>2</sup>	-	-	-	54	-	227	-	(54)	(760)	(533)
Disposals	-	-	-	-	-	(1,323)	-	-	-	(1,323)
Depreciation/ amortisation	(95)	(8)	-	(132)	-	(1,740)	(95)	-	-	(2,070)
Closing net book value	6,765	97	-	574	-	20,444	1,055	3,604	978	33,517
<b>At 30 June 2012</b>										
Cost	7,210	131	-	1,261	187	26,159	1,386	3,604	978	40,929
Accumulated depreciation	(445)	(34)	-	(687)	(187)	(5,715)	(331)	-	-	(7,412)
Net book value	6,765	97	-	574	-	20,444	1,055	3,604	978	33,517

1 2011: Net Transfers consists of items transferred from asset under lease to owned assets of (\$4,000), allocated from assets under construction to plant and equipment of \$31,000 and \$12,735,000 of aircraft & engine inventory to aircraft & engine assets and assets under construction.

2 2012: Net Transfers consists of items transferred from asset under construction to plant and equipment of \$54,000, \$533,000 of engine cores to inventory and \$760,000 of engine refurbishment cost to Rental Engines/Aircraft fixed assets..

**11. Deferred Tax Assets**

	2012 \$'000	2011 \$'000
<b>The balance comprises temporary differences attributable to:</b>		
Tax losses	423	268
Accruals	47	37
Employee benefits	235	221
Doubtful debts	260	112
Other	1,147	951
<b>Total deferred tax assets</b>	<b>2,112</b>	<b>1,589</b>

Movements	Tax losses \$'000	Accruals \$'000	Employee benefits \$'000	Doubtful debts \$'000	Other \$'000	Total \$'000
<b>At 1 July 2010</b>	687	67	206	246	494	1,700
(Charged)/credited to statement of comprehensive income	(419)	(30)	15	(134)	456	(112)
<b>At 30 June 2011</b>	268	37	221	112	951	1,589
(Charged)/credited to statement of comprehensive income	155	10	14	148	196	523
<b>At 30 June 2012</b>	423	47	235	260	1,147	2,112

## 12. Intangible Assets

	2012 \$'000	2011 \$'000
Cost	4,334	4,334
Accumulated amortisation and impairment	-	-
Total Goodwill	4,334	4,334

### Impairment tests for goodwill

Goodwill is allocated to the IAP operations as a single cash-generating unit (CGU) which is included in the IAP 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 12.1% (2011: 10.6%). An average growth rate of 3% (2011: 4%) has been used. Management determined budgeted net profit based on past performance and Directors best estimates of profit estimates over a five year period. The discount rate reflects Directors best estimates of 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.

## 13. Trade and Other Payables

	2012 \$'000	2011 \$'000
Trade payables and accruals	4,792	4,163



## 14. Borrowings

<b>Current</b>		
<i>Secured</i>		
Bank overdraft	1,208	1,273
Bank loans	4,599	11,917
Lease liabilities	254	172
	6,061	13,362
<i>Unsecured</i>		
Other loans – related parties	1,396	1,470
	7,457	14,832
<b>Non-Current</b>		
<i>Secured</i>		
Bank loans	11,965	7,857
Lease liabilities	122	375
	12,087	8,232
<i>Unsecured</i>		
Other loans – related parties	2,600	2,600
	14,687	10,832

Information concerning the effective interest rates is set out in note 26.

### Bank Overdraft, Bank Loans and Bills Payable

The bank overdraft, bank loans including 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 \$44.260 million (2011: \$42.883 million). 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 the Group has complied with the requirement that 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.

The Groups primary arrangements are subject to an annual review each year in November.

### Lease Liabilities

Lease liabilities and finance company loans 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 22 for information on other loans from related parties.

### Effective Interest Rates

Information concerning the effective interest rates is set out in note 26.

### Finance Facilities

Information concerning available facilities including used and unused portion of the finance facilities is set out in note 26.

### Assets Pledged as Security

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

## Notes to the Financial Statements

for the year ended 30 June 2012 (Continued)

### 15. Deferred Tax Liabilities

	2012 \$'000	2011 \$'000
<b>The balance comprises temporary differences attributable to:</b>		
Property, plant and equipment	3,003	2,076
Inventory	11	38
Other	343	321
Total deferred tax liabilities	3,357	2,435

Movements	Property, plant and equipment	Inventory	Other	Total
	\$'000	\$'000	\$'000	\$'000
<b>At 1 July 2010</b>	1,662	288	220	2,170
(Charged)/credited to income statement of comprehensive income	414	(250)	101	265
<b>At 30 June 2011</b>	2,076	38	321	2,435
(Charged)/credited to income statement of comprehensive income	927	(27)	22	922
<b>At 30 June 2012</b>	3,003	11	343	3,357

**16. Provisions**

	<b>2012</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current</b>		
Employee benefits	719	572
Service Warranties	130	130
	849	702
<b>Non-Current</b>		
Employee benefits	64	163

<b>Movements in Provisions</b>	<b>Employee Benefits</b>	<b>Service Warranties</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Balance 1 July 2010</b>	687	123	810
Provisions made during the year	357	7	364
Provisions used during the year	(309)	-	(309)
<b>Balance at 30 June 2011</b>	735	130	865
Provisions made during the year	328	-	328
Provisions used during the year	(280)	-	(280)
<b>Balance at 30 June 2012</b>	783	130	913

**(a) Service warranties**

Provision is made for the estimated warranty claims in respect of products sold which are still under warranty at the end of the reporting period. Historically there have been no material warranty claims and this is not expected to change in the future.

**(b) Amounts not expected to be settled within the next 12 months**

The current provision for employee benefits includes accrued annual leave, vesting sick leave and long service leave. For long service leave it covers all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount of the provision is presented as current, since the group does not have an unconditional right to defer settlement for any of these obligations. However, based on past experience, the group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months. The following amounts reflect leave that is not to be expected to be taken or paid within the next 12 months. Leave obligations expected to be settled after 12 months 2012 \$300k (2011: \$280k)

**17. Other Liabilities**

	<b>2012</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>
Deferred revenue	794	258
Deposits in advance	920	727
	1,714	985
<b>Non-Current</b>		
Deferred revenue	1,247	344

**Deferred revenue**

Deferred revenue relates to maintenance contract revenue received in advance.

