PTB GROUP LIMITED

ANNUAL REPORT

30 June 2014

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
Daniel Zgrajewski

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Solicitors
Talbot Sayer Lawyers
4/293 Queen Street
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
www.pacificturbine.com.au

PTB GROUP LIMITED

ANNUAL REPORT
30 June 2014

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

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

1. Results

Net loss after tax for the Group is $11.137 million in 2014 compared to a profit of $0.368 million in 2013. Loss per share is 30.44 cents (2013: profit per share of 1.14 cents). Net tangible assets per share have reduced to $0.80 (2013: $1.10). The difference in comparative results is mainly due to the write-down of a group of assets in IAP and Emerald as announced on 4 November 2013. Refer commentary below under the heading Write-down of Assets.

The 2014 net profit before tax result (excluding non-cash asset write-downs) is $3.251 million, which is ahead of the $2.444 million achieved by the Group in 2013.

No dividends were paid in the year ended 30 June 2014 (2013: 5.1cents).

2. The 2014 Year in Review

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

	Actual 2014 $'000	Actual 2013 $'000	Actual 2012 $'000	Actual 2011 $'000
PTB Business	3,339	4,099	3,504	3,063
Corporate Overheads	(993)	(1,275)	(1,443)	(1,414)
PTB : Engine Write-down	(100)	-	-	-
PTB : Foreign Exchange (FX)	(17)	(313)	(135)	(19)
IAP Business	575	280	(205)	2,098
IAP : Inventory Write-down	(6,475)	-	-	-
IAP : Aircraft Write-down	(819)	-	-	-
IAP : FX	(132)	52	(43)	30
Emerald Assets	533	(42)	(286)	(53)
Emerald : FX	(54)	(357)	341	(2,670)
Emerald : Inventory Write-down	(741)	-	-	-
Emerald : Aircraft Write-down	(8,370)	-	-	-
Emerald : Impairment of Extended Credit Receivables	(2,653)	-	-	-
Emerald : Discount on asset realisation transactions	-	(1,859)	40	-
(Loss)/Profit before Income Tax Expense	**(15,907)**	**585**	**1,773**	**1,035**
(Loss)/Profit before Income Tax Expense (excluding non-cash asset write-downs)	**3,251**	**2,444**	**1,773**	**1,035**

The above table shows the operational progress continuing to be made across the Group.

The returns for the Emerald Assets business have improved substantially due to a reduction in idle aircraft. During the year, four aircraft were sold, one was broken into parts and one was placed on a five year lease. This leaves just one ATP aircraft idle in England and one ATP being prepared for lease.

The IAP Business has also improved mainly due to greater returns from engine sales. Engine sales will continue to be a focus for the business in 2015.

The PTB Business had another solid year with improved returns from the workshop and parts sales, being offset by reduced engine sales. Returns are expected to increase across all of these areas in 2015.

The write-down of assets was discussed in the half yearly result and is shown separately in the results to highlight the robust position of the core business. The write-down was a result of the decision to focus on extracting value from idle aircraft and engine assets in the short-term rather than trying to extract greater value over a longer period.

Write-down of Assets

On 4 November 2013, PTB Group Ltd announced to the market that it would be carrying out a rationalisation of its operations. This rationalisation included:

- Rationalise/close the Emerald business; and
- Continue the simplification of the IAP business.

This significant change in direction for the business drove a change in the valuation assumptions for a range of Group assets, leading to significant write-downs. As stated above, the main aim of the rationalisation was to extract value from idle aircraft and engine assets in the short-term rather than trying to extract greater returns over the longer term. Linked to this is a reduction in the holding costs of those assets and a simplification of the businesses.

In conjunction with this, the business had also become aware of external factors that necessitated a review of the realisable value of a further group of assets held by the Group. The main issue related to the future support arrangements for Rolls Royce Dart engines.

The net result was a $19.789 million write-down in the value of Group assets. This write-down was made up of:

- Aircraft and engine asset impairments $9.289 million;
- Aircraft and engine parts inventory write-downs $7.216 million;
- Provision for write-down of extended credit receivables $3.284 million.

The issues created by the Global Financial Crisis (GFC) have required significant senior management focus, and costs to manage, and we are confident any remaining issues are minor.

To commence growing shareholder value, the business focus is as follows:

- Managing cash flow to pay down debt, build working capital and provide cash to pay dividends;
- PTB (Brisbane) business – recurring earnings and cash generation ;
- IAP business – improved returns and cash generation;
- Emerald business – cash generation, pay down of debt and asset utilisation.

Managing cash flow to pay down debt, build working capital and provide cash to pay dividends

The Group has paid down $1.574 million of debt in the 2014 financial year (2013: $4.1 million). The Group will continue to pay down debt to reduce its exposure.

PTB's working capital position continues to strengthen and has enabled the ramp up of PT6 production with an increase in WIP and overhauled engines in stock. This provides opportunities for additional sales outside of the engine management programs with higher returns and favourable cash flow outcomes.

Emerald has an aggressive loan repayment program with improved asset utilisation and reduced ongoing costs generating the cash to repay loans in under 4 years.

The Company is now in a position to focus on generating cash to pay regular cash dividends into the future. The Company has $11.020 million of franking credits and is reviewing how best to utilise franking credits for the benefit of shareholders.

PTB (Brisbane) business

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 the business to maintain profitability in line with the declining operator base.

The small PT6A engine is the cornerstone of the PTB engine business and will remain so into the future. Over time we expect to become a major player in this global market. Our PT6A engine overhaul shop is geared to produce engines for our contract customers and as our contract customer base grows the shop is not expected to meet all of this demand. The key to success in the PT6A small engine business is to have small highly skilled shops with minimal overheads.

The PT6A contribution has grown at an average of $1m per year for the last two years. The bigger Pratt & Whitney approved shops have difficulty making a return in the small PT6A space as there is insufficient margin to cover their overhead costs and this continues to provide opportunities for the smaller shops.

Our focus on the PT6A small engine means we continue to build knowledge in repairs and procurement that enables the business to reduce the cost of rebuilding and maintaining the engine.

With the established production plan that our contract customers provide, the business can extract maximum value from any opportunist bulk parts buy or engine opportunities that may arise. There continues to be excellent growth opportunities for the PT6A Brisbane shop and we continue to invest in plant, people and processes that improve efficiencies and profitability.

In addition to this, the Group is investigating the viability of purchasing an offshore PT6A engine overhaul business, preferably in the USA. This will allow the business to access profits from the significant level of work we subcontract offshore, the overflow from the workshop and to grow our engine contract business in new markets. This would produce a further advantage, in that the PTB business would not need to invest in a test cell or EASA and FAA approvals.

