PTB GROUP LIMITED

ANNUAL REPORT

30 June 2013

ABN 99 098 390 991

Corporate Directory and Information

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

Company Secretary
Pierre Kapel

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BRISBANE QLD 4000

Auditor
Williams Hall Chadwick
Level 19
144 Edward Street
Brisbane QLD 4000

Stock Exchange Listing
The Company is listed on the Australian Securities Exchange
ASX Code: PTB

Internet address
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PTB GROUP LIMITED

ANNUAL REPORT
30 June 2013

Table of Contents

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.

1. Results

Net profit after tax for the Group was $0.368 million in 2013 compared to $1.375 million in 2012. Basic earnings per share were 1.14 cents (4.27 cents in 2012).

Operationally however, the result showed significant improvement. Two loss-incurring transactions were executed which generated cash and provided other operational benefits.

	Funds Generated $'000	Loss Incurred $'000
Early payout by Indonesian customer and HP debtor of one BAE ATP large door freighter	2,850	1,859
Sale of HS748 in Bangladesh	340	233
	3,190	2,092

An analysis of operational earnings set out below, reviews the operational progress made during the year.

The 2013 result represented a return on average shareholders' funds of 0.83 per cent (3.13 per cent in 2012). An interim fully franked dividend of 5.1 cents per share was paid in the year ended 30 June 2013 (2012: nil), with approximately 85 per cent of shares on issue participating in the dividend reinvestment plan for this dividend.

2. The 2013 Year in Review

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

Division	2013 $'000	2012 $'000	2011 $'000	2010 $'000
PTB Business (before unrealised currency movement)	4,171	3,443	2,904	1,944
IAP Business	355	(248)	2,128	598
Emerald Assets	901	947	1,227	628
Emerald : Interest	(710)	(946)	(1,256)	(2,212)
Emerald : Currency movement (realised & unrealised)	(357)	341	(2,670)	(265)
Emerald : Loss on asset realisation transactions	(1,859)	40	-	-
PTB : Currency - unrealised	(313)	(79)	(4)	(361)
Corporate Overheads	(1,275)	(1,443)	(1,414)	(1,333)
Emerald : Refinancing (loan forgiveness)	-	-	-	3,633
Bad and doubtful debts	(328)	(282)	120	(395)
Profit before Tax	585	1,773	1,035	2,237

The above table shows the operational progress continuing to be made, in particular in the PTB Business. Progress was also made in refocusing the IAP Business. The Emerald operation continues as a challenge Overall it was a very encouraging operational result in a 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 a robust loan repayment program for Emerald and IAP, and a strong AUD relative to the USD for the financial year.

The Group continues to make substantial progress in working through the issues created by the Global Financial Crisis (GFC) in respect to financing of second and third tier aircraft and a strong AUD. The efficiencies implemented as a result of the strong Australian dollar will assist profitability as the AUD weakens.

To meet these challenges and build profitability the Group continues its focus as follows:

- managing cash flow to pay down debt and build working capital;
- concentrating on core competencies ;
- asset utilisation and deployment;
- recurring earnings;
- PT6A engine shop capability;
- targeting a natural currency hedge.

Managing cash flow to pay down debt and build working capital

The Group has paid down $4.1 million of debt in the 2013 financial year (2012: $3.5 million). The Group will continue to pay down debt to reduce its exposure.

The Group received $3.19 million cash from the early payout of two long term HP debtors of which $2.9 million was used to pay down debt.

The Group refinanced the Capital Finance loan balance of USD1.8 million with a USD denominated loan with the CBA. The CBA's facilities as at 30 June 2013 total $15.263 million representing 85 per cent of the Group's loan funds ($2.6 million being a related party loan).

PTB's working capital position continues to improve enabling it to increase profitability through various initiatives.

IAP has a robust loan repayment program. Turnover is forecast to strengthen in the 2014 financial year which will improve IAP's liquidity.

Emerald has an aggressive loan repayment program with debt reduction from asset sales and improved asset utilisation being the primary operational targets.

Concentrating on core competencies

IAP Business

IAP continues the shift back to core trading activities and a reduced reliance on one-off trading opportunities and special projects to make a profit.

The internet and the GFC have required IAP to become more focused on select product lines. The traditional IAP parts business covered a wide range of inventory and lines. The focus on select product lines produced an improvement in the IAP Parts Business profitability. In order to continue this improvement the Parts Business was split at year end into engine sales, engine parts sales and airframe part sales with each section being responsible for its costs and margins.

In the past engines were the backbone of the IAP Parts Business. IAP has the sales staff with the technical and commercial experience to once again make engines a major contributor to improving IAP profitability. The initial focus will be on support for Rolls Royce Dart, Spey and Tay engines of which IAP has significant inventory holdings. The focus on engines will lead to increased brokerage opportunities in engine and parts sales in PW100, CFM56, V2500 and ALF502 engines.

The airframe parts business is focused on ATP, Fokker F27, HS748 and the modern Fokker F100. IAP has three F100's it is breaking down for parts which will support the F100 product line in both engines and airframe parts.

The remaining inventory lines will continue to contribute to sales and cash as they are sold down.

Customer aircraft part requirements are demand driven. IAP parts inventory is listed on the various global aircraft parts data bases. IAP recently upgraded to a Platinum subscriber on ILS (Inventory Locator Service) a major Global aircraft parts and service data base. The Platinum supplier designation enables a supplier to move to the top of a parts enquiry as a supplier of up to date and accurate inventory from a quality assured supplier.

One-off trading and special projects remains an important part of the business but the changes to aviation since the GFC has significantly reduced these opportunities.

PTB Brisbane

PTB is a focused engine business concentrating on the PT6 and TPE331 engines. The TPE331 engine is a significant contributor to Brisbane's profitability but it is a mature engine with a slowly declining operator base. PTB has a number of TPE331 engine management contracts which will assist maintain profitability into the future. The PT6A small engine is becoming PTB's primary focus for profitability growth. This focus on the small PT6A engine is enabling PTB to build up an ever increasing presence in the region through its engine management programs and tailored engineering offerings.

A core competency for PTB's business is the sale of engines, engine parts and airframe parts. This business will increase as PTB's increased working capital will enable the Company to take advantage of opportunities as we market the Company's engine maintenance programs to potential customers world-wide.

Asset utilisation and deployment

The Emerald business continues to have under utilised aviation assets. These include a small door ATP freighter, one ATP passenger and two HS748 aircraft which are in the UK under care and maintenance programs. In addition, an ATP and HS748 are mothballed in the UK.

The small door ATP freighter is being converted to a large freight door for lease to our Indonesian operator of ATP's. In addition the Indonesian operator has a need for a further large freight door ATP freighter and management is considering the various options, including funding to meet this requirement.

IAP is currently repairing the Metro 23 which will become available for lease or sale in the new financial year.

Recurring Earnings

PTB

PTB made a decision several years ago to build the PT6A and TPE 331 engine business through the recurring earnings generated by engine management contracts with operators.

This has reduced reliance on the traditional engine business based on all engine shops quoting unrealistically low "come on" prices to secure the customer and then spending the next month or so talking the price up; thus creating a very dissatisfied customer.

PTB had two engine management contracts in the Maldives. Private equity investors acquired and merged the two companies and competitively tendered out the PT6A engine management contract to the major international players in the PT6A engine business. This was a major block of PT6A engines and the competition was international and aggressive. The Company won a five year contract with the new combined Maldivian operator. Our seamless support and performance over the last seven years were vital in securing this contract. This is a major endorsement of our engine management contract model.

PTB Brisbane's engine management contracts generate recurring earnings of over half of PTB's TPE331 and PT6 margin. The majority of contracts are for five years. Only one contract was not renewed as the customer transitioned to a new aircraft type. The level of recurring PT6A workshop margin is set to increase significantly as we increase the number of overhauls able to be performed by the shop.

PTB's method of meeting its support requirements under the engine management contracts has evolved over a number of years to become the "intellectual property" of PTB's turbine engine business.

IAP

IAP has not been able to generate significant recurring earnings in its engine and airframe business but its leased aircraft generate 29 per cent of its total margin as recurring earnings.

The Indonesian operator of Emerald-leased ATP's is providing recurring earnings for IAP's parts sales business.

PT6A Engine Shop Capability

The Pratt & Whitney PT6A engine continues in production on a number of working aircraft types. The engine will continue to be the engine of choice for 10 to 20 seat aircraft requiring a turbo prop engine. PTB's focus has been to continue developing its PT6A repair and overhaul capability as this engine will be the backbone for future profit growth in the PTB engine business.

PTB now overhauls the complete PT6A engine and are building the support and capability to produce engines to meet the Company's engine management contract requirements. This enables the business to access the profit opportunities forgone in the past when engines were subcontracted offshore. The Group's increased working capital has enabled the PT6A business to create a production line of engines based on cores that were previously traded to generate cash to meet bank repayment commitments.

In addition the Business has been able to retain core engines for the tear down department to provide parts for the workshop and sales.

The PT6A workshop has been expanded with continued investment in tooling and equipment to build the PT6A section's capabilities.

A PT6A test cell is required to complete the buildup of PT6A capability.

The key to managing future profitability is to ensure, as capacity increases, the workshop remains nimble and responsive to customer requirements; this is our competitive advantage over the large volume-driven engine shops.

Targeting a Natural Currency Hedge

A review of our results over prior years will give a snapshot of how operational performance has been affected by USD/AUD currency movements.

As the Group's post GFC position with its financiers has improved we have implemented a program to balance USD receivables with USD-denominated borrowings. This natural hedge has been of assistance in reducing the effect of the currency movements.

With the Company's continued improvement in working capital and the bank's cooperation we expect to be in a position to further improve this balance.