## Notes to the Financial Statements

for the year ended 30 June 2012 (Continued)

### 18. Contributed Equity

	2012 \$'000	2011 \$'000
Share capital		
32,225,168 ordinary shares fully paid (2011: 32,225,168 ordinary shares fully paid)	28,790	28,790
Other equity securities		
Value of conversion rights (net of tax)	183	183
	<u>28,973</u>	<u>28,973</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. All shares rank equally with regards to the Company's residual assets. The holders of ordinary shares are entitled to one vote per share at meetings of the Company.

Movements in ordinary share capital	Note	No. of Shares	\$000
<b>Closing balance 30 June 2010</b>		32,225,168	28,790
Share issues 2011		-	-
<b>Closing balance 30 June 2011</b>		32,225,168	28,790
Share issues 2012		-	-
<b>Closing balance 30 June 2012</b>		32,225,168	28,790

#### Notes:

No issue of shares were made in the current or prior (2011) financial year.

#### Options

As at balance date there are no outstanding options to purchase ordinary shares in the parent entity. All options previously outstanding expired without being exercised in the year ended 30 June 2011.

An employee share option scheme was approved by shareholders on 3 June 2005. Refer to note 23 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.

**19. Reserves**

	2012 \$'000	2011 \$'000
Share-based payments reserve	-	283
<b>Movements</b>		
Reserve balance 1 July	-	283
Option expense	-	-
Transfer to retained earnings		(283)
Reserve balance 30 June	-	-

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

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 statement of comprehensive income.

**20. 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 statement of cash flows is reconciled to items in the statement of financial position as follows:

	2012 \$'000	2011 \$'000
Cash and cash equivalents assets – cash at bank and on hand	1,354	670
Bank overdraft (note 14)	(1,208)	(1,273)
	146	(603)

## Notes to the Financial Statements

for the year ended 30 June 2012 (Continued)

### 20. Cash Flow Information (continued)

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

	2012 \$'000	2011 \$'000
Profit for the year	1,375	657
Depreciation and amortisation	2,070	1,491
(Gain)/loss on disposal of property, plant and equipment	(150)	451
Movement in impairment of trade receivables	(70)	(447)
Unrealised foreign currency movements	(688)	2,274
Changes in operating assets and liabilities (Increase)/decrease in:		
Trade and other receivables	(2,597)	4,420
Inventories *	2,452	(3,723)
Deferred tax assets	(523)	112
Other assets	316	(12)
Increase/(decrease) in:		
Trade payables, accruals, and other liabilities	2,260	(3,459)
Employee benefits	48	49
Current tax liabilities	(2)	-
Deferred tax liabilities	922	266
Net cash flow from operating activities	5,413	2,079

\* net of transfers to/from property, plant and equipment

### 21. Earnings Per Share

	2012 cents	2011 cents
Basic earnings per share	4.27	2.04
Diluted earnings per share	4.27	2.04
	<b>\$'000</b>	<b>\$'000</b>
Earnings used to calculate basic and diluted earnings per share - profit after tax for the year	1,375	657
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	32,225,168	32,225,168
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	32,225,168	32,225,168

## 22. 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:

<b>Name</b>	<b>Position</b>	<b>Employer</b>
P Kapel	Company Secretary and CFO	PTB Group Limited

### Key management personnel Compensation

	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
Short-term employee benefits	733,104	750,912
Post-employment benefits	92,442	92,451
Other long-term benefits	19,112	21,679
	<b>844,658</b>	<b>865,042</b>



## 22. Key Management Personnel Disclosures (continued)

### 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
	No	No	No	No	No	No
<b>2012</b>						
<b>Directors</b>						
H Parker	-	-	-	-	-	-
CL Baker	-	-	-	-	-	-
RS Ferris	-	-	-	-	-	-
APS Kemp	-	-	-	-	-	-
<b>Other key management personnel of the Group</b>						
P Kapel	-	-	-	-	-	-
<b>2011</b>						
<b>Directors</b>						
H Parker	-	-	-	-	-	-
CL Baker	20,000	-	20,000	-	-	-
RS Ferris	10,000	-	10,000	-	-	-
APS Kemp	851,600	-	851,600	-	-	-
<b>Other key management personnel of the Group</b>						
JT Barbeler	20,000	-	20,000	-	-	-
M Engineer	-	-	-	-	-	-
P Kapel	-	-	-	-	-	-

## 22. Key Management Personnel Disclosures (continued)

### Share holdings

The number 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
	No	No	No	No	No	No
<b>2012</b>						
<b>Directors</b>						
H Parker	296,000	-	-	-	-	296,000
CL Baker	1,931,704	-	-	-	-	1,931,704
RS Ferris	6,908,054	-	-	-	-	6,908,054
APS Kemp	250,982	-	-	134,181	-	385,163
<b>Other key management personnel of the Group</b>						
P Kapel	-	-	-	-	-	-
<b>2011</b>						
<b>Directors</b>						
H Parker	296,000	-	-	-	-	296,000
CL Baker	1,931,704	-	-	-	-	1,931,704
RS Ferris	6,908,054	-	-	-	-	6,908,054
APS Kemp	208,982	-	-	42,000	-	250,982
<b>Other key management personnel of the Group</b>						
JT Barbeler	23,850	-	-	-	-	23,850
M Engineer	2,537	-	-	-	-	2,537
P Kapel	-	-	-	-	-	-

### 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

During 2007 PTB (Emerald) Pty Ltd (subsidiary) obtained a loan of \$2,000,000 from Steve Ferris (Director). The loan is repayable on 21 September 2012. Interest of 10% (2011: 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 2012 of \$3,531,587 (2011: \$3,196,838). This loan is subordinated to the CBA to the extent of \$2,600,000.