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

The business model has been built around managing the life cycle of our customers' engines and providing shared benefits across the life of those engines. These programs could be expanded if the Company had the ability to finance and lease aircraft powered by small PT6A engines. This would enable PTB Brisbane to access the profit opportunities in the engine and airframe parts, as well as a net return from financing. The key is low cost finance and we continue to investigate possible funding opportunities.

IAP Business

IAP continues to improve the core trading activities with a view to generating acceptable returns without a reliance on one-off trading opportunities.

The newly formed engine division has performed well this year and should show a continued improvement in 2015. The division has mainly focused on Rolls Royce engines and will continue to do so in the coming year. With Rolls Royce discontinuing its Dart support, IAP expects a short-term uplift as Dart powered aircraft operators decide on whether it is economically viable to repair or overhaul. The knowledge in the engine division enables them to work across a number of turbine engine types and this knowledge will be valuable in evaluating future engine and product line opportunities.

The Airframe division has focused on Fokker and British Aerospace airframes. It also has a major role in supporting the lease customers of Emerald and IAP. The airframe segment is not expected to grow in future years and will continue a structured sell down of its assets, while maintaining an appropriate level of stock to support lease customers.

Rental returns were impacted by the bankruptcy of a key leasing customer. A new lease customer has been identified and deployment of these aircraft is planned early in the 2015 financial year. Overall, rental assets, mainly BAe Jetstreams and Fairchild Metro aircraft, have not performed as well as hoped in the past year. The market is changing and management is looking at strategies to manage these changes. One option that is being investigated is the sale of aircraft to current customers.

Emerald Business

The 2014 year saw significant rationalisation of Emerald's aircraft portfolio. As reported in the 2014 Half Year results, a significant write-down of the Emerald assets occurred. This enabled the Company to reduce costs and focus its efforts on the profitable elements of this portfolio.

One ATP was sold during 2014 and another purchased. The idle HS748's in the portfolio, which had become difficult to sell or lease due to the loss of support from the engine manufacturer, have all been sold or written-off.

Emerald now only has one idle aircraft, an ATP in England, and depending upon commercial opportunities within 2015; this will either be reduced to spares to support the remaining fleet, or converted to a freighter and placed out on lease. By the end of 2015, Emerald should have a fully operational portfolio of ATP aircraft.

Our Indonesian customer owns an ATP freighter for which we provide contract engine and component maintenance in conjunction with the service provided for the leased ATP's. We have a long-term relationship with this customer, which IAP's management has built over time.

Emerald will continue to make a significant EBITDA contribution and is focused on paying down debt.

3. Commentary on Operations during the Year

A summary of operational results (excluding tax, FX and non-cash asset write-downs) for each business is included below:

	Actual 2014 $'000	Actual 2013 $'000	Actual 2012 $'000	Actual 2011 $'000
PTB Business	3,339	4,099	3,504	3,063
IAP Business	575	280	(205)	2,098
Emerald Assets	533	(42)	(286)	(53)
Corporate Overheads	(993)	(1,275)	(1,443)	(1,414)
Operational results (excluding non-cash asset write-downs and FX)	**3,454**	**3,062**	**1,570**	**3,694**

PTB Business Performance

The PTB Business generated an operational profit of $3.339 million. While this result was lower than the 2013 result and behind budget by $0.255 million, it is underwritten by improved results in the strategically important Workshops and Contract Parts Sales areas. Reduced returns from engine sales was the main cause of the below budget result for the year.

The business has focused its efforts during the year on building up its PT6 Workshop capacity. This allows it to supply a greater proportion of the engines and related services required to satisfy the demand of the contracted customers directly. This has included an investment in facilities as well as a significant increase in stock levels. This will also provide additional engine sales opportunities into the future as a stock of overhauled engines is made available.

Contract Parts Sales have also increased due to the addition of new customers on engine management programs. The Contract Parts Sales area is currently focusing on improving sales of non-contract parts to contract customers.

Engine sales have reduced over the last few years as traditional customers have been signed up to engine management contracts. However, the ongoing increases in our stocks of available serviceable engines and improvements in the marketing of those engines is leading to an increase in opportunities that is expected to drive improved results in the new financial year.

Engine rental income for the year was steady. There are opportunities in this area into the future, depending on the availability of capital to purchase additional engines for lease. There may also be opportunities for the rental or leasing of engines from stock where a surplus becomes available.

IAP Business performance

The IAP Business' operational profit (excluding tax, non-cash asset write-downs and FX) of $0.575 million was behind budget by $0.305 million but ahead of last year's result by $0.295 million.

IAP has continued to work on improving its core businesses, enabling them to generate suitable returns and good cash flows, while reducing the business' traditional reliance on one-off trading deals.

The Engine Sales section has provided excellent returns, delivering $1.856 million in gross margin, which was $1.373 million ahead of the prior year and well ahead of budget. This recently formed area has focused mainly on Rolls Royce engines and will continue to do so in 2015. Further growth in Engine Sales will be encouraged in future years as the traditional Airframe Parts Sales and Aircraft Rental sections are focussed on extracting cash returns from remaining stock and supporting existing lease customers.

Returns from Airframe Parts Sales were down compared to budget and prior year results. This business is focused on sales of parts for Fokker and British Aerospace airframes and while the section did not provide the budgeted level of returns, it did provide a significant flow of cash to assist with the pay down of debt for IAP. In the 2015 year, this business will continue to be focused on selling down the current inventory while continuing to support IAP and Emerald's leased aircraft.

Aircraft Rental margins and cash flows were significantly impacted by the bankruptcy of a key lease customer in the first half of the year. While the aircraft were returned promptly and initial losses were mostly offset by deposits held, the costs of returning the aircraft to serviceable condition and the ongoing loss of revenue from the aircraft being idle had a significant impact on the full year results for IAP. The business is currently working with a new lease customer and these aircraft are expected to return to service early in the new financial year.

At this point, the Group does not see the Aircraft Rental section as a growth area. This section will be focused on extracting the maximum cash returns for the business and this is expected to involve the sale of aircraft as opportunities arise.

Emerald Assets

The Emerald 2014 operating result (excluding tax, non-cash asset write-downs and FX) was a profit of $0.533 million (2013: 0.042 million loss). This improved result was driven by a rationalisation of the fleet of aircraft and a reduction in ongoing costs for idle aircraft.

Movements in aircraft during the year were:

- One previously leased ATP was sold to the lessee;
- One ATP was supplied on a long-term lease;
- One ATP was purchased and is currently being prepared for a long-term lease;
- One ATP was broken down into parts to support the leased aircraft;
- Three HS748 aircraft were sold.

This leaves the business with one idle ATP stored in England. A decision is expected to be made regarding the future of this aircraft during 2015. This aircraft could either be reduced to parts to support the other leased aircraft or be modified and prepared for lease.