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

- PTB: TPE331 together with PT6A turbine engine repair and overhaul at 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:

	Actual 2013 $000	*Budget 2013 $000*	**Actual 2012 $000**	**Actual 2011 $000**	**Actual 2010 $000**
PTB Business (before unrealised currency movement)	4,171	*3,283*	3,443	2,904	1,944
IAP Business	355	*1,181*	(248)	2,128	598
Emerald Assets	901	*416*	947	1,227	628
Emerald : Interest	(710)	*(696)*	(946)	(1,256)	(2,212)
Emerald : Currency movement (realised & unrealised)	(357)	-	341	(2,670)	(265)
Emerald : Discount on asset realisation transactions	(1,859)	-	40	-	-
PTB : Currency - unrealised	(313)	-	(79)	(4)	(361)
Corporate Overheads	(1,275)	*(1,148)*	(1,443)	(1,414)	(1,333)
Emerald : Refinancing (loan forgiveness)	-	-	-	-	3,633
Bad and doubtful debts	(328)	-	(282)	120	(395)
Profit before Tax	**585**	***3,036***	**1,773**	**1,035**	**2,237**
Add Back					
Financing Costs	1,703	*1,706*	2,208	2,769	3,727
Depreciation	2,070	*2,295*	2,070	1,491	1,929
EBITDA	**4,358**	***7,037***	**6,051**	**5,295**	**7,893**
	Cents		Cents	Cents	Cents
Share Price 30 June	40		23	25	17
EPS	1.14		4.27	2.04	5.52
NTA backing per share	110		125	121	119
Average AUS/USD exchange rate	$1.03	*$1.00*	$1.03	$0.99	$0.88

AUD/USD exchange rate

The average AUD/USD exchange rate for the 2013 year of 1.03 is in line with the 2012 year average. The Group expects that if the recent decline in the AUD/USD exchange rate is maintained for the 2014 year it will have a positive impact on the Group's profit performance for this period.

With the early repayment of the Indonesian long term HP debtor, loan reductions and the movements in the level of USD creditors, the Company's USD natural hedge balance has materially changed. Rebalancing of the Group's loan book with the aim to restore a balanced natural hedge position will be a key focus for the 2014 year.

PTB Business Performance

The PTB Brisbane Business generated a profit before tax and unrealised foreign currency movements of $4.171 million. This result is ahead of budget by $0.888 million. This continues the excellent results generated by PTB in the very competitive global turboprop engine market.

Engine rental income continued its decline and performed significantly below budget. Rental income has now stabilised. Engine rental income has become a minor part of the PTB business as a result of the lack of working capital as the Business paid down debt. The transition to engine maintenance contracts has also reduced the need for rental engines. There are however rental opportunities, some in the less favoured parts of the region. As PTB's working capital position strengthens we can revisit engine rental opportunities, bearing in mind that the capacity to fund engines offshore will be a limiting factor. However the Business can expect steady profitability growth in its rental engines division.

Engine sales margins were to budget and have stabilised. The Group's results were historically very dependent on engine sales. Engine sales are by their nature subject to considerable variation which made it difficult to build future strategies with consistent underlying earnings.

Over time we have reduced the reliance on engine sales. In addition, engine management contracts have further reduced the opportunity for engine sales to PTB's established client base. Engine sales however remain a significant contributor to our gross margin and this is expected to continue into the future.

The Business receives extended credit terms from several vendors which is an additional selling tool for engine sales. The engines being produced by the PT6A workshop will also create opportunities for engine sales.

Opportunistic sales as a result of increased working capital increased in the current year. This will continue as a small but valuable contributor to the Business into the future.

The workshop margin has increased 15 per cent compared to the prior year's result and comprises 54 per cent of all sales margin. The workshop remains the key to extracting optimal profit from parts and engine management contracts. The building of the PT6A repair and overhaul capacity will continue without significant disruption to the workshop's increasing profitability.

The Business achieved CASA Part 145 maintenance approval in May for its TPE331 and PT6A engine business. This was an Australian government undertaking to align Australia's aviation maintenance approvals and processes with EASA (European Air Safety Authority) the global standard. This was a major undertaking in cost and time as maintenance manuals and procedures had to be rewritten and new safety management systems implemented.

Parts sales did not perform to budget and fell just short of last year's result. We continue to review how best to build the spare parts sales to non-engine maintenance contract customers as parts sales to engine maintenance contract customers performed well. The increased working capital will improve the capacity of this section to create opportunistic parts sales.

A number of initiatives are in play which will promote strong future growth for the business:

PT6A engine repair and overhaul

The Business continues to build this capability. As the skill levels and the number of skilled staff build, PTB can invest in plant and processes to further improve workshop capability.

Working Capital opportunities

The PTB Business is a parts business with the margin being made in the buy side of a transaction. We have appointed a business development manager based in Asia to comb the region for opportunistic buying opportunities. This is expected to generate additional sales margin opportunities for PTB's parts, engine sales and workshops. The increase in working capital is expected to create additional leased engine and engine sales opportunities.

Engine Management contracts

The PTB business continues to develop the scope of its engine management contracts and client base. These contracts are the backbone of the recurring income and cash flow for the Business.

EASA Approval

The Australian regulator CASA advised with the new Part 145 maintenance approval the government was working to establish reciprocal acceptance with various countries and EASA. If this should happen the Business might not need EASA approval. However government progress in this area has not been productive in the past. If we decide EASA certification will increase business the process to achieve our CASA Part 145 (already undertaken) will tick most of the regulatory boxes. The final hurdle will be EASA's costs to certify.

Engine Test Cell

The test cell will be required as PT6A production ramps up as the cost to freight and test in the USA will shorten the payback period. There is a build lead time of 12 months with a forecast investment of $2 million.

Trade Finance

Several of the Group's major vendors have offered trade finance for engines purchased through them. We continue to investigate various options where this trade finance can be used to build the rental pool or provide credit.

IAP Business performance

The IAP Business profit before tax of $0.355 million was behind budget by $0.826 million but ahead of last year's result by $0.603 million.

The IAP traditional parts business and one-off trading activities model continues to be challenged with reduced enquiries from its traditional clients as a result of the internet and reduced flying by the aircraft supported by IAP.

IAP has recognised the change in its traditional business and continues to review and implement changes to improve profitability.

The Parts Sales Business margin was ahead of budget until February and ahead of last year's result. In the four months to the end of June it fell behind by $0.520 million and behind last year's result by 13 per cent. The result to February provides comfort that focus is the key as management input from PTB had reduced from January.

To continue building parts sales focus the Parts Sales Business was split into:

- an engine and engine parts section; and
- an airframe section.

Each section is responsible for its margin and costs. A sales manager is to be recruited to develop the airframe business.

IAP's 2014 Parts Sales Business's forecast margin is expected to increase over 2013 actuals with the part-out of the three F100's expected to underpin and provide a future product line.

The leased aircraft in the IAP portfolio contributed 29 per cent of the sales margin and a 42 per cent increase over prior year's as aircraft available for lease have been leased. One Metro 23 will be available for lease when repaired. The lessee's become Parts Sales customers for IAP and engine repair and overhaul work for Brisbane. IAP has an additional J32 available for refurbishment but does not plan to invest cash in the refurbishment until it has a customer.

One-off trading and special projects continue as a valuable contributor to margin but at a reduced level. IAP is expected to increase its profitability with minimal reliance on special projects.

The focus continues on increasing the rate at which inventory is turned into cash. In this regard, cash flow generated by the combined IAP and Emerald Businesses (set out in Section 7 below) was quite strong as summarised below:

IAP & Emerald Cash Flow Summary

	2013 $
Asset Sales Proceeds	3,220
Operations & Working Capital movements less financing charges	2,601
Capital Expenditure (Cash)	(930)
Loan repayments	(3,910)
Net Movements in Cash	**981**

Emerald Assets

The Emerald 2013 result (excluding realised and unrealised currency movements and abnormal transactions) was a profit of $0.191 million (2012: breakeven).

The Business's Indonesian customer paid USD 3 million to repay its finance liability on one ATP freighter and the Group paid down debt with the proceeds. A loss of $1.859 million was incurred. At the same time it committed to finance a further Large Freight Door ATP. Following this transaction, the Emerald Business will have reduced rental income until the third ATP commences flying later in the year.

Emerald also sold an HS 748 on an HP lease to another operator in Bangladesh. This produced a loss of USD 225,000 and cash of USD 375,000 on a payment plan. The aircraft required significant engineering work some of which would have been at Emerald's cost. The Bangladeshi operators have been challenging customers and it made commercial sense to focus on profitable opportunities. This operator will be a future customer for aircraft parts and engines.

There is one further HS748 in Bangladesh and discussions continue on its sale.

The preparation of the third Large Freight Door ATP for the Indonesian operator is well underway and the aircraft is expected to be available early in the 2014 calendar year. The Group's Bankers provided the funds to meet a significant part of the cost required to bring this aircraft on line.

Emerald's cash flow is sufficient to meet its financier's repayment obligations without drawing on IAP or PTB for other than short term bridging finance. The third ATP will come on line in the second half of the 2014 financial year and will further improve Emerald's operating result and cash flow position.

The conversion of the fourth ATP (from passenger to freighter plus a large freight door installation) will incur significant extra costs. Various options are being investigated. In addition, we do not have the engineering slots available to commence conversion until the third aircraft is delivered.

The Emerald Business incurs significant cash costs for insurance, care and maintenance, aircraft storage costs and non-cash depreciation. A review is being carried out to investigate how we minimise these costs.

Emerald continues to make slow but steady progress in building into an ongoing profitable business.

As indicated in the IAP Business performance section above, cash flow generated by the combined IAP and Emerald Businesses (set out in Section 7 below) was quite strong.

Corporate Overheads

The Group's corporate overheads were $1.275 million (2012: $1.443 million) which was 11 per cent higher than budget. Employment costs represent 53 per cent (2012: 63 per cent) of overheads with 2013 expenditure of $0.687 million compared to $0.910 million for 2012.

Bad and Doubtful Debts

The Group recognised $0.328 million in debtors' impairment.

5. Debt and Equity Finance

CBA Facility Review

The Group has met all its loan repayments and the CBA's covenant requirements.

In 2014 the PTB Business plans to source loan funding to support financing of engines to offshore customers.

6. Statement of Financial Position and Net Assets

The net asset position as at 30 June 2013 has been maintained at $44.6 million.

Included in net assets are:

- Emerald assets: These are predominantly aircraft assets of $12.7 million (2012: $13.6 million) and extended credit receivables of $7.4 million (2012: $13.1 million), being hire purchase arrangements for aircraft.

- IAP Assets: Land and Buildings $6.7 million (2012: $6.8 million), Aircraft fixed assets $8.1 million (2012: $7.4 million), other fixed assets $0.3 million (2012: $0.3 million), and spare parts inventory of $11.2 million (2012: $11.6 million).

- PTB Assets: Comprise plant & equipment of $3.9 million (2012: $4.1 million), engines and spare parts inventory of $9.3 million (2012: $6.4 million).

7. Cashflows

The Group's improving operating performance for 2013 is reflected in the cashflow result. Operating cashflow was $6.5 million, which is $1.1 million higher than the previous year.