IAP Australia Pty Ltd has an at call loan facility from Steve Ferris of \$464,106 (2011: \$873,139). Interest of 9.5% (2011: 9.5%) per annum (fixed) is payable monthly in arrears and capitalised to the balance of the loan.

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.

## 22. Key Management Personnel Disclosures (continued)

A Director Mr S R Ferris is the major shareholder and Chairman of Skyforce Aviation Pty Ltd (Skyforce). During the year ended 30 June 2012 IAP Group Australia Pty (IAP), as the owner of an aircraft under lease to Toll Aviation Pty Limited (Toll), is in the process of finalising an agreement (which is to be executed post 30 June 2012) with Toll and Skyforce in which Skyforce manages the aircraft leased to Toll on behalf of IAP.

During the year ended 30 June 2012 IAP provided aircraft maintenance services to Skyforce and Skyforce provided aircraft maintenance services to IAP. The services we provided were not significant in value and were invoiced at Skyforce and IAP's cost.

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

	2012	2011
	\$	\$
<b>Amounts recognised as revenue</b>		
Cost of the provision of maintenance services	57,679	-
	57,679	-
<b>Amounts recognised as expense</b>		
Cost of the provision of maintenance services	22,667	-
Interest expense*	377,089	392,447
	399,756	392,447

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

- current receivables	-	-
- current borrowings	1,395,693	1,469,977
- non-current borrowings	2,600,000	2,600,000

\* represents interest paid in 2011 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 9.5% (2011: 9.5%) and 10% (2011: 10%) as detailed above.

## 23. 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.

### 23. 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
			No	No	No	No	No	No
<b>2012</b>								
No options issued or outstanding	-	-	-	-	-	-	-	-
<b>2010</b>								
31 May 2007	31 Aug 2010	\$2.00	40,000	-	-	40,000	-	-

The weighted average remaining contractual life of share options outstanding at the end of the 2012 year was Nil years (2011: Nil years).

### 24. Remuneration of Auditors

During the year the following fees were paid or payable for services provided by the auditor of the parent entity:

	2012	2011
	\$	\$
<b>(a) Audit Services - Crowe Horwath</b>		
Audit or review of the financial reports	156,414	122,200
Total remuneration for audit services	156,414	122,200
<b>(b) Taxation Services - Crowe Horwath</b>		
Taxation compliance services	-	16,881
Other tax consulting services	-	13,000
Total remuneration for taxation services	-	29,881
Total auditor's remuneration of Crowe Horwath	156,414	152,081

There was no other remuneration paid to related practices of the auditor, or other non-related audit firms.

## 25. Commitments

	2011 \$'000	2010 \$'000
<b>(a) Finance leases</b>		
Commitments in relation to finance leases are payable as follows:		
Within one year	284	225
Later than one year but not later than five years	128	413
Later than five years	-	-
Minimum lease payments	412	638
Future finance charges		
- Within one year	(30)	(53)
- Later than one year but not later than five years	(6)	(37)
- Later than five years	-	-
	376	548
Representing lease liabilities:		
Current	254	172
Non-current	122	376
	376	548

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

### (b) Operating leases

Commitments in relation to non-cancellable operating leases contracted for at the reporting date but not recognised as liabilities are payable as follows:

Within one year	146	143
Later than one year but not later than five years	531	519
Later than five years	247	330
	924	992

Operating leases mainly comprise leases of premises in Australia (Bankstown, Sydney) and in the UK (Blackpool). 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	466	340
Greater than one year but not later than five years	81	279
	548	619

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

## 25. Commitments (continued)

### (d) Capital commitments

No Capital expenditure contracted for at balance date.

## 26. Financial Risk Management and Other Financial Instrument Disclosures

### Financial Risk Management

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

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

#### (a) Market risk

##### (i) Foreign exchange risk

Foreign exchange risk arises when future commercial transaction 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-Jun-12		30-Jun-11	
	USD \$'000	GBP £'000	USD \$'000	GBP £'000
Cash and cash equivalents	1,338	5	440	4
Trade and other receivables	16,977	2	14,821	-
Forward exchange contracts	-	-	(13)	-
Trade and other payables	(2,113)	(167)	(2,467)	(63)
Borrowings	(11,946)	-	(2,858)	-
Other liabilities	(548)	-	(192)	-

## 26. Financial Risk Management and Other Financial Instrument Disclosures (continued)

### (a) Market risk (continued)

#### *Group sensitivity*

Based on the financial instruments held at 30 June 2012, 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 \$236,000 higher/\$289,000 lower (2011: \$527,000 higher/\$644,000 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.

Equity would have been \$236,000 higher/\$289,000 lower (2011: \$527,000 higher/\$644,000 lower) had the Australian dollar weakened/strengthened by 10% against the US dollar due to the reasons noted above. Equity is less sensitive to movements in the Australian dollar/US dollar exchange rates in net US dollar Statement of Financial Position exposure in 2012 compared to 2011 as a consequence of the Group increasing its natural hedge position with the conversion of \$8.400 million in AUD denominated bank facilities into USD denominated bank loans in November 2011. The Group's exposure to other foreign exchange movements is not material.

This significant reduction in the Groups net USD exposure through the increase in USD denominated funding has reduced the impact of the +/-10% market risk sensitivity calculation on the Groups result.

As the company undertakes the majority of its sales and purchases in US dollars most profit is generated in US dollars with the AUD reported profit negatively impacted by any strengthening of the Australian dollar.