While the Emerald Assets business is only forecasting a modest profit for 2015, it will provide significant cash and will continue to pay down debt. As this debt reduces and new aircraft come online, profitability and cash flows will improve and the business will provide a sound flow of cash for the Group.

Corporate Overheads

The Group's corporate overheads were $0.993 million (2013: $1.275 million), which was 8 per cent below budget. The main driver of the lower costs was a reduction in staff due to the combining of the CFO and Finance Manager (PTB) roles.

4. Debt and Equity Finance

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

A large proportion of the Group's funding arrangements through the CBA mature and will need to be refinanced during the 2015 financial year. This provides the business with an excellent opportunity to review all of its current financing arrangements and to determine the best possible structures to fund the business into the future.

As a result of these facilities maturing in the 2015 year, a large portion of the Group's borrowings have been classified as current in the Statement of Financial Position. These are expected to revert to non-current borrowings following the refinancing in 2015.

5. Statement of Financial Position and Net Assets

The net asset position as at 30 June 2014 has reduced to $33.556 million (2013: $44.693 million). Included in net assets are:

- Emerald assets: These are predominantly aircraft assets of $6.563 million (2013: $13.742 million) and extended credit receivables of $2.479 million (2013: $7.234 million), being hire purchase arrangements for aircraft;
- IAP Assets: Land and buildings $6.618 million (2013: $6.721 million), aircraft fixed assets $6.946 million (2013: $8.084 million), other fixed assets $0.311 million (2013: $0.324 million), and spare parts inventory of $5.281 million (2013: $11.181 million);
- PTB Assets: Comprises plant & equipment of $3.668 million (2012: $3.943 million), engines and spare parts inventory of $12.422 million (2012: $9.325 million).

There is also a significant future tax asset balance related to carry forward tax losses for the Group.

These assets are offset by borrowings, including bank overdrafts, of $16.6 million (2013: $18 million).

6. Cash Flows

There was a net reduction in cash during 2014 of $1.398 million, compared to an increase of $1.012 million in 2013. The following table outlines the broad sources and applications of cash by the Group:

Cash Flow Summary 2014 Financial Year

	Group
	$'000
Trading cash flows	4,870
Net increase in PTB Business stock	(3,097)
Cash from payout of Extended Credit Receivable	1,620
Net spend on assets	(3,039)
Net loan repayments (excluding bank overdrafts)	(1,574)
Other net movements	(178)
Net Movements in Cash	**(1,398)**

Trading cash flows of $4.870 million (2013: $4.518 million) is calculated as net profit before tax, less depreciation and impairments/write-downs. The business will continue to focus on improving cash generated from operating activities with a view to using these funds to pay dividends and reduce debt. The Emerald Assets Business in particular is now in a much better position to contribute to cash flows due to the rationalisation of aircraft.

The PTB Business has been focusing on building capacity and improving the throughput of the PT6 workshop. This has included investments in tooling and facilities plus a significant increase in the stocks of spare parts, core engines and serviceable/overhauled engines. PTB inventories at 30 June 2014 included $1.703 million of serviceable engines and power sections. These are available for sale or to service the needs of contract customers.

During the year the Group received USD1.500 million cash related to the sale of a leased asset to its Indonesian customer. This cash is being used to supply a further aircraft to the customer on a long term lease.

The Group has invested $3.039 million during the year on assets. This included preparing various aircraft for lease, overhauling of rental engines and investments in tools and facilities.

The Group has continued to pay down loans during the year with all repayment and covenant requirements having been met. This will continue to be a focus for the Group as improvements in cash generation from each business flow through.

7. 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 six years and we are confident any future issues relating to the GFC will be minor.

For the next 12 months we will be focused on:

- Managing cash flow to pay down debt and build working capital in each business;
- Managing cash flow to commence paying regular cash dividends;
- Building IAP engine sales business and, along with airframe sales, increase profitability in order to reduce reliance on one-off trading;
- Continue building the PT6A repair and overhaul capability;
- Investigate the opportunities created through a USA PT6A facility;
- Deploying under-utilised aircraft through sale or lease;
- Continuing to travel the globe to unearth possible purchase opportunities in the Group's core product lines and possible one-off trading opportunities;
- Developing new (or renewing) engine care and maintenance contracts;
- Continuing the focus on turning inventory into cash.

The Group is confident this focus will continue to building a strong foundation for improved operational performance, profitability and increasing shareholder value.

Harvey Parker
Chairman

Craig Baker
Managing Director

Directors' Report

for the year ended 30 June 2014

Your Directors present the financial report of PTB Group Limited and its controlled entities ("the Group") for the year ended 30 June 2014.

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 22 per cent of the expanded Group.

In October 2006 the Company announced it had acquired the aircraft and associated parts of the UK companies, Emerald Airways Ltd and Emerald Airways Engineering Ltd, for approximately $16.25 million.

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

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

A brief summary of the years ended June 2008 to June 2013 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; and, 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 leading to a profit on settlement of approximately $3.6 million;

- MD 90 project in Indonesia (purchase of aircraft for part-out and sale) was settled, financed on a profit share basis by an international aviation group;

- One of the Metro aircraft leased into South Korea; fourth J32 aircraft deployed with NSW RPT operator;

- PTB engine maintenance contracts expanded; and

- Continued strengthening of Australian dollar.

FY 2011:

- Substantial increase in operating performance of PTB Division;

- Good IAP Division result with one-off trading events contributing strongly;

- Debt of $4.5 million paid down; and

- Refinanced $4.6 million of Note finance by $4 million CBA Bank facility.

FY 2012:

- Good operational progress made with the PTB Business and progress made in refocussing the IAP Business;

- Cash flow from operations up to $5.4 million; and

- $3.5 million of debt paid down and $8.4 million of debt converted to USD to better match with USD receivables.

FY 2013:

- PTB Business signed a 5 year extension to the engine maintenance contract with its largest customer;

- Improved operating results from core businesses across the Group;

- Sale of ATP aircraft to existing customer. Accounting loss offset by cash benefit;

- $4.1 million of debt paid down; and

- Fully franked 5.1 cent per share dividend paid.

A detailed discussion and analysis of the 2014 year's performance has been provided in the Chairman and Managing Director's Review included in this annual report.

Operating Results

The consolidated loss for the financial year after providing for income tax was $11.137 million (2013: profit $0.368 million). Operating loss before tax for the year was $15.907 million (2013: profit $0.585 million).

Financial Position

The net assets of the Group are $33.556 million as at 30 June 2014 (2013: $44.693 million).

Dividends

No dividend has been declared or paid for the 30 June 2014 financial year (2013: 5.1 cents per share).