The following table outlines the source and application of cash by business groupings PTB & IAP/Emerald:

Cash Flow Summary 2013 Financial Year	IAP & Emerald $'000	PTB $'000	Group $'000
Cash Profits	1,271	3,741	5,012
Asset Sales Proceeds [1]	3,220	-	3,220
Capital Expenditure [2]	(930)	(550)	(1,480)
Working Capital Movements	2,410	(2,100)	310
Financing Charges	(1,080)	(620)	(1,700)
Loan repayments	(3,910)	(190)	(4,100)
Net Movement in Cash Before Dividend	**981**	**281**	**1,262**
Dividend Payment			(250)
Net Movement in Group Cash			**1,012**

[1] Asset Sales Proceeds includes i) the payout by the long term Indonesian Finance debtor of $2.850 million, (ii) $0.330 million from the payout of a Bangladeshi LT HP debtor for a HS 748 under finance lease (Both these items are categorised as "cash receipts from customers" in the Consolidated Statement of Cash Flows) combined with (iii) $0.040 million of other asset proceeds.

"Proceeds on disposal of property, plant and equipment" as per the Consolidated Statement of Cash Flows comprises $2.080 million for two Emerald ATP Engines being used on the Indonesian customer's ATPs (settled through the customer's prepaid maintenance reserve account) combined with $0.040 million of other asset proceeds.

[2] Capital Expenditure in this table excludes $1.780 million of ATP engine cores removed from the Indonesian Customer's ATPs which were capitalised in Emerald's accounts (settled through the customer's prepaid maintenance reserve account). This amount combined with the $1.480 million in the above cash flow table is reflected in the Consolidated Statement of Cash Flows item "Payments for property plant & Equipment".

As per the above table the Group has generated $8.230 million in cash from Asset Sales and Operations including the early payout by Indonesia Lessor of the ATP Finance Lease and the sale of the Bangladesh based HS748 to a Bangladeshi operator.

The Group has used this cash to pay down related party loans and CBA loans totaling $4.100 million. It has also expended $1.480 million on capital investments.

IAP/Emerald's capital expenditure mainly relates to the conversion of a passenger ATP into a large freight door freighter for our Indonesian customer (a lease agreement for this aircraft was executed in February 2013). This ATP is expected to be operating early in 2014.

PTB has been investing in expanding facilities and tooling at its Brisbane site which will support continued growth in the PTB engine business.

8. Management

In July 2013 PTB Brisbane appointed Carl Jepson as General Manager. Carl has an MBA and extensive aviation experience. He moved to PTB from a New Zealand aviation company where he was general manager. Prior to this, his experience included engineering management and sales management in aviation related businesses.

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

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 five years. This year there has been a noticeable increase in PTB initiatives as working capital increased.

The Group is confident progress will continue and the focus continues on building a strong foundation for improved operational performance and profitability.

The weakening of the AUD will assist profitability.

For the next 12 months the Group will be concentrating on:

- Managing cash flow to pay down debt and build working capital in each business;
- Utilising working capital to build the core business and increase profitability;
- Building IAP parts sales business to reduce reliance on one-off trading;
- Continuing building on the PT6 repair and overhaul capability including the test cell;
- 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;
- Obtaining EASA approval to increase potential markets for PT6A and TPE331 engines and engine parts.

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

Harvey Parker
Chairman

Craig Baker
Managing Director

Your Directors present the financial report of PTB Group Limited and its controlled entities ("the Group") for the year ended 30 June 2013.

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.

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 were 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 21 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 totaling $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 2012 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 use the rental 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.

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 lapsed 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 also 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 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.

FY 2012:

- Good operational progress made with the PTB Business and progress made in refocussing the IAP Business;
- Cashflow from operations up to $5.4 million; and
- $3.5 million of debt paid down and AUD8.4 million of debt converted to USD to better match with USD receivables.

A detailed discussion and analysis of the 2013 year's performance has been provided in the Chairman's and Managing Director's Review included in this annual report.

Operating Results

The consolidated profit for the financial year after providing for income tax was $0.368 million (2012: $1.375 million). Operating profit before tax for the year was $0.585 million (2012: $1.773 million).

Financial Position

The net assets of the Group are $44.693 million as at 30 June 2013 (2012: $44.575 million).

Dividends

A fully franked dividend of 5.1 cents per share has been declared and paid for the 30 June 2013 financial year (2012: Nil).

Franking Credits

Franking credits available for subsequent financial years based on a tax rate of 30 per cent are $11.020 million (2012: $11.724 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 now has three broad business groupings under its aviation asset management operations:

- PTB: TPE331 together with PT6A turbine engine repair and overhaul at 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.

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 environment 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)

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 Australian Natural Proteins Ltd (since October 2012), Chairman of DWS Limited (since 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)

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)

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

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

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

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

Andrew joined the North Queensland based Coutts Group as General Manager early in 1985, and continued with this group until January 1987 when he formed Huntington Group. Since 1980, Andrew has been involved in a range of listings, acquisitions and divestments. He has structured and implemented the ASX listing of eleven companies. He has also advised clients on a wide range of investments and divestments over the last 25 years.

Andrew is currently a Director of the following listed companies: Silver Chef Limited from April 2005 and G8 Education Limited from March 2011. He was a director of Eureka Group Holdings Ltd from March 2004 until February 2011, and Trojan Equity Limited from May 2005 until March 2013.

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

Company Secretary

Pierre Kapel was appointed as the Chief Financial Officer and Company Secretary from 22 November 2010. Pierre has 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.

Audit & Risk Management Committee Chairman

Russell Cole B.Com, FCA was appointed independent Chairman of the Audit and Risk Management Committee on 28 September 2012. Russell graduated from the University of Queensland with a Bachelor of Commerce and is a Chartered Accountant and Registered Company Auditor.

Russell has over 25 years' experience in public practice as a Chartered Accountant specialising in the corporate sector with significant experience in audit, risk management and corporate governance. He has spent 15 years as an audit & assurance partner of national accounting firms with a particular focus on emerging listed companies.

Remuneration Report (Audited)

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

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

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

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

Non-executive Directors

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

Directors' remuneration for their services as Directors is by a fixed sum and not a commission or a percentage of profits or operating revenue. It may not be increased except at a general meeting in which particulars of the proposed increase have been provided in the notice convening the meeting of 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 to 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.

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 per cent 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 (2012: 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 (2012: 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.

B. Details of Remuneration

	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 $	$
2013 Year Directors							
H Parker (Non-Executive Director)	30,000	-	-	3,000	-	-	33,000
CL Baker (Managing Director - Group)	247,227	-	-	24,840	4,277	-	276,344
RS Ferris (Managing Director - IAP)	266,699	-	-	23,119	4,267	-	294,085
APS Kemp (Non-Executive Director)	21,800	-	-	-	-	-	21,800
Total Directors	565,726	-	-	50,959	8,544	-	625,229
Other Key Management Personnel							
P Kapel (Company Secretary and CFO)	178,264	-	-	25,000	3,163	-	206,427
Other Key Management Personnel	178,264	-	-	25,000	3,163	-	206,427
2012 Year Directors							
H Parker (Non-Executive Director)	30,000	-	-	3,000	-	-	33,000
CL Baker (Managing Director - Group)	231,498	-	-	49,519	4,277	-	285,294
RS Ferris (Managing Director - IAP)	271,180	-	-	23,118	4,386	-	298,684
APS Kemp (Non-Executive Director)	21,800	-	-	-	-	-	21,800
Total Directors	554,478	-	-	75,637	8,663	-	638,778
Other Key Management Personnel							
P Kapel (Company Secretary and CFO)	178,626	-	-	16,804	3,163	-	198,593
Other Key Management Personnel	178,626	-	-	16,804	3,163	-	198,593

** comprising accrued long service leave*

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 is 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 2013 are set out below:

CL Baker (Managing Director – Group)

- *Term of agreement* – Minimum of one year commencing 18 December 2012;
- *Base annual salary* – $280,000 inclusive of 9 per cent 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 as noted above.

RS Ferris (Managing Director – IAP)

- *Term of agreement* – Minimum of one year commencing 18 December 2012;
- *Base annual salary* – $280,000 inclusive of 9 per cent 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 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 per cent 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

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

E Additional Information

Details of remuneration: cash bonuses and options

Any grant of options and cash bonuses are discretionary. No options or bonuses were granted during the year.

Share-based compensation: options

There were no options granted during the year. As at 30 June 2013 there are no options on issue.

Share Options

Shares Issued on Exercise of Options

There were no options outstanding as at the commencement of the financial year and no options were issued during the year ending 30 June 2013, No options were issued subsequent to year end.

Shares Under Option

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

Loans to Directors and Executives

There are no loans to Directors and executives.

Meetings of Directors

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

	Number of Meetings Held While a Director	Number of Meetings Attended
Full Board		
H Parker	11	10
CL Baker	11	11
APS Kemp	11	11
RS Ferris	11	9
Remuneration Committee		
H Parker	2	2
APS Kemp	2	2
Audit and Risk Management Committee		
H Parker	4	4
APS Kemp	4	4

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.

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 willful breach of duty.

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

Proceedings on Behalf of the Company

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

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

Non-Audit Services

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

The Board of Directors has considered the position and, in accordance with the advice received from the audit committee is satisfied that the provision of non-audit services, if any, during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

During the year no non-audit service fees were paid or payable for services provided by the auditor of the company (2012: Nil).

The lead auditor's independence declaration is set out on page 22 and forms part of the Directors' Report for the year ended 30 June 2013.

Williams Hall Chadwick 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 2013

Auditor's Independence Declaration
for the year ended 30 June 2013

WILLIAMS
HALL CHADWICK
CHARTERED ACCOUNTANTS & BUSINESS ADVISORS

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Brisbane Queensland 4001
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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 2013 there have been no contraventions of:

(i) the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Geoffrey Stephens
Director

Williams Hall Chadwick

Dated this 23rd day of August 2013

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) The Board must comprise of members with a broad range of experience, expertise, skills and contacts relevant to the Company and its business;
c) At least half of the Board should be non-executive Directors independent from management; and.
d) 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.

Independence of Board Members

The Board has adopted the following definition of an Independent Director:

An independent Director is a Director who is not a member of management (a non executive Director) and who:

a) is not a substantial shareholder of the Company or an officer of, or otherwise associated, directly or indirectly, with a substantial shareholder of the Company;
b) has not, within the last three years, been employed in an executive capacity by the Company or another Group member, or been a Director after ceasing to hold any such employment;
c) is not a principal of a professional advisor to the Company or another Group member, or an employee materially associated with the service provided, except in circumstances where the advisor might be considered to be independent notwithstanding their position as a professional advisor due to the fact that fees payable by the Company to the advisor's firm represent an insignificant component of its overall revenue;
d) is not a significant supplier or customer of the Company or another Group member, or an officer of or otherwise associated, directly or indirectly, with a significant supplier or customer;
e) has no significant contractual relationship with the Company or another Group member other than as a Director;
f) is free from any interest and any business or other relationship, which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company; and
g) has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company.