#### (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 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.

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 in the following table:



**26. 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			
<b>2012</b>											
<b>Financial assets</b>											
Cash and cash equivalents	0.00%	1,348	-	-	-	-	-	-	6	1,354	
Trade and other receivables	-	-	-	-	-	-	-	-	5,614	5,614	
Extended credit receivables	12.60%	-	1,445	1,763	9,916	-	-	-	-	13,124	
<b>Total financial assets</b>		<b>1,348</b>	<b>1,445</b>	<b>1,763</b>	<b>9,916</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,620</b>	<b>20,092</b>	
<b>Financial liabilities</b>											
Trade and other payables	-	-	-	-	-	-	-	-	4,792	4,792	
Bank overdraft	8.42%	1,208	-	-	-	-	-	-	-	1,208	
Bank Loans	7.98%	100	4,374	2,168	4,040	306	79	-	-	11,067	
Bills payable	7.78%	5,375	-	-	-	-	-	-	-	5,375	
Lease liabilities	10.34%	-	254	122	-	-	-	-	-	376	
Insurance Loan	4.06%	-	122	-	-	-	-	-	-	122	
Related party loans	9.94%	-	1,396	2,600	-	-	-	-	-	3,996	
<b>Total financial liabilities</b>		<b>6,683</b>	<b>6,146</b>	<b>4,890</b>	<b>4,040</b>	<b>306</b>	<b>79</b>	<b>-</b>	<b>4,792</b>	<b>26,936</b>	

## 26. 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			
<b>2011</b>											
<b>Financial assets</b>											
Cash and cash equivalents	0.73%	665	-	-	-	-	-	-	5	670	
Trade and other receivables	-	-	-	-	-	-	-	-	3,243	3,243	
Extended credit receivables	13.22%	-	2,003	359	411	9,295	-	-	-	12,068	
Total financial assets		665	2,003	359	411	9,295	-	-	3,248	15,981	
<b>Financial liabilities</b>											
Trade and other payables	-	-	-	-	-	-	-	-	4,163	4,163	
Bank overdraft	7.95%	1,273	-	-	-	-	-	-	-	1,273	
Bank loans	7.00%	2,706	1,994	27	-	-	-	-	-	4,727	
Bills payable	9.17%	9,250	3,475	2,210	-	-	-	-	-	14,935	
Lease liabilities	10.32%	-	171	255	122	-	-	-	-	548	
Insurance Loan	4.23%	-	111	-	-	-	-	-	-	111	
Related party loans	9.89%	-	1,470	2,600	-	-	-	-	-	4,070	
Total financial liabilities		13,229	7,221	5,092	122	-	-	-	4,163	29,827	

There are no other interest bearing financial assets and liabilities.

#### *Group sensitivity*

As the majority of the interest rates are fixed, at 30 June 2012 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 (2011: immaterial).

#### *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.

## **26. Financial Risk Management and Other Financial Instrument Disclosures (continued)**

### **(b) Credit risk**

The Group trades only with recognised, creditworthy third parties.

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

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements.

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 2012 the largest 10 debtors comprised approximately 77% (2011: 86%) of total receivables. It should be noted that the largest debtor is an extended credit receivable to a customer in Indonesia which accounts for 56% (2011: 69%) 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. Other trade receivables comprise 33% (2011: 34%) of total receivables; and
- The receivables are concentrated in six main geographical areas. Refer to note 27 for further information.

At balance date cash was held with the Commonwealth Bank of Australia.

## 26. Financial Risk Management and Other Financial Instrument Disclosures (continued)

### (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	
	2012 \$'000	2011 \$'000
<b>Finance Facilities</b>		
<i>Available facilities</i>		
Bank overdraft	1,500	1,500
Bank loans - chattel mortgage	3,629	4,437
- other	7,563	376
Bills payable - multi option	5,375	14,935
Finance Company Leases & Loans	376	658
Related party facilities	3,996	4,070
	22,439	25,976
<i>Amounts utilised</i>		
Bank overdraft	1,208	1,274
Bank loans - chattel mortgage	3,629	4,437
- other	7,560	290
Bills payable - multi option	5,375	14,935
Finance Company Leases & Loans	376	658
Related party facilities	3,996	4,070
	22,144	25,664
<i>Unused facilities</i>		
Bank overdraft	292	226
Bank loans - other	3	86
	295	312

## 26. 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
<b>Group 2012</b>							
<i>Non-derivatives</i>							
Non-interest bearing	4,792	-	-	-	-	-	4,792
Variable rate	1,308	1,100	4,275	-	-	-	6,683
Fixed rate	6,147	4,889	4,040	306	79	-	15,461
<b>Total financial liabilities</b>	<b>12,247</b>	<b>5,989</b>	<b>8,315</b>	<b>306</b>	<b>79</b>	<b>-</b>	<b>26,936</b>
<b>Group 2011</b>							
<i>Non-derivatives</i>							
Non-interest bearing	4,163	-	-	-	-	-	4,163
Variable rate	7,706	3,937	-	-	-	-	11,643
Fixed rate	8,607	7,401	128	-	-	-	16,136
<b>Total financial liabilities</b>	<b>20,476</b>	<b>11,338</b>	<b>128</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>31,942</b>

#### *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.

#### *Related party loans*

The related party loans are at the interest rate of 9.5% (2011: 9.5%) and 10% (2011: 10%) per note 22.

#### *Bills payable*

The multi-option facility includes variable rate commercial bills of \$5,375,000 at a weighted average interest rate of 7.78%. For each drawing of a bill, a rate is quoted by the bank at the time of draw down. The bills have terms between one and two years and the facility is subject to annual review.

#### *Maturities of financial liabilities*

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

## 27. Segment Information

The Group has three reportable segments:

- **PTB:** Covering the operations of the holding company PTB Group Limited specialising in PT6 and TPE331 Turboprop engines. The business repairs, sells hires and leases PT6 and TPE331 engines, maintains under contract related engines, and trades in related engine and airframe parts.
- **IAP:** Covering the operations of the IAP Group Australia Pty Ltd trading in aircraft, jet aircraft engines, airframes and related parts. This business is an aircraft owner and leases aircraft to airline operators under both operating and finance leases.
- **Emerald:** Covers the operation of PTB (Emerald) Pty Ltd the owner of the aircraft acquired from Emerald Airways UK which are leased to airline operators under both operating and finance leases.

### *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, and Europe.

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.