Franking Credits

Franking credits available for subsequent financial years based on a tax rate of 30 per cent are $11.020 million (2013: $11.020 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

Small operators in the global aviation industry continue to experience difficult trading conditions with lower passenger and freight demand, and a shortage of available funding. Increased regulation within the industry has also had a notable impact on small operators. This has provided both challenges and opportunities to the Group.

In response to this, the Group has focused on improving the profitability of its core businesses through rationalising underperforming assets and building on existing long-term, mutually beneficial relationships with customers.

The Group 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 Airports in Australia. It is required to meet Brisbane Airport Corporation environment regulations and 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 Director and Chairman of Jumbuck Entertainment Limited (since February 2009) and was formerly Chairman of Australian Natural Proteins Ltd (resigned October 2013), Chairman of DWS Limited (resigned February 2014) and 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 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 the Chief Financial Officer and Company Secretary up until 27 November 2013.

Daniel Zgrajewski was appointed as the Chief Financial Officer and Company Secretary effective from 27 November 2013. Daniel holds a Bachelor of Business from Queensland University of Technology and is a Certified Practicing Accountant.

Daniel has over 20 years' experience in finance and has worked in a number of roles in commercialised segments of Brisbane City Council. These roles included Commercial Accountant for Brisbane CityWorks and Principal Financial Accountant for Brisbane Water.

Audit & Risk Management Committee Chairman

Russell Cole B.Com, FCA is the independent Chairman of the Audit and Risk Management Committee. 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 Key management personnel
B Principles used to determine the nature and amount of remuneration
C Details of remuneration
D Service contracts
E Share-based payment compensation
F Additional information

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

A. Key management personnel

The directors and other key management personnel of the consolidated entity during or since the end of the financial year were:

Non-executive directors

Mr H Parker	Chairman, Non-executive director
Mr A P S Kemp	Non-executive director

Executive officers

Mr C L Baker	Executive Director
Mr R S Ferris	Executive Director
Mr P Kapel	Company Secretary and CFO 1/7/13 to 27/11/13
Mr D Zgrajewski	Company Secretary and CFO 27/11/13 to current

Except as noted, the named persons held their current position for the whole of the financial year and since the end of the financial year.

B. 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 C. Details of Remuneration", no short term incentives were paid to Executive Directors during the financial year (2013: 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 E Share-Based Payment Compensation" no options were issued under the scheme during the year (2013: 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

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

	Short - term benefits			Post - employment	Other		Share-based payment	Total
	Cash salary and fees $	Cash bonus $	Non-monetary benefits $	Super-annuation $	Long-term benefits* $	Termination Benefits $	Options $	$
2014 Year Directors								
H Parker (Non-Executive Director)	30,000	-	-	3,000	-	-	-	33,000
CL Baker (Managing Director - Group)	236,414	-	-	35,000	4,279	-	-	275,693
RS Ferris (Managing Director - IAP)	266,700	-	-	23,761	4,268	-	-	294,729
APS Kemp (Non-Executive Director)	21,800	-	-	-	-	-	-	21,800
Total Directors	554,914	-	-	61,761	8,547	-	-	625,222
Other Key Management Personnel								
P Kapel (Company Secretary and CFO - 1/07/13 to 27/11/13)	81,394	-	-	10,417	1,318	99,404	-	192,533
D Zgrajewski (Company Secretary and CFO – 27/11/13 to 30/06/14)	107,085	-	-	9,876	-	-	-	116,961
Other Key Management Personnel	188,479	-	-	20,293	1,318	99,404	-	309,494
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

** 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. 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.

D. Service Contracts

Major provisions of service agreements with Executive Directors and other key management personnel as at 30 June 2014 are set out below:

C L Baker (Managing Director – Group)

- *Term of agreement – 19 December 2013 to 31 December 2015;*
- *Base annual salary – $310,000 excluding superannuation effective from 1 July 2014 and $319,300 excluding superannuation effective from 1 January 2015; and*
- *Notice period – Termination by three months' notice in writing by either party other than for gross misconduct.*

R S Ferris (Managing Director – IAP)

- *Term of agreement – 19 December 2013 to 31 December 2015;*
- *Base annual salary – $310,000 excluding superannuation effective from 1 July 2014 and $319,300 excluding superannuation effective from 1 January 2015; and*
- *Notice period – Termination by three months' notice in writing by either party other than for gross misconduct.*

D Zgrajewski (Company Secretary and Chief Financial Officer)

- *Term of agreement – Three years commencing 22 November 2013;*
- *Base annual salary – $175,000 excluding superannuation; 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.

E. Share-based Payment Compensation

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

F. Additional Information

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.

	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 date of appointment / resignation	Balance at the end of the year
	Number	Number	Number	Number	Number	Number
2014 Directors						
H Parker	343,175	-	-	-	-	343,175
CL Baker	2,324,205	-	-	32,300	-	2,356,505
RS Ferris	7,733,783	-	-	-	-	7,733,783
APS Kemp	593,545	-	-	56,090	-	649,635
Other Key management personnel of the Group						
P Kapel	14,318	-	-	10,000	24,318	*N/A*
D Zgrajewski	-	-	-	-	-	-
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*

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 and/or their related parties

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% (2013: 9%) per annum (fixed) is payable monthly in arrears. The loan is unsecured and has a balance outstanding at 30 June 2014 of $2,600,000 (2013: $2,600,000). This loan is subordinated to the CBA to the extent of $2,600,000.

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 of Skyforce Aviation Pty Ltd (Skyforce). Mr. R S Ferris is not a Director or employee of Skyforce and did not receive any remuneration from Skyforce during the year (2013: Nil).

IAP Group Australia Pty (IAP), as the owner of an aircraft that was under lease to Toll Aviation Pty Limited (Toll), had an agreement with Toll and Skyforce, in which Skyforce managed an aircraft leased to Toll on behalf of IAP. Toll ceased leasing this aircraft in March 2014.

During 2014 IAP sold parts and provided aircraft maintenance services to Skyforce and Skyforce provided aircraft maintenance services to IAP. The parts sold and 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:

	2014 $'000	2013 $'000
Amounts invoiced by IAP to Skyforce		
Rental Income for Aircraft	130,581	224,707
Sale of parts to Skyforce	139,096	-
Provision of aircraft maintenance services to Skyforce	85,743	225,110
	355,420	449,817
Amounts invoiced by Skyforce to IAP		
Provision of aircraft maintenance services to IAP	247,411	40,074
Interest paid on Director's loan	236,705	344,468

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

– current borrowings	-	-
– non-current borrowings	2,600,000	2,600,000

There were no other transactions conducted between the Group and KMP or their related parties, other than those disclosed above relating to equity, compensation and loans, that were conducted other than in accordance with normal employee, customer or supplier relationships on terms no more favourable than those expected under arm's length dealings with unrelated persons.