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The Board regularly assesses the independence of each Director in the light of the interests disclosed by them. The independence of Directors is disclosed in the annual report. Where the independence of a Director is lost, this will be immediately disclosed to the market.

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 28 June 2013. 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: as per the Group's Securities Trading Policy last updated on 22 December 2010 that is lodged with the ASX; and
h) Communications with shareholders and the market.

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 Russell Cole (Independent external Chairman of ARM Committee), Harvey Parker (Independent Non-Executive Director) and Andrew Kemp (Independent Non-Executive Director).

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) 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;
j) Overseeing business continuity planning and risk mitigation arrangements.

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.

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 (Chairman) 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.

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 Securities Trading Policy (lodged with the ASX) to regulate dealings in securities by Directors, senior management, employees 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 with 2010 amendments – second edition' ('Guidelines') applying to listed entities 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 independent 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 (50 per cent independent).

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

- The Chairman is an independent non-executive Director;
- 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.

The size and complexity of the business does not warrant additional Directors at the present time.

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. As at the date of this report the board has not implemented a formal policy of performance evaluation of the Board, committees and Directors. Given the size and complexity of the business such evaluation has to date taken place informally however the board has undertaken to consider implementation of a more formalised policy during the year ending 30 June 2014.

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, 3.3, 3.4 and 3.5

Guidelines for promoting diversity: The Board aims to create a corporate culture that embraces diversity by applying transparent merit based principles to recruitment, training and promotion opportunities.

It supports employment flexibility and employee career development and recognises the importance of creating an environment that is conducive to the appointment of suitably qualified employees, management and Board candidates who will maximise the achievement of the corporate goals.

Best practice recommendations issued by ASX recommend a separate disclosure in the annual report of measurable objectives for measuring gender diversity and the proportion of women employees in the whole organisation, in senior positions and on the Board.

The Board is of the view that it supports a culture where recruitment and promotion are based on merit and that workforce flexibility is supported. However, given the size of the Company and of the Board, it is considered that setting diversity targets and measurement systems are not appropriate and hence PTB Group does not fully comply with this guideline.

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 are detailed on page 25 under Audit and Risk Management Committee.

While recommendation 4.2 requires all members to be non-executive directors, the chairman of the ARM Committee is not a director of the company but has been appointed because of his specialist expertise in financial reporting, governance and audit related matters and for his independence.

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 and are given an opportunity to put forward questions they would like addressed at annual 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, 7.3 and 7.4

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, 8.3 and 8.4

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 8.2 of the ASX Corporate Governance Guidelines as it has less than three members. 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 polices 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.

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

	Note	2013 $'000	2012 $'000
Revenue	2	27,704	32,275
Total Revenue		27,704	32,275
Cost of goods sold		(14,079)	(17,712)
Employee benefits expense		(5,469)	(5,390)
Depreciation and amortisation		(2,070)	(2,070)
Repairs and maintenance		(49)	(83)
Bad and doubtful debts		(328)	(282)
Finance costs		(1,703)	(2,208)
Net foreign exchange gain/(loss)		(617)	163
Net gain/(loss) on sale of property, plant and equipment		(405)	150
Other expenses		(2,399)	(3,070)
Total expenses		(27,119)	(30,502)
Profit before income tax expense	3	585	1,773
Income tax expense	4	(217)	(398)
Profit for the year attributable to the owners of the parent entity		368	1,375
Other comprehensive income net of tax		-	-
Total comprehensive income for the year attributable to the owners of the parent entity		368	1,375

	Note	Cents	Cents
Basic earnings per share	20	1.14	4.27
Diluted earnings per share	20	1.14	4.27

The consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement Of Financial Position
as at 30 June 2013

	Note	2013 $'000	2012 $'000
Current Assets			
Cash and cash equivalents	19(a)	2,352	1,354
Trade and other receivables	5	6,244	6,627
Inventories	6	12,180	12,355
Other current assets	8	197	257
Total Current Assets		20,973	20,593
Non-Current Assets			
Trade and other receivables	5	7,123	12,111
Inventories	6	9,141	6,072
Property, plant and equipment	9	31,727	33,517
Deferred tax assets	10	1,776	2,112
Intangible assets	11	4,334	4,334
Other non-current assets	8	2	3
Total Non-Current Assets		54,103	58,149
Total Assets		75,076	78,742
Current Liabilities			
Trade and other payables	12	6,179	4,792
Borrowings	13	3,091	7,457
Current tax liabilities	7	-	-
Provisions	15	766	849
Other current liabilities	16	1,125	1,714
Total Current Liabilities		11,161	14,812
Non-Current Liabilities			
Borrowings	13	14,944	14,687
Deferred tax liabilities	14	3,238	3,357
Provisions	15	68	64
Other non-current liabilities	16	972	1,247
Total Non-Current Liabilities		19,222	19,355
Total Liabilities		30,383	34,167
Net Assets		44,693	44,575
Equity			
Issued Capital	17	30,367	28,973
Reserves	18	13,956	-
Retained earnings		370	15,602
Total Equity		44,693	44,575

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

Consolidated Statement Of Changes in Equity
for the year ended 30 June 2013

		Issued Capital			Reserves		
	Note	Share Capital	Other Equity Securities	Total Issued Capital	Dividend Appropriation Reserve	Retained Earnings	Total Equity
		$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2011		28,790	183	28,973	-	14,227	43,200
Total comprehensive income:							
Profit for the year		-	-	-	-	1,375	1,375
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income for the year		-	-	-	-	1,375	1,375
Balance at 30 June 2012		28,790	183	28,973	-	15,602	44,575
Balance at 1 July 2012		28,790	183	28,973	-	15,602	44,575
Total comprehensive income							
Profit for the year		-	-	-	-	368	368
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income for the year		-	-	-	-	368	368
Transactions with owners in their capacity as owners and other transfers							
Contributions of equity net of transaction cost	17	1,394	-	1,394	-	-	1,394
Transfer to reserves	18	-	-	-	15,600	(15,600)	-
Dividend recognised for the year	18	-	-	-	(1,644)	-	(1,644)
Balance at 30 June 2013		30,184	183	30,367	13,956	370	44,693

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

Consolidated Statement Of Cashflows

for the year ended 30 June 2013

	Note	2013 $'000	2012 $'000
Cash Flow From Operating Activities			
Cash receipts from customers (inclusive of goods & services tax)		31,349	29,468
Cash payments to suppliers and employees (inclusive of goods & services tax)		(24,756)	(23,797)
Interest received		1,606	1,952
Finance costs		(1,703)	(2,208)
Income tax (paid)/ refund		–	(2)
Net cash provided by operating activities	19(b)	6,496	5,413
Cash Flow From Investing Activities			
Payments for property, plant and equipment		(3,264)	(2,616)
Proceeds on disposal of property, plant and equipment		2,124	1,472
Net cash (used in)/ provided by investing activities		(1,140)	(1,144)
Cash Flow From Financing Activities			
Proceeds from borrowings raised		2,473	10,615
Repayment of borrowings		(6,365)	(13,968)
Repayment of lease liabilities		(202)	(167)
Payment of dividend		(250)	-
Net cash used in financing activities		(4,344)	(3,520)
Net increase/(decrease) in cash and cash equivalents held		1,012	749
Cash and cash equivalents at the beginning of the year		146	(603)
Cash and cash equivalents at the end of the year	19(a)	1,158	146

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, Australian Accounting Interpretations and the Corporations Act 2001. This Report was authorised by the Board of Directors for issue on 23 August 2013.

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 profit or loss and other 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(ac).

(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 2013 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 28.

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 ('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 profit or loss and other 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)(ii) 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 profit or loss and other 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 profit or loss and other 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 profit or loss and other 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); and
- 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.

(f) Unearned revenue

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

1. Summary of Significant Accounting Policies (continued)

(g) Income tax

The income tax expense 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 standalone 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(p). 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(t).

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

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 profit or loss and other comprehensive income. Cashflows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

1. Summary of Significant Accounting Policies (continued)

(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 profit or loss and other 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 profit or loss and other 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 profit or loss and other 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(p).

1. Summary of Significant Accounting Policies (continued)

(p) 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, 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 profit or loss and other 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 profit or loss and other comprehensive income in which the depreciation and amortisation of property, plant and equipment is included is 'depreciation and amortisation'.

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	6-10 years	SL

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance 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 profit or loss and other 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)

(q) 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 26).

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. The line item in the statement of comprehensive income in which the amortisation of computer software is included is 'depreciation and amortisation' expense.

(r) 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.

(s) 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 profit or loss and other 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.

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.

(t) 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.

(u) 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

1. Summary of Significant Accounting Policies (continued)

(u) Employee benefits (continued)

reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Superannuation

The Group makes contributions to defined contribution superannuation funds. Contributions are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Share-based payments

Share based compensation benefits are provided to employees via the PTB Group Limited Employee Share Option Scheme as detailed in note 22.

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

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

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

Profit sharing and bonus plans

The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation. Bonus payments are discretionary and subject to Board approval.

(v) Provisions

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

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

(w) Contributed equity

Ordinary shares are classified as equity.

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

(x) Dividends

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

(y) Earnings per share

Basic earnings per share

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

Diluted earnings per share

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

1. Summary of Significant Accounting Policies (continued)

(z) 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.

(aa) 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.

(ab) 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 4008

(ac) 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 six monthly 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 11 for details of these assumptions and the potential impact of changes to the assumptions.

Long Service Leave (LSL)

The Group estimates the pattern of 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.

1. Summary of Significant Accounting Policies (continued)

(ad) New accounting standards and interpretations

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 2013, but have not been applied in preparing this financial report:

(i) AASB 2012–2: *Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities* (applicable for annual reporting periods commencing on or after 1 January 2013).

AASB 2012–2 principally amends AASB 7: *Financial Instruments: Disclosures* to require entities to include information that will enable users of their financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.

This Standard does not impact the Group's financial statements.

(ii) AASB 2012–3: *Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities* (applicable for annual reporting periods commencing on or after 1 January 2014).

This Standard adds application guidance to AASB 132: *Financial Instruments: Presentation* to address potential inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.