The following tables outline the distribution of the Group's sales, adjusted EBITDA, assets and liabilities by those geographical markets by business segment.

**27. Segment Information (continued)**

2012	Australia PNG & NZ \$'000	Pacific \$'000	America North & South \$'000	Asia \$'000	Africa \$'000	Europe \$'000	Unallocated \$'000	Total \$'000
<b>(i) Revenue</b>								
<b>PTB</b>								
Total Segment Revenue	8,639	2,068	1,939	10,423	3	19	-	23,091
Inter-segment Revenue	(1,049)	-	-	-	-	-	-	(1,049)
<b>Revenue from external customers</b>	<b>7,590</b>	<b>2,068</b>	<b>1,939</b>	<b>10,423</b>	<b>3</b>	<b>19</b>	<b>-</b>	<b>22,042</b>
<b>Emerald</b>								
Total Segment Revenue	-	-	-	1,815	212	3	-	2,030
Inter-segment Revenue	-	-	-	-	-	-	-	-
<b>Revenue from external customers</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,815</b>	<b>212</b>	<b>3</b>	<b>-</b>	<b>2,030</b>
<b>IAP</b>								
Total Segment Revenue	3,011	36	2,042	2,537	425	533	-	8,584
Inter-segment Revenue	(381)	-	-	-	-	-	-	(381)
<b>Revenue from external customers</b>	<b>2,630</b>	<b>36</b>	<b>2,042</b>	<b>2,537</b>	<b>425</b>	<b>533</b>	<b>-</b>	<b>8,203</b>
<b>Unallocated</b>								
Total Unallocated Revenue	-	-	-	-	-	-	-	-
<b>Revenue from external customers</b>	<b>10,220</b>	<b>2,104</b>	<b>3,981</b>	<b>14,775</b>	<b>640</b>	<b>555</b>	<b>-</b>	<b>32,275</b>
<b>(ii) Adjusted EBITDA</b>								
PTB	1,208	408	308	1,659	-	3	-	3,586
Emerald	99	-	-	(32)	237	6	-	310
IAP	449	7	378	512	89	32	-	1,467
Unallocated	-	-	-	-	-	-	-	-
<b>Adjusted EBITDA</b>	<b>1,756</b>	<b>415</b>	<b>686</b>	<b>2,139</b>	<b>326</b>	<b>41</b>	<b>-</b>	<b>5,363</b>



**27. Segment Information (continued)**

2012	Australia PNG & NZ \$'000	Pacific \$'000	America North & South \$'000	Asia \$'000	Africa \$'000	Europe \$'000	Unallocated \$'000	Total \$'000
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**(iii) Segment Disclosure Items**

**Depreciation & Amortisation**

PTB	350	51	48	258	-	-	-	707
Emerald	-	-	-	-	72	442	-	514
IAP	576	-	-	273	-	-	-	849
<b>Total</b>	<b>926</b>	<b>51</b>	<b>48</b>	<b>531</b>	<b>72</b>	<b>442</b>	<b>-</b>	<b>2,070</b>

**Impairment of Goodwill**

IAP	-	-	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Impairment of Goodwill**

PTB	-	-	-	-	-	-	-	-
Emerald	-	-	-	-	-	-	-	-
IAP	-	-	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Unrealised (Gain)/Loss on Foreign Currency**

PTB	-	79	-	-	-	-	-	79
Emerald	99	-	-	(880)	(62)	3	-	(840)
IAP	2	1	31	81	17	(59)	-	73
<b>Total</b>	<b>101</b>	<b>80</b>	<b>31</b>	<b>(799)</b>	<b>(45)</b>	<b>(56)</b>	<b>-</b>	<b>(688)</b>

**27. Segment Information (continued)**

2012	Australia PNG & NZ \$'000	Pacific \$'000	America North & South \$'000	Asia \$'000	Africa \$'000	Europe \$'000	Unallocated \$'000	Total \$'000
<b>Total Segment Assets</b>								
PTB	18,195	342	1,107	1,478	-	-	15,232	36,354
Emerald	1,197	-	-	13,942	-	13,348	(17,194)	11,293
IAP	24,704	5	349	1,597	1,753	725	1,962	31,095
Unallocated	-	-	-	-	-	-	-	-
<b>Total</b>	<b>44,096</b>	<b>347</b>	<b>1,456</b>	<b>17,017</b>	<b>1,753</b>	<b>14,073</b>	<b>-</b>	<b>78,742</b>
<b>Total assets includeis:</b>								
<i>Non-current Assets (other than financial assets and deferred tax)</i>								
PTB	8,921	-	-	-	-	-	15,232	24,153
Emerald	2	-	-	12,495	-	12,726	(17,194)	8,029
IAP	20,523	-	-	1,015	355	-	1,962	23,855
<b>Total</b>	<b>29,446</b>	<b>-</b>	<b>-</b>	<b>13,510</b>	<b>355</b>	<b>12,726</b>	<b>-</b>	<b>56,037</b>
<b>Total Segment Liabilities</b>								
PTB	8,445	553	2,777	333	-	1	-	12,109
Emerald	10,440	-	-	934	-	170	-	11,544
IAP	9,704	-	241	280	49	240	-	10,514
<b>Total</b>	<b>28,589</b>	<b>553</b>	<b>3,018</b>	<b>1,547</b>	<b>49</b>	<b>411</b>	<b>-</b>	<b>34,167</b>

## Notes to the Financial Statements

for the year ended 30 June 2012 (Continued)