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 2014 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 2014. 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	12	10
CL Baker	12	12
APS Kemp	12	12
RS Ferris	12	12
Remuneration Committee		
H Parker	1	1
APS Kemp	1	1
Audit and Risk Management Committee		
H Parker	4	3
APS Kemp	4	4

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 (2013: Nil).

The lead auditor's independence declaration is set out on page 19 and forms part of the Directors' Report for the year ended 30 June 2014.

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
22 August 2014

WILLIAMS
HALL CHADWICK
CHARTERED ACCOUNTANTS & BUSINESS ADVISORS

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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 2014 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 22nd day of August 2014

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.

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.

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 judgement 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. It is considered that an informal annual evaluation of the performance of the Board, its committees and the Directors by the Chairman is appropriate given the size and complexity of the business. PTB Group complies with the Guidelines in these areas.

Principle 3 – Promote ethical and responsible decision making

Recommendation 3.1

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

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

Senior management immediately investigates possible failures to comply with the principles of ethical and responsible conduct, employing the use of third party expertise where necessary. The appropriate level of disciplinary action is applied where departures from these principles are confirmed. The Charter is available on the Company's website. PTB Group complies with the Guidelines in these areas.

Recommendation 3.2, 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 26 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.

Consolidated Statement Of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2014

	Note	2014 $'000	2013 $'000
Revenue	2	34,732	27,704
Total Revenue		34,732	27,704
Cost of goods sold		(18,512)	(14,079)
Employee benefits expense		(5,858)	(5,469)
Depreciation and amortisation		(1,619)	(2,070)
Repairs and maintenance		(76)	(49)
Bad and doubtful debts		(227)	(328)
Finance costs		(1,540)	(1,703)
Net foreign exchange gain/(loss)		(203)	(617)
Net gain/(loss) on sale of property, plant and equipment		(2)	(405)
Impairment of aircraft		(9,289)	-
Impairment of extended credit receivables		(2,653)	-
Impairment of inventory		(7,216)	-
Other expenses		(3,444)	(2,399)
Total expenses		(50,639)	(27,119)
(Loss)/Profit before income tax expense	3	(15,907)	585
Income tax benefit/(expense)	4	4,770	(217)
(Loss)/Profit for the year attributable to the owners of the parent entity		(11,137)	368
Other comprehensive income net of tax		-	-
Total comprehensive (loss)/income for the year attributable to the owners of the parent entity		(11,137)	368

		Cents	Cents
Basic earnings per share	21	(30.44)	1.14
Diluted earnings per share	21	(30.44)	1.14

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 2014

	Note	2014 $'000	2013 $'000
Current Assets			
Cash and cash equivalents	20(a)	1,142	2,352
Trade and other receivables	5	6,242	6,244
Inventories	6	18,817	12,180
Other current assets	8	230	197
Total Current Assets		26,431	20,973
Non-Current Assets			
Trade and other receivables	5	2,027	7,123
Inventories	6	-	9,141
Property, plant and equipment	9	22,992	31,727
Deferred tax assets	10	5,866	1,776
Intangible assets	11	4,334	4,334
Other non-current assets	8	-	2
Total Non-Current Assets		35,219	54,103
Total Assets		61,650	75,076
Current Liabilities			
Trade and other payables	12	5,408	6,179
Borrowings	13	12,364	3,091
Derivative financial instruments	14	55	-
Current tax liabilities	7	-	-
Provisions	16	821	766
Other current liabilities	17	1,573	1,125
Total Current Liabilities		20,221	11,161
Non-Current Liabilities			
Borrowings	13	4,284	14,944
Deferred tax liabilities	15	2,558	3,238
Provisions	16	100	68
Other non-current liabilities	17	931	972
Total Non-Current Liabilities		7,873	19,222
Total Liabilities		28,094	30,383
Net Assets		33,556	44,693
Equity			
Issued Capital	18	30,367	30,367
Reserves	19	13,956	13,956
Retained earnings		(10,767)	370
Total Equity		33,556	44,693

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 2014

	Note	Issued Capital			Reserves		
		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 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	18	1,394	–	1,394	–	–	1,394
Transfer to reserves	19	–	–	–	15,600	(15,600)	–
Dividend recognised for the year	19	–	–	–	(1,644)	–	(1,644)
Balance at 30 June 2013		30,184	183	30,367	13,956	370	44,693
Balance at 1 July 2013		30,184	183	30,367	13,956	370	44,693
Total comprehensive income:							
Loss for the year		–	–	–	–	(11,137)	(11,137)
Other comprehensive income		–	–	–	–	–	–
Total comprehensive income for the year		–	–	–	–	(11,137)	(11,137)
Transactions with owners in their capacity as owners and other transfers							
Contributions of equity net of transaction cost	18	–	–	–	–	–	–
Transfer to reserves	19	–	–	–	–	–	–
Dividend recognised for the year	19	–	–	–	–	–	–
Balance at 30 June 2014		30,184	183	30,367	13,956	(10,767)	33,556

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 2014

	Note	2014 $'000	2013 $'000
Cash Flow From Operating Activities			
Cash receipts from customers		38,741	31,349
Cash payments to suppliers and employees		(34,862)	(24,756)
Interest received		876	1,606
Finance costs		(1,540)	(1,703)
Income tax (paid)/ refund		-	-
Net cash provided by operating activities	20(b)	3,215	6,496
Cash Flow From Investing Activities			
Payments for property, plant and equipment		(3,039)	(3,264)
Proceeds on disposal of property, plant and equipment		-	2,124
Net cash (used in)/ provided by investing activities		(3,039)	(1,140)
Cash Flow From Financing Activities			
Proceeds from borrowings raised		479	2,473
Repayment of borrowings		(1,915)	(6,365)
Repayment of lease liabilities		(138)	(202)
Payment of dividend		-	(250)
Net cash used in financing activities		(1,574)	(4,344)
Net increase/(decrease) in cash and cash equivalents held		(1,398)	1,012
Cash and cash equivalents at the beginning of the year		1,158	146
Cash and cash equivalents at the end of the year	20(a)	(240)	1,158

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

These general purpose financial statements have been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. This Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

Except for cash flow information, the financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The Report was authorised by the Board of Directors for issue on 22 August 2014.

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(ad).

(b) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of PTB Group Limited ("company" or "parent entity") as at 30 June 2014 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. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. For details of the subsidiaries refer note 29.

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.