(iii) AASB 2012–5: *Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle* (applicable for annual reporting periods commencing on or after 1 January 2013).

This Standard amends a number of Australian Accounting Standards as a consequence of the issuance of *Annual Improvements to IFRSs 2009–2011 Cycle* by the International Accounting Standards Board, including:

AASB 1: *First-time Adoption of Australian Accounting Standards* to clarify the requirements in respect of the application of AASB 1 when an entity discontinues and then resumes applying Australian Accounting Standards;

AASB 101: *Presentation of Financial Statements* and AASB 134: *Interim Financial Reporting* to clarify the requirements for presenting comparative information;

AASB 116: *Property, Plant and Equipment* to clarify the accounting treatment of spare parts, stand-by equipment and servicing equipment;

AASB 132 and Interpretation 2: *Members' Shares in Co-operative Entities and Similar Instruments* to clarify the accounting treatment of any tax effect of a distribution to holders of equity instruments; and

AASB 134 to facilitate consistency between the measures of total assets and liabilities an entity reports for its segments in its interim and annual financial statements.

This Standard is not expected to significantly impact the Group's financial statements.

2. Revenue

	2013 $'000	2012 $'000
Sales revenue		
Sale of goods	16,151	21,233
Services	6,689	6,303
Rental of engines/aircraft		
- Minimum lease payments	1,214	867
- Contingent rentals	1,537	1,916
	25,591	30,319
Other revenue		
Interest		
- Extended credit receivables (hire purchase agreements)	1,606	1,952
- Other	-	-
Other	507	4
Total revenue	27,704	32,275

3. Profit before income tax expense

Profit before income tax expense includes the following specific items:

	2013 $'000	2012 $'000
Cost of sale of goods	14,079	17,712
Depreciation		
- Buildings	97	95
- Plant and equipment	129	132
- Rental engines/aircraft	1,633	1,740
- Leasehold improvements	8	8
Amortisation		
- Leased engines/aircraft	203	95
- Leased plant and equipment	-	-
Operating lease rentals – minimum lease payments		
- Premises	108	124
- Equipment	39	30
Impairment losses (bad and doubtful debts)		
- Trade debtors	328	282
Net foreign exchange (gain)/loss	617	(163)
Defined contribution superannuation expense	387	437
Finance costs		
- Interests and finance charges paid/payable	1,703	2,208

4. Income Tax Expense

	2013 $'000	2012 $'000
(a) Income tax expense		
Current tax	–	–
Deferred tax arising from origination or reversal of temporary differences	217	500
Under/(over) provided in prior years	–	(102)
	217	398
(b) Numerical reconciliation of income tax expense to prima facie tax		
Profit/(loss) before income tax expense	585	1,773
Tax at the Australian tax rate of 30% (2012: 30%)	176	532
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
– Sundry items	41	(32)
	217	500
Under/(over) provided in prior years	–	(102)
Income tax expense/(benefit)	217	398

5. Trade and Other Receivables

	2013 $'000	2012 $'000
Current		
Trade receivables	4,870	4,639
Provision for impairment	(5)	(301)
	4,865	4,338
Maintenance contract receivables	298	817
Extended credit receivables (hire purchase agreements)	645	1,445
Other receivables	436	27
	6,244	6,627
Non-Current		
Extended credit receivables (hire purchase agreements)	6,589	11,679
Maintenance contract receivables	534	432
	7,123	12,111

Impaired trade receivables

As at 30 June 2013 current trade receivables of the Group with a nominal value of $4,523 (2012: $297,157) were impaired. The amount of the provision was $4,523 (2012: $301,000).

5. Trade and Other Receivables (continued)

The ageing of trade receivables is as follows:

	Current	30 Days	60 Days	90+ Days	Total
Group – 2013					
Trade receivables	2,701	369	160	1,640	4,870
Impaired trade receivables	-	-	-	(5)	(5)
Unimpaired receivables	2,701	369	160	1,635	4,865
Group – 2012					
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

Past due but not impaired

As at 30 June 2013, 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:

	2013 $'000	2012 $'000
At 1 July	(301)	(371)
Provision for impairment recognised during the year	(32)	(212)
Receivables written off during the year as uncollectable	328	282
At 30 June	(5)	(301)

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.

5. Trade and Other Receivables (continued)

	2013 $'000	2012 $'000
Payments in relation to the hire purchase agreements are receivable as follows:		
Within one year	1,434	3,018
Later than one year but not later than five years	6,827	13,642
Later than five years	–	–
Minimum hire purchase payments receivable	8,261	16,660
Future finance revenue		
Within one year	(789)	(1,573)
Later than one year but not later than five years	(238)	(1,963)
Later than five years	–	–
	(1,027)	(3,536)
Total hire purchase payments receivable	7,234	13,124
Representing receivables:		
Current	645	1,445
Non-current	6,589	11,679
	7,234	13,124

Refer note 30 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 25.

6. Inventories

	2013 $'000	2012 $'000
Current		
Work in progress – at cost	753	441
Finished goods – at cost	11,427	11,914
	12,180	12,355
Non-Current		
Finished goods – at cost	9,141	6,072
	9,141	6,072

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. Tax balances – Current

	2013 $'000	2012 $'000
Current tax liabilities	–	–

8. Other Assets

	2013 $'000	2012 $'000
Current		
Prepayments	169	241
Deposits	28	16
	197	257
Non-Current		
Other	2	3

9. 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	1,304	889
Later than one year but not later than five years	1,013	885
	2,317	1,774

Non-current assets pledged as security

Refer note 13 for information on non-current assets pledged as security.

9. Property, Plant and Equipment (continued)

	Land & Buildings	Leasehold Improvements		Plant & Equipment		Rental Engines/ Aircraft		Assets Under Construction		Total
	Owned	Owned	Under Lease	Owned	Under Lease	Owned	Under Lease	Owned	Under Lease	
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Year ended 30 June 2012										
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 [1]	–	–	–	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
At 30 June 2012										
Cost	7,210	131	–	1,261	187	26,159	1,386	3,604	978	40,916
Accumulated depreciation	(445)	(34)	–	(687)	(187)	(5,715)	(331)	–	–	(7,399)
Net book value	6,765	97	–	574	–	20,444	1,055	3,604	978	33,517
Year ended 30 June 2013										
Opening net book value	6,765	97	–	574	–	20,444	1,055	3,604	978	33,517
Additions	254	–	–	81	–	2,251	158	519	1	3,264
Transfers [2]	38	(38)	–	121	–	(983)	1,082	(42)	(631)	(453)
Disposals	–	–	–	(24)	–	(2,507)	–	–	–	(2,531)
Depreciation/ amortisation	(97)	(8)	–	(129)	–	(1,633)	(203)	–	–	(2,070)
Closing net book value	6,960	51	–	623	–	17,572	2,092	4,081	348	31,727
At 30 June 2013										
Cost	7,502	93	–	1,382	126	24,417	2,793	4,081	348	40,742
Accumulated depreciation	(542)	(42)	–	(759)	(126)	(6,845)	(701)	–	–	(9,015)
Net book value	6,960	51	–	623	–	17,572	2,092	4,081	348	31,727

1 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 $227,000 of engine refurbishment cost to Rental Engines/Aircraft fixed assets..

2 2013: Net Transfers of $453,000 represents the transfer of engine cores to inventory of $283,000 combined with the elimination of profit in Property, Plant and equipment of $170,000.

10. Deferred Tax Assets

	2013 $'000	2012 $'000
The balance comprises temporary differences attributable to:		
Tax losses	563	423
Accruals	95	47
Employee benefits	250	235
Doubtful debts	1	260
Other	867	1,147
Total deferred tax assets	1,776	2,112

Movements	**Tax losses $'000**	**Accruals $'000**	**Employee benefits $'000**	**Doubtful debts $'000**	**Other $'000**	**Total $'000**
At 1 July 2011	268	37	221	112	951	1,589
(Charged)/credited to statement of profit or loss and other comprehensive income	155	10	14	148	196	523
At 30 June 2012	423	47	235	260	1,147	2,112
(Charged)/credited to statement of profit or loss and other comprehensive income	140	48	15	(259)	(280)	(336)
At 30 June 2013	563	95	250	1	867	1,776

11. Intangible Assets

	2013 $'000	2012 $'000
Cost	4,334	4,334
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 12.6% (2012: 12.1%). An average growth rate of 4% (2012: 3%) 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.

12. Trade and Other Payables

	2013 $'000	2012 $'000
Trade payables and accruals	6,179	4,792

13. Borrowings

	2013 $'000	2012 $'000
Current		
Bank overdraft	1,194	1,208
Bank loans	1,759	4,599
Lease liabilities	138	254
	3,091	6,061
Unsecured		
Other loans – related parties	–	1,396
	3,091	7,457
Non-Current		
Secured		
Bank loans	12,310	11,965
Lease liabilities	34	122
	12,344	12,087
Unsecured		
Other loans – related parties	2,600	2,600
	14,944	14,687

Information concerning the effective interest rates is set out in note 25.

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 $44.378 million (2012: $44.260 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.

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 21 for information on other loans from related parties.

Effective Interest Rates

Information concerning the effective interest rates is set out in note 25.

Finance Facilities

Information concerning available facilities including used and unused portion of the finance facilities is set out in note 25.

Assets Pledged as Security

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

14. Deferred Tax Liabilities

	2013 $'000	2012 $'000
The balance comprises temporary differences attributable to:		
Property, plant and equipment	2,926	3,003
Inventory	103	11
Other	209	343
Total deferred tax liabilities	3,238	3,357

Movements	Property, plant and equipment $'000	Inventory $'000	Other $'000	Total $'000
At 1 July 2011	2,076	38	321	2,435
Charged/(credited) to statement of profit or loss and other comprehensive income	927	(27)	22	922
At 30 June 2012	3,003	11	343	3,357
Charged/(credited) to statement of profit or loss and other comprehensive income	(77)	92	(134)	(119)
At 30 June 2013	2,926	103	209	3,238

15. Provisions

	2013 $'000	2012 $'000
Current		
Employee benefits	766	719
Service Warranties	-	130
	766	849
Non-Current		
Employee benefits	68	64

Movements in Provisions	Employee Benefits $'000	Service Warranties $'000	Total $'000
Balance 1 July 2011	735	130	865
Provisions made during the year	328	-	328
Provisions used during the year	(280)	-	(280)
Balance at 30 June 2012	783	130	913
Provisions made during the year	372	-	372
Provisions used during the year	(321)	- (130)	(451)
Balance at 30 June 2013	834	-	834

(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 2013: $766,000 (2012: $719,000) 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 2013: $350k (2012: $300k)

16. Other Liabilities

	2013 $'000	2012 $'000
Current		
Deferred revenue *	485	794
Deposits in advance	640	920
	1,125	1,714
Non-Current		
Deferred revenue *	972	1,247

* Deferred revenue relates to maintenance contract revenue received in advance.