### 27. Segment Information (continued)

2011	Australia PNG & NZ \$'000	Pacific \$'000	America North & South \$'000	Asia \$'000	Africa \$'000	Europe \$'000	Unallocated \$'000	Total \$'000
<b>(i) Revenue</b>								
<b>PTB</b>								
Total Segment Revenue	5,240	2,028	937	10,666	30	(8)	444	19,337
Inter-segment Revenue	(426)	-	-	-	-	-	-	(426)
<b>Revenue from external customers</b>	<b>4,814</b>	<b>2,028</b>	<b>937</b>	<b>10,666</b>	<b>30</b>	<b>(8)</b>	<b>444</b>	<b>18,911</b>
<b>Emerald</b>								
Total Segment Revenue	-	-	-	1,931	160	310	-	2,401
Inter-segment Revenue	-	-	-	-	-	-	-	-
<b>Revenue from external customers</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,931</b>	<b>160</b>	<b>310</b>	<b>-</b>	<b>2,401</b>
<b>IAP</b>								
Total Segment Revenue	5,512	66	1,070	2,777	222	832	320	10,799
Inter-segment Revenue	(764)	-	-	-	-	-	-	(764)
<b>Revenue from external customers</b>	<b>4,748</b>	<b>66</b>	<b>1,070</b>	<b>2,777</b>	<b>222</b>	<b>832</b>	<b>320</b>	<b>10,035</b>
<b>Unallocated</b>								
Total Unallocated Revenue	-	-	-	-	-	-	-	-
<b>Revenue from external customers</b>	<b>9,562</b>	<b>2,094</b>	<b>2,007</b>	<b>15,374</b>	<b>412</b>	<b>1,134</b>	<b>764</b>	<b>31,347</b>
<b>(ii) Adjusted EBITDA</b>								
PTB	749	320	146	1,659	5	-	69	2,948
Emerald	-	-	-	719	160	310	-	1,189
IAP	1,704	23	399	893	(3)	306	109	3,431
Unallocated	-	-	-	-	-	-	-	-
<b>Adjusted EBITDA</b>	<b>2,453</b>	<b>343</b>	<b>545</b>	<b>3,271</b>	<b>162</b>	<b>616</b>	<b>178</b>	<b>7,568</b>

**27. Segment Information (continued)**

2011	Australia PNG & NZ \$'000	Pacific \$'000	America North & South \$'000	Asia \$'000	Africa \$'000	Europe \$'000	Unallocated \$'000	Total \$'000
<b>(iii) Segment Disclosure Items</b>								
<b>Depreciation &amp; Amortisation</b>								
PTB	208	54	25	282	-	-	-	569
Emerald	-	-	-	-	22	155	-	177
IAP	659	-	-	85	-	1	-	745
<b>Total</b>	<b>867</b>	<b>54</b>	<b>25</b>	<b>367</b>	<b>22</b>	<b>156</b>	<b>-</b>	<b>1,491</b>
<b>Impairment of Goodwill</b>								
IAP	-	-	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Impairment of Assets</b>								
PTB	-	-	-	-	-	-	-	-
Emerald	-	-	-	-	-	-	-	-
IAP	-	-	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Unrealised (Gain)/Loss on Foreign Currency</b>								
PTB	-	4	-	-	-	-	-	4
Emerald	-	-	-	2,438	-	-	-	2,438
IAP	-	(1)	15	(104)	(85)	7	-	(168)
<b>Total</b>	<b>-</b>	<b>3</b>	<b>15</b>	<b>2,334</b>	<b>(85)</b>	<b>7</b>	<b>-</b>	<b>2,274</b>

**27. Segment Information (continued)**

2011	Australia PNG & NZ \$'000	Pacific \$'000	America North & South \$'000	Asia \$'000	Africa \$'000	Europe \$'000	Unallocated \$'000	Total \$'000
<b>Total Segment Assets</b>								
PTB	16,026	271	533	1,273	-	-	16,086	34,189
Emerald	1,212	-	-	12,663	1,407	14,696	(17,514)	12,464
IAP	25,862	14	37	2,191	1,424	88	1,428	31,044
Unallocated	-	-	-	-	-	-	-	-
<b>Total</b>	43,100	285	570	16,127	2,831	14,784	-	77,697
<b>Total assets includes:</b>								
<i>Non-current Assets (other than financial assets and deferred tax)</i>								
PTB	9,273	-	-	457	-	-	16,086	25,816
Emerald	47	-	-	10,882	1,395	13,145	(17,514)	7,955
IAP	19,593	-	-	1,758	387	-	1,428	23,166
<b>Total</b>	28,913	-	-	13,097	1,782	13,145	-	56,937
<b>Total Segment Liabilities</b>								
PTB	8,688	7	1,767	36	-	-	-	10,498
Emerald	12,168	-	-	156	-	157	-	12,481
IAP	10,587	-	283	440	-	208	-	11,518
<b>Total</b>	31,443	7	2,050	632	-	365	-	34,497

## 27. Segment Information (continued)

### Other segment information

#### (i) Segment revenue

Sales between segments are carried out at cost and are eliminated on consolidation. The revenue from external parties reported to the Board is measured in a manner consistent with that in the income statement.

Revenues from external customers of PTB are derived from repairing, selling, leasing and maintaining PT6 and TPE331 turbo prop aircraft engines under contract and training related engine and airframe parts. For IAP revenue is derived from trading in aircraft, jet aircraft engines, airframes and related parts as well as leasing aircraft under operating and finance leases. Emerald's revenue is interest income from finance leases and revenue from operating leases and sale of aircraft.

A breakdown of revenue and results is provided in the preceding tables.

	2012 \$'000	2011 \$'000
<b>Total Segment revenue</b>	33,705	32,537
Intersegment eliminations	(1,430)	(1,190)
Interest revenue	-	-
<b>Total revenue from continuing operations (note 2)</b>	32,275	31,347

The Group is domiciled in Australia. The amount of its revenue from external customers in Australia is \$10.220 million (2011: \$9.562 million) and the total revenue from external customers in other countries is \$22.055 million (2011: \$21.785 million). Segment revenues are allocated based on the country in which the customer is located.

#### (ii) Adjusted EBITDA

The Board assesses the performance of the operating segments based on a measure of adjusted EBITDA.

This measurement basis excludes the effects of non recurring expenditure from the operating segments such as, unrealised gains / (losses) on foreign currency movements and goodwill impairments. Interest income and interest income on long term HP receivables is allocated to segments whereas financing and interest expense and expenditure are not allocated to segments.