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 the 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 dispatched;
- Revenue from repairs is recognised at the time the service is performed;
- Revenue from sale of goods and provision of services under maintenance contracts is recognised in accordance with the stage of completion method unless the outcome of the contract cannot be reliably estimated. When the outcome of the contract cannot be reliably estimated, contract costs are recognised as an expense as incurred, and where it is probable that costs will be recovered, revenue is recognised to the extent of costs incurred;
- Interest on extended credit receivables (under hire purchase agreements) is recognised progressively by the Group over the hire purchase term to achieve a constant periodic rate of return on the carrying amount of the receivable (being the Group's net investment in the hire purchase arrangement);
- Rental income is recognised on a basis representative of the time pattern in which the benefit of use derived from the asset is diminished. For engines rental, income is recognised based on an hourly rate and hours of usage. For aircraft rental, income is recognised on a straight-line basis over the lease term;

(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 other 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.

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

1. Summary of Significant Accounting Policies (continued)

(l) Trade and other receivables (continued)

difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the provision is recognised in the statement of profit or loss and other comprehensive income. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

(m) Inventories

Raw materials, work in progress, and finished goods

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

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

(n) Other financial assets

The Group classifies its financial assets in the following categories: financial assets at fair value through the 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 profit and loss, held-to-maturity investments or available-for-sale financial assets.

Loans and receivables

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

(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 cash flow 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. 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 de-recognised. 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 the 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 27).

Computer software

Costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised include external direct costs of materials and service, direct payroll and payroll related costs of employees' time spent on the project. Computer software has a finite life and is carried at cost less any accumulated amortisation and any impairment losses. Computer software is amortised on a straight-line basis over its estimated useful life. The line item in the statement of profit or loss and other 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) Derivatives and hedging activities

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

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

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

The fair values of various derivative financial instruments used for hedging purposes are disclosed in note 14. Movements in the hedging reserve in shareholders' equity are shown in note 18. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months. If the remaining maturity of the hedged item is less than 12 months it is classified as a current asset or liability. Trading derivatives are classified as a current asset or liability.

Fair value hedge

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

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

Cash flow hedge

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

Amounts accumulated in equity are recycled in the statement of profit or loss and other comprehensive income in the periods when the hedged item affects profit or loss. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the statement of profit or loss and other comprehensive income within 'finance costs'. The gain or loss relating to the effective portion of forward foreign exchange contracts hedging export sales is recognised in the statement of profit or loss and other comprehensive income within 'sales'.

However when the forecast transaction that is hedged results in the recognition of a non-financial asset the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in the statement of profit or loss and other comprehensive income as costs of goods sold in the case of inventory, or as depreciation in the case of property, plant and equipment.

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

Net investment hedges

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

Derivatives that do not qualify for hedge accounting

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

1. Summary of Significant Accounting Policies (continued)

(v) Employee benefits

Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in the employee benefits provision in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

Long service leave

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

Superannuation

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

Termination benefits

When applicable, the Group recognises a liability and expense for termination benefits at the earlier of; (a) the date when the Group can no longer withdraw the offer for termination benefits; and (b) when the Group recognises costs for restructuring pursuant to AASB137: Provisions, Contingent Liabilities and Contingent Assets and the costs include termination benefits. In either case, unless the number of employees affected is known, the obligation for termination benefits is measured on the basis of the number of employees expected to be affected. Termination benefits that are expected to be settled wholly before 12 months after the annual reporting period in which the benefits are recognised at the (undiscounted) amounts expected to be paid. All other termination benefits are accounted for on the same basis as other long term employee benefits.

Share-based payments

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

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

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

(w) Provisions

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

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

(x) Contributed equity

Ordinary shares are classified as equity.

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

(y) Dividends

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

(z) Earnings per share

Basic earnings per share

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

Diluted earnings per share

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

(aa) Goods and services tax

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

- Where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense;
- For receivables and payables which are recognised inclusive of GST. The net amounts of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables; or
- Cash flows are presented on a gross basis and the GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(ab) Rounding of amounts

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

(ac) General

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

22 Orient Avenue
Pinkenba QLD 4007

(ad) Critical accounting estimates and judgements

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

Impairment

The Group tests 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)

(ae) Fair value of assets and liabilities

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible the use of the observable market data.

To the extent possible, the market information is extracted from either the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participants ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instrument, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

(af) New accounting standards and interpretations

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2013. The following standards have been identified as those which impact the entity in the current reporting period. There is no significant impact to the group on adoption of these standards.

(i) AASB 10 Consolidated Financial Statements – AASB 10 includes a new definition of control, including additional guidance for specific situations such as control in a principal / agent situation and when holding less than majority voting rights may give control. AASB 10 supersedes the previous requirements of AASB 127 Consolidated and Separate Financial Statements and Interpretation 112 Consolidation - Special Purpose Entities and resulted in consequential amendments to a number of other standards. The Group has reviewed its investment in other entities to determine whether any changes were required to the consolidated entity under AASB 10. The composition of the consolidated entity is the same under AASB 10 and therefore there is no change to the reported financial position and performance.

(ii) AASB 12 Disclosure of Interests in Other Entities. AASB 12 sets out the required disclosures for entities reporting under AASB 10 and AASB 11 and replaces the disclosure requirements currently found in AASB 127, AASB 128 and AASB 131. The standard includes all disclosures relating to an entity's interest in associates, joint arrangements, subsidiaries and structured entities.

(iii) AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13. Fair Value Measurement does not change what and when assets or liabilities are recorded at fair value. It provides guidance on how to measure assets and liabilities at fair value, including the concept of highest and best use for non-financial assets. AASB 13 has not changed the fair value measurement basis for any assets or liabilities held at fair value; however additional disclosures on the methodology and fair value hierarchy have been included in the financial statements.

(iv) AASB 119 Employee Benefits (September 2011) and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011). Employee benefits introduces revised definitions for short-term employee benefits and termination benefits.

(v) AASB 2011-4 Amendments to Australian Accounting Standards to remove Individual Key Management Personnel Disclosure Requirements and additions to Corporations Regulations 2001, Regulation 2M.3.03. This amendment deletes from AASB124 individual key management personnel disclosure requirements for disclosing entities that are not companies. It also removes the individual key management personnel disclosure requirements for all disclosing entities in relation to equity holdings, loans and other related party transactions.

(vi) AASB 2012-2 and AASB 2012-3 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities. This standard 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 on the group's financial statements.

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2014 reporting periods and have not been early adopted by the Group. The following new standards to be applied in future periods are set out below:

(i) AASB 9 Financial instruments (application date 1 January 2017). This standard makes significant changes to the way financial assets are classified for the purpose of determining their measurement basis and also to the amounts relating to fair value changes, which are to be taken directly to equity. This standard also makes significant changes to hedge accounting requirements and disclosures.

(ii) AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities (application date 1 January 2014). This standard applies application guidance to AASB 132 to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of 'currently has a legal enforceable right of set-off' and that some gross settlement systems may be considered equivalent to net settlement.