17. Contributed Equity

	2013 $'000	2012 $'000
Share capital		
36,581,727 ordinary shares fully paid (2012: 32,225,168 ordinary shares fully paid)	30,184	28,790
Other equity securities		
Value of conversion rights (net of tax)	183	183
	30,367	28,973

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	**No. of Shares**	**$000**
Closing balance 30 June 2011	32,225,168	28,790
Share issues 2012	-	-
Closing balance 30 June 2012	32,225,168	28,790
Share issues 2013*	4,356,559	1,394
Closing balance 30 June 2013	36,581,727	30,184

**Issue of shares on 28 June 2013 pursuant to dividend reinvestment scheme at an issue price of $0.32 per share (2012: Nil).*

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.

18. Reserves

	2013 $'000	2012 $'000
Dividend Appropriation Reserve	13,956	-
Movements		
Reserve balance 1 July	-	-
Transfer from retained earnings	15,600	-
Dividend Payment (5.1 cents per share fully franked)	(1,644)	-
Reserve balance 30 June	13,956	-

The dividend appropriation reserve is used to record the retained earnings which can be used for future dividend payments.

19. 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:

	2013 $'000	2012 $'000
Cash and cash equivalents assets – cash at bank and on hand	2,352	1,354
Bank overdraft (note 13)	(1,194)	(1,208)
	1,158	146

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

	2013 $'000	2012 $'000
Profit for the year	368	1,375
Depreciation and amortisation	2,070	2,070
(Gain)/loss on disposal of property, plant and equipment	405	(150)
Movement in impairment of trade receivables	(296)	(70)
Unrealised foreign currency movements	(755)	(688)
Changes in operating assets and liabilities		
(Increase)/decrease in:		
Trade and other receivables	6,423	(2,597)
Inventories *	(2,438)	2,452
Deferred tax assets	336	(523)
Other assets	60	316
Increase/(decrease) in:		
Trade payables, accruals, and other liabilities	521	2,260
Employee benefits	(79)	48
Current tax liabilities	–	(2)
Deferred tax liabilities	(119)	922
Net cash flow from operating activities	6,496	5,413

* Net of transfers to/from property, plant and equipment

20. Earnings Per Share

	2013 cents	2012 cents
Basic earnings per share	1.14	4.27
Diluted earnings per share	1.14	4.27
	$'000	$'000
Earnings used to calculate basic and diluted earnings per share – profit after tax for the year	368	1,375
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	32,260,975	32,225,168
Effect of dilutive securities:		
– Director and employee share options	–	–
Weighted average number of ordinary shares and potential ordinary shares used in calculating diluted earnings per share	32,260,975	32,225,168

21. 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 person also had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, during the financial year:

Name	Position	Employer	Date appointed
P Kapel	Company Secretary and CFO	PTB Group Limited	22 November 2010

Key management personnel compensation

	2013 $	2012 $
Short-term employee benefits	743,990	733,104
Post-employment benefits	75,959	92,441
Other long-term benefits	11,707	11,826
	831,656	837,371

21. 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

There were no options over ordinary shares in the company held during the financial year by Directors of PTB Group Limited and other key management personnel of the Group, including their personally related parties (2012: Nil).

Share holding

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 & DRP)	Balance at the date of appointment / resignation	Balance at the end of the year
	No	No	No	No	No	No
2013						
Directors						
H Parker	296,000	–	–	47,175	–	343,175
CL Baker	1,931,704	–	–	392,501	–	2,324,205
RS Ferris	6,908,054	–	–	825,729	–	7,733,783
APS Kemp	385,163	–	–	208,382	–	593,545
Other key management personnel of the Group						
P Kapel	–	–	–	14,318	–	14,318
2012						
Directors						
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
Other key management personnel of the Group						
P Kapel	–	–	–	–	–	–

21. Key Management Personnel Disclosures (continued)

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 5 March 2016. Interest of 9% (2012: 10%) per annum (fixed) is payable monthly in arrears. The loan is unsecured and has a balance outstanding at 30 June 2013 of $2,600,000 (2012: $3,531,587). This loan is subordinated to the CBA to the extent of $2,600,000.

In March 2013 IAP Group Australia Pty Ltd repaid in full the at call loan facility from Steve Ferris from the proceeds of the early payout of the Indonesian LT HP Receivable (2012: $464,106 at interest rate of 9.5% per annum).

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.

A Director, Mr R S Ferris, is the major shareholder and Chairman of Skyforce Aviation Pty Ltd (Skyforce). During the year ended 30 June 2013 IAP Group Australia Pty (IAP), as the owner of an aircraft under lease to Toll Aviation Pty Limited (Toll), finalised an agreement with Toll and Skyforce in which Skyforce manages the aircraft leased to Toll on behalf of IAP.

During the year ended 30 June 2013 IAP ceased to provide aircraft maintenance services at its Bankstown Airport aircraft hangar and entered in an agreement with Skyforce whereby all IAP Bankstown Aircraft Maintenance employees' employment was transferred to Skyforce. IAP provided aircraft maintenance services to Skyforce and Skyforce provided aircraft maintenance services to IAP during the year ended 30 June 2013.The services provided were invoiced at market rates.

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

	2013 $	2012 $
Amounts recognised as revenue		
Rental Income from Metro Aircraft	224,707	-
Cost of the provision of maintenance services	225,110	57,679
	449,817	57,679
Amounts recognised as expense		
Cost of the provision of maintenance services	40,074	22,667
Interest expense*	344,468	377,089
	384,542	399,756

Aggregate amounts receivable/payable arising from the above types of transactions with key management personnel of the Group:		
– current borrowings	-	1,395,693
– non-current borrowings	2,600,000	2,600,000

* represents interest paid on the two unsecured loans payable by Group companies to R.S Ferris as detailed above.

22. 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.

There were no options granted or exercised during the financial year and no options were outstanding at the current or prior financial year end.

23. Remuneration of Auditors

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

	2013 $	2012 $
Audit Services – Williams Hall Chadwick (2012: Crowe Horwath)		
Audit or review of the financial reports	129,548	156,414
Total remuneration for audit services	129,548	156,414

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

24. Commitments

	2013 $'000	2012 $'000
(a) Finance leases		
Commitments in relation to finance leases are payable as follows:		
- Within one year	148	284
- Later than one year but not later than five years	36	128
- Later than five years	–	–
Minimum lease payments	184	412
Future finance charges		
- Within one year	(10)	(30)
- Later than one year but not later than five years	(2)	(6)
- Later than five years	–	–
	172	376
Representing lease liabilities:		
Current	138	254
Non-current	34	122
	172	376

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:

	2013 $'000	2012 $'000
Within one year	169	146
Later than one year but not later than five years	629	531
Later than five years	172	247
	970	924

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 in place at the reporting date but not recognised as liabilities payable:

	2013 $'000	2012 $'000
Less than one year	341	466
Greater than one year but not later than five years	–	81
	341	547

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

24. Commitments (continued)

(d) Capital commitments

No Capital expenditure contracted for at balance date.

25. 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.

Where derivatives are used they 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-13		30-Jun-12	
	USD	GBP	USD	GBP
	$'000	£'000	$'000	£'000
Cash and cash equivalents	1,651	7	1,338	5
Trade and other receivables	9,506	-	16,977	2
Other assets	35	-	-	-
Trade and other payables	(4,927)	(173)	(2,113)	(167)
Borrowings	(8,945)	-	(11,946)	-
Other liabilities	(100)	-	(548)	-

25. Financial Risk Management and Other Financial Instrument Disclosures (continued)

(a) Market risk (continued)

Group sensitivity

Based on the financial instruments held at 30 June 2013, 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 $335,000 higher/$192,000 lower (2012: $236,000 higher/$289,000 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 $335,000 higher/$192,000 lower (2012: $236,000 higher/$289,000 lower) had the Australian dollar weakened/strengthened by 10% against the US dollar due to the reasons noted above. The Group's natural hedge position at year end is unfavorable in a climate of declining exchange rates as the foreign currency liability exposure is higher than the foreign currency denominated assets. This imbalance has recently occurred due to the payout of two USD denominated long term HP Debtors combined with an increase in USD creditors associated with engine acquisitions as at year end. The Group's exposure to other foreign exchange movements is not material.

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 positively impacted by any weakening 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:

25. Financial Risk Management and Other Financial Instrument Disclosures (continued)

(a) Market risk (continued)

			Fixed Interest Rate Maturing							
	Effective Weighted Average Interest Rate	Floating Interest Rate	1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Non-Interest Bearing	Total
	%	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2013										
Financial assets										
Cash and cash equivalents	0.00%	2,347	–	–	–	–	–	–	5	2,352
Trade and other receivables	–	–	–	–	–	–	–	–	6,133	6,133
Extended credit receivables	13.2%	–	1,885	5,349	–	–	–	–	–	7,234
Total financial assets		2,347	1,885	5,349	–	–	–	–	6,138	15,719
Financial liabilities										
Trade and other payables	–	–	–	–	–	–	–	–	6,179	6,179
Bank overdraft	7.09%	1,194	–	–	–	–	–	–	–	1,194
Bank Loans	7.60%	–	1,231	7,090	1,508	33	–	–	–	9,862
Bills payable	7.39%	1,880	–	2,275	–	–	–	–	–	4,155
Lease liabilities	10.80%	–	138	18	15	1	–	–	–	172
Insurance Loan	4.58%	–	52	–	–	–	–	–	–	52
Related party loans	9.00%	–	–	–	2,600	–	–	–	–	2,600
Total financial liabilities		3,074	1,421	9,383	4,123	34	–	–	6,179	24,214

25. Financial Risk Management and Other Financial Instrument Disclosures (continued)

(a) Market risk (continued)

	Effective Weighted Average Interest Rate	Floating Interest Rate	Fixed Interest Rate Maturing 1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Non-Interest Bearing	Total
	%	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2012										
Financial assets										
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
Total financial assets		1,348	1,445	1,763	9,916	-	-	-	5,620	20,092
Financial liabilities										
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
Total financial liabilities		6,683	6,146	4,890	4,040	306	79	-	4,792	26,936

There are no other interest bearing financial assets and liabilities.