A reconciliation of adjusted EBITDA to operating profit before income tax is provided as follows:

	2012 \$'000	2011 \$'000
<b>Adjusted EBITDA</b>	5,363	7,568
Unrealised gain/(loss) on foreign Currency	688	(2,273)
Goodwill impairment	-	-
Impairment of other assets	-	-
Depreciation and amortisation	(2,070)	(1,491)
Finance Costs	(2,208)	(2,769)
<b>Profit before income tax from continuing operations</b>	1,773	1,035

## 27. Segment Information (continued)

### Other segment information

#### (iii) Segment assets

The amounts provided to the Board with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset.

Reportable segments' assets are reconciled to total assets as follows:

	2012 \$'000	2011 \$'000
<b>Segment Assets</b>	76,630	76,095
Unallocated:		
Deferred tax assets	2,112	1,589
Derivative financial instruments	-	13
<b>Total assets as per the statement of financial position</b>	<b>78,742</b>	<b>77,697</b>

The total of non current assets other than financial instruments and deferred tax assets located in Australia is \$29.446 million (2011: \$28.913 million), and the total of these non current assets located in other countries is \$26.591 million (2011: \$28.024 million). Segment assets are allocated to countries based on where the assets are located.

#### (iv) Segment liabilities

The amounts provided to the board with respect to total liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment.

The group's borrowings and derivative financial instruments are not considered to be segment liabilities but rather managed by the treasury function. Reportable segments' liabilities are reconciled to total liabilities as follows:

	2012 \$'000	2011 \$'000
<b>Segment Liabilities</b>	30,810	32,021
Unallocated:		
Current tax liabilities	-	41
Deferred tax liabilities	3,357	2,435
<b>Total liabilities as per the statement of financial position</b>	<b>34,167</b>	<b>34,497</b>

## 29. Dividends

No dividends were paid in the current or prior (2011) year.



## 29. Subsidiaries

Name	Country of Incorporation	Equity Holding	
		2012	2011
PTB Finance Limited <sup>(1)</sup>	Australia	100%	100%
PTB Rentals Australia Pty Ltd <sup>(1)</sup>	Australia	100%	100%
Pacific Turbine, Inc <sup>(2)</sup>	USA	100%	100%
PTB (Emerald) Pty Ltd <sup>(3)</sup>	Australia	100%	100%
Aircraft Maintenance Services Ltd <sup>(4)</sup>	United Kingdom	100%	100%
IAP Group Australia Pty Ltd <sup>(5)</sup>	Australia	100%	100%
International Air Parts UK Limited <sup>(6)</sup>	United Kingdom	100%	100%
PTB Emerald Limited <sup>(7)</sup>	United Kingdom	100%	100%
748 Cargo Pty Ltd <sup>(8)</sup>	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.

## Notes to the Financial Statements

for the year ended 30 June 2012 (Continued)

### 30. 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 statement of comprehensive income and summary of movements in consolidated retained earnings

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 2012 of the Closed Group:

	2012 \$'000	2011 \$'000
Revenue	32,275	30,918
Other income	-	-
Total Revenue	32,275	30,918
Cost of goods sold	(17,712)	(15,060)
Employee benefits expense	(5,390)	(5,028)
Depreciation and amortisation	(2,070)	(1,491)
Repairs and maintenance	(83)	(70)
Bad and doubtful debts	(282)	120
Finance costs	(2,208)	(2,397)
Net foreign exchange loss	163	(2,659)
Net loss on sale of property, plant and equipment	150	(441)
Other expenses	(3,070)	(2,905)
Total expenses	(30,502)	(29,931)
<b>Profit before income tax expense</b>	1,773	987
Income tax expense	(398)	(362)
<b>Profit for the year</b>	1,375	625
<b>Statement of Comprehensive Income</b>		
<b>Profit for the year</b>	1,375	625
Other comprehensive income net of tax	-	-
<b>Total comprehensive income for the year attributable to the owners of the parent entity</b>	1,375	625
<b>Summary of movements in consolidated retained profits</b>		
Retained profits at the beginning of the financial year	14,101	13,476
Reserves	-	-
Profit for the year	1,375	627
<b>Retained profits at the end of the financial year</b>	15,476	14,101

**30. Deed of Cross Guarantee (continued)**

**(b) Consolidated Statement of Financial Position**

Set out below is a consolidated statement of financial position as at 30 June 2012 of the Closed Group:

	<b>2012</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current Assets</b>		
Cash and cash equivalents	1,354	671
Trade and other receivables	6,627	4,819
Inventories	12,355	13,140
Derivative financial instruments	-	13
Current tax assets	-	-
Other current assets	257	529
<b>Total Current Assets</b>	<b>20,593</b>	<b>19,172</b>
<b>Non-Current Assets</b>		
Trade and other receivables	11,797	10,523
Inventories	6,072	7,206
Other financial assets	265	264
Property, plant and equipment	33,517	34,827
Deferred tax assets	2,112	1,589
Intangible assets	4,334	4,334
Other non-current assets	3	47
<b>Total Non-Current Assets</b>	<b>58,100</b>	<b>58,790</b>
<b>Total Assets</b>	<b>78,693</b>	<b>77,962</b>
<b>Current Liabilities</b>		
Trade and other payables	4,792	4,788
Borrowings	7,457	13,933
Current tax liabilities	-	41
Provisions	849	702
Other current liabilities	1,714	985
<b>Total Current Liabilities</b>	<b>14,812</b>	<b>20,449</b>
<b>Non Current Liabilities</b>		
Borrowings	14,687	11,418
Deferred tax liabilities	3,357	2,436
Provisions	64	164
Other non-current liabilities	1,247	344
<b>Total Non-Current Liabilities</b>	<b>19,355</b>	<b>14,362</b>
<b>Total Liabilities</b>	<b>34,167</b>	<b>34,811</b>
<b>Net Assets</b>	<b>44,526</b>	<b>43,151</b>
<b>Equity</b>		
Contributed equity	29,050	29,050
Reserves	-	-
Retained earnings	15,476	14,101
<b>Total Equity</b>	<b>44,526</b>	<b>43,151</b>

## Notes to the Financial Statements

for the year ended 30 June 2012 (Continued)

### 31. Related Party Balances and 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 29.

#### b) Key management personnel

Disclosures relating to key management personnel are set out in note 22.