(iii) AASB 2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets (application date 1 January 2014). This standard amends AASB 136 to require additional disclosures about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal. In addition, a further requirement has been included to disclose the discount rates that have been used in the current and previous measurements if the recoverable amount of impaired assets based on fair value less costs of disposal was measured using a present value technique.

(iv) IFRS 15 Revenue from Contracts with Customers (application date 1 January 2017). Establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

2. Revenue

	2014 $'000	2013 $'000
Sales revenue		
Sale of goods	24,552	16,151
Services	5,959	6,689
Rental of engines/aircraft		
- Minimum lease payments	1,077	1,214
- Contingent rentals	1,275	1,537
	32,863	25,591
Other revenue		
Interest		
- Extended credit receivables (hire purchase agreements)	855	1,606
- Other	21	-
Other	993	507
Total revenue	34,732	27,704

3. (Loss)/Profit before income tax expense

(Loss)/Profit before income tax expense includes the following specific items:

Cost of sale of goods	18,512	14,079
Depreciation		
- Buildings	110	97
- Plant and equipment	123	129
- Rental engines/aircraft	1,126	1,633
- Leasehold improvements	9	8
Amortisation		
- Leased engines/aircraft	251	203
- Leased plant and equipment	-	-
Operating lease rentals – minimum lease payments		
- Premises	109	108
- Equipment and software	68	39
Impairment losses		
- Trade debtors	227	328
- Extended credit receivables	2,653	-
- Inventories	7,216	-
- Aircraft	9,289	-
Net foreign exchange (gain)/loss	203	617
Superannuation expense	462	387
Finance costs		
- Interests and finance charges paid/payable	1,540	1,703

4. Income Tax Expense

	2014 $'000	2013 $'000
(a) Income tax expense		
Current tax	-	-
Deferred tax arising from origination or reversal of temporary differences	(4,770)	217
Under/(over) provided in prior years	-	-
	(4,770)	217
(b) Numerical reconciliation of income tax expense to prima facie tax		
Profit/(loss) before income tax expense	(15,907)	585
Tax at the Australian tax rate of 30% (2013: 30%)	(4,772)	176
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
- Sundry items	2	41
	(4,770)	217
Under/(over) provided in prior years	-	-
Income tax expense/(benefit)	(4,770)	217

5. Trade and Other Receivables

	2014 $'000	2013 $'000
Current		
Trade receivables	5,143	4,870
Provision for impairment	(123)	(5)
	5,020	4,865
Maintenance contract receivables	287	298
Extended credit receivables	1,786	645
Provision for impairment – extended credit receivables	(1,048)	-
Other receivables	197	436
	6,242	6,244
Non-Current		
Extended credit receivables	1,741	6,589
Maintenance contract receivables	286	534
	2,027	7,123

Impaired trade receivables

As at 30 June 2014 current trade receivables and extended credit receivables of the Group with a nominal value of $1,171,482 (2013: $4,523) were impaired. The amount of the provision was $1,171,482 (2013: $4,523).

5. Trade and Other Receivables (continued)

The ageing of trade receivables is as follows:

	Current	30+ Days	60+ Days	90+ Days	Total
Group – 2014					
Trade receivables	2,818	709	281	1,335	5,143
Impaired trade receivables	-	(2)	(31)	(90)	(123)
Unimpaired receivables	2,818	707	250	1,245	5,020
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

Past due but not impaired

As at 30 June 2014, 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:

	2014 $'000	2013 $'000
At 1 July	(5)	(301)
Provision for impairment recognised during the year	(1,244)	(32)
Receivables written off during the year as uncollectable	78	328
At 30 June	(1,171)	(5)

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 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 expected to be retained by the customers. A provision for impairment of these receivables was taken up during 2014. This impairment reflects an expected reduction in the market value of the related aircraft below the residual amount at the end of the term.

5. Trade and Other Receivables (continued)

	2014 $'000	2013 $'000
Payments in relation to the hire purchase agreements are receivable as follows:		
Within one year	1,012	1,434
Later than one year but not later than five years	2,034	6,827
Later than five years	-	-
Minimum hire purchase payments receivable	3,046	8,261
Future finance revenue		
Within one year	(274)	(789)
Later than one year but not later than five years	(293)	(238)
Later than five years	-	-
	(567)	(1,027)
Total hire purchase payments receivable	2,479	7,234
Representing receivables:		
Current	738	645
Non-current	1,741	6,589
	2,479	7,234

Refer note 31 for information on amounts receivable from controlled entities.

Risk exposure
IInformation concerning the exposure to credit risk, foreign exchange and interest rate risk is set out in note 26.

6. Inventories

Current		
Work in progress – at cost	2,467	753
Finished goods – at cost	16,350	11,427
	18,817	12,180
Non-Current		
Finished goods – at cost	-	9,141
	-	9,141

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

Current tax liabilities	-	-

8. Other Assets

	2014 $'000	2013 $'000
Current		
Prepayments	223	169
Deposits	7	28
	230	197
Non-Current		
Other	–	2

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	983	1,304
Later than one year but not later than five years	2,157	1,013
	3,140	2,317

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 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 [1]	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
Year ended 30 June 2014										
Opening net book value	6,960	51	-	623	-	17,572	2,092	4,081	348	31,727
Additions	45	-	-	183	-	3,295	-	550	20	4,093
Transfers [2]	-	-	-	-	-	(759)	-	(1,159)	-	(1,918)
Disposals	-	-	-	(2)	-	-	-	-	-	(2)
Impairment	-	-	-	-	-	(5,549)	-	(3,422)	(318)	(9,289)
Depreciation/ amortisation	(110)	(9)	-	(123)	-	(1,126)	(251)	-	-	(1,619)
Closing net book value	6,895	42	-	681	-	13,433	1,841	50	50	22,992
At 30 June 2014										
Cost	7,547	93	-	1,499	-	20,534	2,793	50	50	32,566
Accumulated depreciation	(652)	(51)	-	(818)	-	(7,101)	(952)	-	-	(9,574)
Net book value	6,895	42	-	681	-	13,433	1,841	50	50	22,992

1 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.

2 2014: Net Transfers of $1,918,000 represents transfer of engine cores and aircraft frames to inventory.

3 2014: Impairments of $9,289,000 represents a write-down of aircraft in the IAP and Emerald Assets businesses as announced to the market in November 2013. These write-downs were primarily driven by a change in strategy. The business is now focused on extracting value from idle aircraft in the short-term rather than extracting greater value over a longer term.