Group sensitivity

As the majority of the interest rates are fixed, at 30 June 2013 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 (2012: 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.

25. 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 2013 the largest 10 debtors comprised approximately 71% (2012: 77%) of total receivables. It should be noted that the largest debtor is an extended credit receivable to a customer in Indonesia which accounts for 44% (2012: 56%) 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 29% (2012: 33%) of total receivables; and
- The receivables are concentrated in six main geographical areas. Refer to note 26 for further information.

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

25. 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	
	2013 $'000	**2012 $'000**
Finance Facilities		
Available facilities		
Bank overdraft	1,542	1,500
Bank loans – chattel mortgage	679	3,629
– other	9,279	7,563
Bills payable – multi option	4,155	5,375
Finance Company Leases & Loans	172	376
Related party facilities	2,600	3,996
	18,427	22,439
Amounts utilised		
Bank overdraft	1,194	1,208
Bank loans – chattel mortgage	679	3,629
– other	9,235	7,560
Bills payable – multi option	4,155	5,375
Finance Company Leases & Loans	172	376
Related party facilities	2,600	3,996
	18,035	22,144
Unused facilities		
Bank overdraft	348	292
Bank loans – other	44	3
	392	295

25. Financial Risk Management and Other Financial Instrument Disclosures (continued)

(c) Liquidity risk (continued)

Maturities of financial liabilities

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

	1 year or less $'000	1 to 2 years $'000	2 to 3 years $'000	3 to 4 years $'000	4 to 5 years $'000	Over 5 years $'000	Total $'000
Group 2013							
Non-derivatives							
Non-interest bearing	6,179	–	–	–	–	–	6,179
Variable rate	1,674	1,400	–	–	–	–	3,074
Fixed rate	1,421	9,383	4,123	34	–	–	14,961
Total financial liabilities	9,274	10,783	4,123	34	–	–	24,214
Group 2012							
Non-derivatives							
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
Total financial liabilities	12,247	5,989	8,315	306	79	–	26,936

Bank overdraft

The bank overdraft facilities 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.

Related party loans

The related party loan is at the interest rate of 9.0% (2012: 9.5% & 10%) per note 21.

Bills payable

The multi-option facility includes variable rate commercial bills of $4,155,000 (2012: $5,375,000) at a weighted average interest rate of 7.39% (2012: 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 from drawdown date. All bills will mature within 15 to 16 months from the year end.

Maturities of financial liabilities

The previous tables analyse the Group'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.

26. 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/PNG/New Zealand, Pacific Islands, 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.

26. Segment Information (continued)

2013	Australia PNG & NZ $'000	Pacific $'000	America North & South $'000	Asia $'000	Africa $'000	Europe $'000	Unallocated $'000	Total $'000
(i) Revenue								
PTB								
Total Segment Revenue	13,755	3,395	2,778	7,556	3	53	–	27,540
Inter-segment Revenue	(7,547)	–	–	–	–	–	–	(7,547)
Revenue from external customers	6,208	3,395	2,778	7,556	3	53	–	19,993
Emerald								
Total Segment Revenue	–	–	–	(456)	141	–	–	(315)
Inter-segment Revenue	–	–	–	–	–	–	–	–
Revenue from external customers	–	–	–	(456)	141	–	–	(315)
IAP								
Total Segment Revenue	3,113	27	2,286	2,328	156	412	–	8,322
Inter-segment Revenue	(296)	–	–	–	–	–	–	(296)
Revenue from external customers	2,817	27	2,286	2,328	156	412	–	8,026
Unallocated								
Total Unallocated Revenue	–	–	–	–	–	–	–	–
Revenue from external customers	9,025	3,422	5,064	9,428	300	465	–	27,704
(ii) Adjusted EBITDA								
PTB	1,138	699	572	1,557	1	11	–	3,978
Emerald	–	–	–	(1,958)	(188)	–	–	(2,146)
IAP	674	6	481	490	33	87	–	1,771
Unallocated	–	–	–	–	–	–	–	–
Adjusted EBITDA	1,812	705	1,053	89	(154)	98	–	3,603

26. Segment Information (continued)

2013	Australia PNG & NZ $'000	Pacific $'000	America North & South $'000	Asia $'000	Africa $'000	Europe $'000	Unallocated $'000	Total $'000
(iii) Segment Disclosure Items								
Depreciation & Amortisation								
PTB	278	62	52	141	-	-	-	533
Emerald	-	-	-	-	-	441	-	441
IAP	1,040	-	-	40	16	-	-	1,096
Total	1,318	62	52	181	16	441	-	2,070
Impairment of Goodwill								
PTB	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-
Impairment of Assets								
PTB	-	-	-	-	-	-	-	-
Emerald	-	-	-	-	-	-	-	-
IAP	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-
Unrealised (Gain)/Loss on Foreign Currency								
PTB	-	77	63	172	-	1	-	313
Emerald	-	-	-	(948)	(91)	-	-	(1,039)
IAP	-	-	(13)	(13)	(1)	(2)	-	(29)
Total	-	77	50	(789)	(92)	(1)	-	(755)

26. Segment Information (continued)

2013	Australia PNG & NZ $'000	Pacific $'000	America North & South $'000	Asia $'000	Africa $'000	Europe $'000	Unallocated $'000	Total $'000
Capital Expenditure								
PTB	553	-	-	-	-	-	-	553
Emerald	-	-	-	-	-	2,297	-	2,297
IAP	414	-	-	-	-	-	-	414
Total	967	-	-	-	-	2,297	-	3,264
Total Segment Assets								
PTB	20,895	1,381	261	1,137	-	-	24,696	48,370
Emerald	192	-	-	6,689	1,498	12,726	(13,532)	7,573
IAP	25,198	-	790	693	1,073	767	(11,164)	17,357
Unallocated	-	-	-	-	-	-	-	-
Total	46,285	1,381	1,051	8,519	2,571	13,493	-	73,300
Total Assets Includes								
Non-current Assets (other than financial assets and deferred tax)								
PTB	8,643	169	-	-	-	-	24,696	33,508
Emerald	2	-	-	5,091	1,498	12,719	(13,532)	5,778
IAP	24,205	-	-	-	-	-	(11,164)	13,041
Total	32,850	169	-	5,091	1,498	12,719	-	52,327
Total Segment Liabilities								
PTB	1,169	544	1,764	2,985	-	2	-	6,464
Emerald	91	-	-	127	294	121	-	633
IAP	1,772	-	36	58	-	147	-	2,013
Total	3,032	544	1,800	3,170	294	270	-	9,110

26. Segment Information (continued)

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

26. Segment Information (continued)

2012	Australia PNG & NZ $'000	Pacific $'000	America North & South $'000	Asia $'000	Africa $'000	Europe $'000	Unallocated $'000	Total $'000
(iii) Segment Disclosure Items								
Depreciation & Amortisation								
PTB	350	51	48	258	–	–	–	707
Emerald	–	–	–	–	72	442	–	514
IAP	576	–	–	273	–	–	–	849
Total	926	51	48	531	72	442	–	2,070
Impairment of Goodwill								
PTB	–	–	–	–	–	–	–	–
Total	–	–	–	–	–	–	–	–
Impairment of Assets								
PTB	–	–	–	–	–	–	–	–
Emerald	–	–	–	–	–	–	–	–
IAP	–	–	–	–	–	–	–	–
Total	–	–	–	–	–	–	–	–
Unrealised (Gain)/Loss on Foreign Currency								
PTB	–	79	–	–	–	–	–	79
Emerald	99	–	–	(880)	(62)	3	–	(840)
IAP	2	1	31	81	17	(59)	–	73
Total	101	80	31	(799)	(45)	(56)	–	(688)

26. Segment Information (continued)

2012	Australia PNG & NZ $'000	Pacific $'000	America North & South $'000	Asia $'000	Africa $'000	Europe $'000	Unallocated $'000	Total $'000
Capital Expenditure								
PTB	380	-	-	-	-	-	-	380
Emerald	-	-	-	-	-	23	-	23
IAP	2,213	-	-	-	-	-	-	2,213
Total	2,593	-	-	-	-	23	-	2,616
Total Segment Assets								
PTB	17,344	342	1,107	1,478	-	-	15,232	35,503
Emerald	257	-	-	13,942	-	13,348	(17,194)	10,353
IAP	24,383	5	349	1,597	1,753	725	1,962	30,774
Unallocated	-	-	-	-	-	-	-	-
Total	41,984	347	1,456	17,017	1,753	14,073	-	76,630
Total assets includes:								
Non-current Assets (other than financial assets and deferred tax)								
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
Total	29,446	-	-	13,510	355	12,726	-	56,037
Total Segment Liabilities								
PTB	1,184	553	2,777	333	-	1	-	4,848
Emerald	4	-	-	934	-	170	-	1,108
IAP	1,900	-	241	280	49	240	-	2,710
Total	3,088	553	3,018	1,547	49	411	-	8,666

26. 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 trading in 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.

	2013 $'000	2012 $'000
Total Segment revenue	35,547	33,705
Intersegment eliminations	(7,843)	(1,430)
Interest revenue	–	–
Total revenue from continuing operations (note 2)	27,704	32,275

The Group is domiciled in Australia. The amount of its revenue from external customers in Australia is $9.025 million (2012: $10.220 million) and the total revenue from external customers in other countries is $18.679 million (2012: $22.055 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 movement and goodwill impairment. Interest income and interest income on long term HP receivables is allocated to segments whereas finance costs and depreciation and amortisation expenses are not allocated to segments.