#### c) Other Transactions with Subsidiaries

The following transactions occurred with subsidiaries:

Parent Entity	2012 \$'000	2011 \$'000
Revenue - sale of engines	579,111	-
Revenue - sale of goods and services	662,320	277,088
Revenue - engine rentals	131,180	187,365
Purchase of goods and services	200,415	124,481
Rent and property related expenses	265,376	256,896

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	19,064,244	18,678,126
-----------------------	------------	------------

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	63	-
Trade payables	23	-

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.

## 32. Parent Entity Financial Information

### a) Summary financial information

	2012 \$'000	2011 \$'000
<b>Statement of Financial Position</b>		
Current assets	11,352	8,715
Total Assets	49,872	46,881
Current liabilities	5,005	5,641
Total Liabilities	12,128	10,517
<i>Shareholder's equity</i>		
Issued Capital	29,050	29,050
Reserves		
Retained earnings	8,694	7,314
	37,744	36,364
Profit or loss for the year	1,380	1,107
Total comprehensive income	1,380	1,107

### b) Guarantees entered into by the parent entity

Carrying amount included in current liabilities	-	-
	-	-

## 33. Events after the Balance 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.

## 34. Contingent liabilities

The Group had the following bank guarantees as at 30 June 2012:

Favouree	Bank	Date	2012 \$'000	2011 \$'000
Brisbane Airport Corporation Limited	ANZ	24/10/2003	-	21
Bankstown Airport Limited	CBA	27/03/2007	18	18
			18	39

## Director's Declaration

for the year ended 30 June 2012

The Directors of the Company declare that:

- (a) the attached financial statements and notes, as set out on pages 27 to 83 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 2012 and of the performance for the year ended on that date of the 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 30; 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 Managing Director and Chief Financial Officer for the financial year ended 30 June 2012 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  
23 August 2012



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A WHK Group Firm

## **Independent Auditor's Report**

To the members of PTB Group Limited

### **Report on the Financial Statements**

We have audited the accompanying financial report of PBT Group Limited, which comprises the consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, 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 Statements*

The directors of the company are responsible for the preparation of the financial report that give a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report 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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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.

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## Independent Auditor's Report

for the year ended 30 June 2012 (Continued)

### Independence

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

### Opinion

*In our opinion:*

- a. the financial report of PTB Group Limited is in accordance with the *Corporations Act 2001*, including:
- (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2010 and of their performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- b. the consolidated financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

### Remuneration Report

We have audited the Remuneration Report included in pages 14 to 18 of the directors' report for the year ended 30 June 2012. 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.

### Opinion

In our opinion, the Remuneration Report of PTB Group Limited for the year ended 30 June 2012, complies with section 300A of the *Corporations Act 2001*.



**Crowe Horwath Brisbane**



**Brendan Worrall**  
**Partner**

Signed at Brisbane, 23 August 2012

## Shareholders Information

for the year ended 30 June 2012

The shareholder information set out below was applicable as at 24 September 2012.

(a) Distribution of Shareholders:

Category (size of Holding)	Class of equity security	
	Ordinary Shares	Options
1 – 1,000	40	-
1,001 – 5,000	145	-
5,001 – 10,000	56	-
10,001 – 100,000	95	-
100,001 and over	32	-
	<b>368</b>	<b>-</b>

(b) The number of ordinary shareholdings held in less than marketable parcels is 56.

(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	1,951,704	6.06
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	Percentage %
RS Ferris	6,908,054	21.44%
Keybridge Capital Limited	5,822,033	18.07%
River Capital Alternate Fund Management	3,923,032	12.17%
Baker Superannuation	1,269,600	3.94%
G Hills	888,000	2.76%
J Flintoft	888,000	2.76%
M Hills	888,000	2.76%
M Yannis	758,175	2.35%
SG Smith & JA Flintoft Superannuation Fund	750,000	2.33%
RG Yannis	625,298	1.94%
Norfolk Enchants Pty Ltd (Trojan Superannuation Fund)	616,565	1.91%
S Martin	491,052	1.52%
M R & S J Gordon Super A/c	446,276	1.38%
CH Croaker	415,414	1.29%
Moat Investments Pty Ltd	354,000	1.10%
GY & T Yannis	351,386	1.09%
David Family Superannuation Fund	337,000	1.05%
H Parker	296,000	0.92%
R G Farley	276,068	0.86%
H Jones	276,000	0.86%
Huxley Martin Pty Ltd	200,000	0.62%
Huntington Group Pty Ltd	199,261	0.62%
	<b>26,979,214</b>	<b>83.72%</b>

**Unquoted equity securities**

**Number on issue**

**Number of holders**

Options issued under the PTB Group Ltd Share Option Scheme to take up ordinary shares

-

-

## Company Statistics

for the year ended 30 June 2012

	2012	2011	2010	2009	2008
Revenue (\$'000)	32,275	31,347	27,241	38,526	46,608
+/-Net profit (\$'000)	1,375	657	1,647	103	3,131
Net Assets (\$'000)	45,575	43,200	42,543	40,010	40,225
Cash Flow from Operating Activities (\$'000)	5,413	2,079	4,137	2,110	(2,626)
Ordinary Shares fully paid ('000)	32,225	32,225	32,225	27,603	26,403
Return on average shareholders' funds (%)	3.13	1.53	3.99	0.25	8.27
Share price at year-end (\$)	0.23	0.25	0.17	0.12	0.46
NTA backing per Share (Cents)	138	121	119	129	152
Dividend paid per share in respect of each financial year	Nil	Nil	Nil	Nil	Nil
Average AUD/USD exchange rate	\$1.03	\$0.99	\$0.88	\$0.75	\$0.89





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