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

	2013 $'000	2012 $'000
Adjusted EBITDA	3,603	5,363
Unrealised gain/(loss) on foreign Currency	755	688
Goodwill impairment	–	–
Impairment of other assets	–	–
Depreciation and amortisation	(2,070)	(2,070)
Finance Costs	(1,703)	(2,208)
Profit before income tax from continuing operations	585	1,773

26. Segment Information (continued)

(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:

	2013 $'000	2012 $'000
Segment Assets	73,300	76,630
Unallocated:		
Deferred tax assets	1,776	2,112
Total assets as per the statement of financial position	75,076	78,742

The total of non current assets other than financial instruments and deferred tax assets located in Australia is $32.850 million (2012: $29.446 million), and the total of these non current assets located in other countries is $19.477 million (2012: $26.591 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:

	2013 $'000	2012 $'000
Segment Liabilities	9,110	8,666
Unallocated:		
Current tax liabilities	-	-
Deferred tax liabilities	3,238	3,357
Current borrowings	3,091	7,457
Non-current borrowings	14,944	14,687
Total liabilities as per the statement of financial position	30,383	34,167

27. Dividends

Dividends paid during the year

	2013 $'000	2012 $'000
Dividends paid during the year		
Interim dividend for 30 June 2013 of 5.1 cents per share (2012: Nil) fully franked (at 30%) paid on 28 June 2013	1,644	-

Dividends paid in cash or satisfied by the issue of shares under dividend reinvestment scheme during the year were as follows:

Paid in cash	250	-
Satisfied by the issue of shares	1,394	-
	1,644	-

	Consolidated		Parent Entity	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Franking credits				
Franking credits available for subsequent financial years based on a tax rate of 30% (2012: 30%)	11,020	11,724	11,020	11,724

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

- franking credits that will arise from the payment of the amount of the provision for income tax;.
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date; and
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

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

28. Subsidiaries

Name	Country of Incorporation	Equity Holding 2013	Equity Holding 2012
PTB Finance Limited (1)	Australia	100%	100%
PTB Rentals Australia Pty Ltd (1)	Australia	100%	100%
Pacific Turbine, Inc (2)	USA	100%	100%
PTB (Emerald) Pty Ltd (3)	Australia	100%	100%
Aircraft Maintenance Services Ltd (4)	United Kingdom	100%	100%
IAP Group Australia Pty Ltd (5)	Australia	100%	100%
International Air Parts UK Limited (6)	United Kingdom	100%	100%
PTB Emerald Limited (7)	United Kingdom	100%	100%
748 Cargo Pty Ltd (8)	Australia	100%	100%

(1) Incorporated 14 October 2005
(2) Incorporated 29 September 2005
(3) Incorporated 4 October 2006
(4) Incorporated 6 November 2006
(5) Purchased as part of business combination on 21 September 2006.
Aeropelican Air Services disposed 30 September 2008.
(6) Incorporated 18 October 2006
(7) Incorporated 13 October 2006
(8) Incorporated 21 June 2007 (Previously PTB Asset Management Pty Ltd)

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

29. 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 profit or loss and other 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 profit or loss and other comprehensive income and a summary of movements in consolidated retained profits for the year ended 30 June 2013 of the Closed Group:

	2013 $'000	2012 $'000
Revenue	27,704	32,275
Total Revenue	27,704	32,275
Cost of goods sold	(14,079)	(17,712)
Employee benefits expense	(5,469)	(5,390)
Depreciation and amortisation	(2,070)	(2,070)
Repairs and maintenance	(49)	(83)
Bad and doubtful debts	(328)	(282)
Finance costs	(1,703)	(2,208)
Net foreign exchange loss	(617)	163
Net loss on sale of property, plant and equipment	(405)	150
Other expenses	(2,399)	(3,070)
Total expenses	(27,119)	(30,502)
Profit before income tax expense	585	1,773
Income tax expense	(217)	(398)
Profit for the year	368	1,375
Statement of Comprehensive Income		
Profit for the year	368	1,375
Other comprehensive income net of tax	-	-
Total comprehensive income for the year attributable to the owners of the parent entity	368	1,375
Summary of movements in consolidated retained profits		
Retained profits at the beginning of the financial year	15,476	14,101
Transfer to dividend appropriation reserve	(15,600)	-
Profit for the year	368	1,375
Retained profits at the end of the financial year	244	15,476

29. 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 2013 of the Closed Group:

	2013 $'000	2012 $'000
Current Assets		
Cash and cash equivalents	2,352	1,354
Trade and other receivables	6,244	6,627
Inventories	12,180	12,355
Current tax assets	-	-
Other current assets	197	257
Total Current Assets	20,973	20,593
Non-Current Assets		
Trade and other receivables	6,809	11,797
Inventories	9,141	6,072
Other financial assets	265	265
Property, plant and equipment	31,727	33,517
Deferred tax assets	1,776	2,112
Intangible assets	4,334	4,334
Other non-current assets	2	3
Total Non-Current Assets	54,054	58,100
Total Assets	75,027	78,693
Current Liabilities		
Trade and other payables	6,179	4,792
Borrowings	3,091	7,457
Current tax liabilities	-	-
Provisions	766	849
Other current liabilities	1,125	1,714
Total Current Liabilities	11,161	14,812
Non Current Liabilities		
Borrowings	14,944	14,687
Deferred tax liabilities	3,238	3,357
Provisions	68	64
Other non-current liabilities	972	1,247
Total Non-Current Liabilities	19,222	19,355
Total Liabilities	30,383	34,167
Net Assets	44,644	44,526
Equity		
Contributed equity	30,444	29,050
Reserves	13,956	-
Retained earnings	244	15,476
Total Equity	44,644	44,526

30. 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 28.

b) Key management personnel

Disclosures relating to key management personnel are set out in note 21.

c) Other Transactions with Subsidiaries

The following transactions occurred with subsidiaries:

	Parent Entity	
	2013	2012
Parent Entity	$	$
Revenue - sale of engines	-	579,111
Revenue - sale of goods and services	115,011	662,320
Revenue - engine rentals	50,133	131,180
Revenue - dividend	7,382,000	-
Purchase of goods and services	-	200,415
Rent and property related expenses	279,643	265,376

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

d) Outstanding balances of Loans to Subsidiaries

Loans to subsidiaries	24,378,908	19,064,244

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	-	-
Trade payables	-	-

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

31. Parent Entity Financial Information

a) Summary financial information

	2013 $'000	2012 $'000
Statement of Financial Position		
Current assets	14,863	11,352
Total Assets	58,763	49,872
Current liabilities	6,859	5,005
Total Liabilities	12,197	12,128
Shareholder's equity		
Issued Capital	30,444	29,050
Reserves	13,956	-
Retained earnings	2,166	8,694
	46,566	37,744
Profit or loss for the year	9,072	1,380
Total comprehensive income	9,072	1,380

b) Guarantees entered into by the parent entity

Carrying amount included in current liabilities	-	-
	-	-

32. 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.

33. Contingent liabilities

The Group had the following bank guarantees as at 30 June 2013:

Favouree	Bank	Date	2013 $'000	2012 $'000
Brisbane Airport Corporation Limited	CBA	16/05/2013	20	-
Bankstown Airport Limited	CBA	27/03/2007	18	18
			38	18

Directors' Declaration
for the year ended 30 June 2013

The Directors of the Company declare that:

(a) the attached financial statements and notes, as set out on pages 31 to 85 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 2013 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 29 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 29; 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 2013 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 2013

WILLIAMS
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Independent Auditor's Report

To the members of PTB Group Limited

Report on the Financial Statements

We have audited the accompanying financial report of PTB Group Limited, which comprises the consolidated statement of financial position as at 30 June 2013, the consolidated statement of profit or loss and other 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 gives 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 statements comply with International Financial Reporting Standards (IFRS).

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.

Independence

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

Auditor's Opinion

In our opinion:

a. the financial report of PTB Group Limited is in accordance with the Corporations Act 2001, including:

(i) i. giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2013 and of their performance for the year ended on that date; and

(ii) ii. complying with Australian Accounting Standards and the Corporations Regulations 2001; and

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

Remuneration Report

We have audited the Remuneration Report included on pages 15 to 20 of the directors' report for the year ended 30 June 2013. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of PTB Group Limited for the year ended 30 June 2013, complies with section 300A of the *Corporations Act 2001*.

Geoffrey Stephens
Director

Williams Hall Chadwick

Dated this 23rd day of August 2013

The shareholder information set out below was applicable as at 09 September 2013.

(a) Distribution of Shareholders:

Category (size of Holding)	Class of equity security: Ordinary Shares	Options
1 – 1,000	28	–
1,001 – 5,000	136	–
5,001 – 10,000	64	–
10,001 – 100,000	91	–
100,001 and over	38	–
	357	–

(b) The number of ordinary shareholdings held in less than marketable parcels is 44.

(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	7,733,783	21.41
Keybridge Capital	6,749,920	18.45
River Capital	4,548,266	12.43
CL Baker	2,102,704	5.75
SG Smith	1,996,201	5.46
GD Hills	1,909,295	5.22

(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 %
MR ROYSTON STEPHEN FERRIS	7,733,783	21.14%
KEYBRIDGE CAPITAL LIMITED	6,749,920	18.45%
RIVER CAPITAL ALTERNATE FUND MANAGEMENT PTY LTD	4,548,266	12.43%
BAKER SUPERANNUATION PTY LTD	1,783,390	4.88%
MR STEPHEN GARRY SMITH & MRS JUDITH ANN FLINTOFT	1,108,201	3.03%
GRAEME HILLS	957,373	2.62%
MARGARET HILLS	951,922	2.60%
JUDITH FLINTOFT	888,000	2.43%
MILTON YANNIS	879,010	2.40%
ROSS GEORGE YANNIS	724,955	1.98%
ROCKET SCIENCE PTY LTD	695,625	1.90%
MS CECILIA HAMILTON CROAKER	481,621	1.32%
MOAT INVESTMENTS PTY LTD	410,419	1.12%
MR GEORGE YANNIS & MRS THELMA YANNIS	408,479	1.12%
M R & S J GORDON PTY LTD	401,464	1.10%
DAVID FAMILY SUPERANNUATION FUND PTY LTD	390,710	1.07%
HARVEY PARKER	343,175	0.94%
MR RICHARD GRAHAM FARLEY	320,067	0.87%
HUGH JONES	319,988	0.87%
MRS SUSAN DEBORAH MARTIN-BAKER	319,314	0.87%
	30,415,682	83.14%

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 2013

	2013	2012	2011	2010	2009
Revenue ($'000)	27,704	32,275	31,347	27,241	38,526
+-Net profit ($'000)	368	1,375	657	1,647	103
Net Assets ($'000)	44,693	45,575	43,200	42,543	40,010
Cash Flow from Operating Activities ($'000)	6,496	5,413	2,079	4,137	2,110
Ordinary Shares fully paid ('000)	36,582	32,225	32,225	32,225	27,603
Return on average shareholders' funds (%)	0.82	3.13	1.53	3.99	0.25
Share price at year-end ($)	0.40	0.23	0.25	0.17	0.12
NTA backing per Share (Cents)	110	125	121	119	129
Dividend paid (Cents) per share in respect of each financial year	5.1	Nil	Nil	Nil	Nil
Average AUD/USD exchange rate	$1.03	$1.03	$0.99	$0.88	$0.75

Notes:

Notes:

PTB GROUP LIMITED

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