10. Deferred Tax Assets

	2014 $'000	2013 $'000
The balance comprises temporary differences attributable to:		
Tax losses	4,116	563
Accruals	60	95
Employee benefits	276	250
Doubtful debts	351	1
Other	1,063	867
Total deferred tax assets	5,866	1,776

Movements	Tax losses $'000	Accruals $'000	Employee benefits $'000	Doubtful debts $'000	Other $'000	Total $'000
At 1 July 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
(Charged)/credited to statement of profit or loss and other comprehensive income	3,553	(35)	26	350	196	4,090
At 30 June 2014	4,116	60	276	351	1,063	5,866

11. Intangible Assets

	2014 $'000	2013 $'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 cash flow 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% (2013: 12.6%). An average growth rate of 3% (2013: 4%) has been used. Management determined budgeted net profit based on past performance and Directors' best estimates of profit estimates over a five year period. The discount rate reflects Directors' best estimates of the specific risks relating to the relevant segment in which IAP operates.

Impact of possible changes in key assumptions

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

12. Trade and Other Payables

	2014 $'000	2013 $'000
Trade payables and accruals	5,408	6,179

13. Borrowings

	2014 $'000	2013 $'000
Current		
Secured		
Bank overdraft	1,382	1,194
Bank loans	10,964	1,759
Lease liabilities	18	138
	12,364	3,091
Unsecured		
Other loans – related parties	–	–
	12,364	3,091
Non-Current		
Secured		
Bank loans	1,668	12,310
Lease liabilities	16	34
	1,684	12,344
Unsecured		
Other loans – related parties	2,600	2,600
	4,284	14,944

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

Bank Overdraft, Bank Loans and Bills Payable

The bank overdraft and 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 $33.242 million (2013: $44.378 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 the bank's approval.

Included in the bank loans of $10.964 million under current liabilities are bank loans amounting to $9.986 million which fall due for renewal in September and October 2014. It is expected that these loans will be renegotiated for further terms before the renewal dates

Lease Liabilities

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

Other Loans – Related Parties

Refer note 22 for information on other loans from related parties.

Effective Interest Rates

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

Finance Facilities

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

Assets Pledged as Security

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

14. Derivative Financial Instruments

	2014 $'000	2013 $'000
Current Liabilities		
Forward foreign exchange contracts – cash flow hedges	55	-

15. Deferred Tax Liabilities

	2014 $'000	2013 $'000
The balance comprises temporary differences attributable to		
Property, plant and equipment	2,267	2,926
Inventory	12	103
Other	279	209
Total deferred tax liabilities	2,558	3,238

Movements	**Property, plant and equipment $'000**	**Inventory $'000**	**Other $'000**	**Total $'000**
At 1 July 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
Charged/(credited) to statement of profit or loss and other comprehensive income	(659)	(91)	70	(680)
At 30 June 2014	2,267	12	279	2,558

16. Provisions

	2014 $'000	2013 $'000
Current		
Employee benefits	821	766
Service Warranties	–	–
	821	766
Non-Current		
Employee benefits	100	68

Movements in Provisions	Employee Benefits $'000	Service Warranties $'000	Total $'000
Balance 1 July 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
Provisions made during the year	437	–	437
Provisions used during the year	(350)	–	(350)
Balance at 30 June 2014	921	–	921

(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. All of these amounts 2014: $821,000 (2013: $766,000) are 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. Leave obligations expected to be settled after 12 months 2014: $350k (2013: $350k).

17. Other Liabilities

	2014 $'000	2013 $'000
Current		
Deferred revenue	965	485
Deposits in advance	608	640
	1,573	1,125
Non-Current		
Deferred revenue	931	972

Deferred revenue relates to maintenance contract revenue received in advance.

18. Contributed Equity

	2014 $'000	2013 $'000
Share capital		
36,581,727 ordinary shares fully paid (2013: 36,581,727 ordinary shares fully paid)	30,184	30,184
Other equity securities		
Value of conversion rights (net of tax)	183	183
	30,367	30,367

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 2012	32,225,168	28,790
Share issues 2013*	4,356,559	1,394
Closing balance 30 June 2013	36,581,727	30,184
Share issues 2014	-	-
Closing balance 30 June 2014	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.*

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. The group defines capital as its equity and net debt. There has been no change to capital risk management policies during the year.

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

19. Reserves

	2014 $'000	2013 $'000
Dividend Appropriation Reserve	13,956	13,956
Movements		
Reserve balance 1 July	13,956	-
Transfer from retained earnings	-	15,600
Dividend Payment (2013: 5.1 cents per share fully franked)	-	(1,644)
Reserve balance 30 June	13,956	13,956

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

20. Cash Flow Information

(a) Reconciliation of Cash and Cash Equivalents

Cash and cash equivalents at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:

	2014 $'000	2013 $'000
Cash and cash equivalents assets – cash at bank and on hand	1,142	2,352
Bank overdraft (note 13)	(1,382)	(1,194)
	(240)	1,158

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

	2014 $'000	2013 $'000
(Loss)/Profit for the year	(11,137)	368
Depreciation and amortisation	1,619	2,070
Impairment of aircraft	9,289	-
Impairment of inventory	7,216	-
(Gain)/loss on disposal of property, plant and equipment	2	405
Movement in impairment of trade receivables	1,166	(296)
Unrealised foreign currency movements	(995)	(755)
Changes in operating assets and liabilities		
(Increase)/decrease in:		
Trade and other receivables	4,926	6,423
Inventories *	(2,794)	(2,438)
Deferred tax assets	(4,090)	336
Other assets	(31)	60
Increase/(decrease) in:		
Trade payables, accruals, and other liabilities	(1,363)	521
Employee benefits	87	(79)
Current tax liabilities	-	-
Deferred tax liabilities	(680)	(119)
Net cash flow from operating activities	3,215	6,496

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

21. Earnings Per Share

	2014 cents	2013 cents
Basic earnings per share	(30.44)	1.14
Diluted earnings per share	(30.44)	1.14
	$'000	**$'000**
Earnings used to calculate basic and diluted earnings per share – (loss)/profit after tax for the year	(11,137)	368
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	36,581,727	32,260,975
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	36,581,727	32,260,975

22. Key Management Personnel Disclosures

Directors

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

Chairman – non-executive
H Parker

Executive Directors
CL Baker, Managing Director (Group)
RS Ferris, Managing Director (IAP Division)

Non-executive Directors
APS Kemp

Other key management personnel

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

Name	Position	Employer	Date appointed
P Kapel	Company Secretary and CFO	PTB Group Limited	1 July 2013 to 27 November 2013
D Zgrajewski	Company Secretary and CFO	PTB Group Limited	27 November 2013 to 30 June 2014

Key management personnel compensation

	2014 $	2013 $
Short-term employee benefits	743,393	743,990
Post-employment benefits	82,054	75,959
Other long-term benefits	9,865	11,707
Termination benefits	99,404	–
	934,716	831,656

22. Key Management Personnel Disclosures (continued)

Short-term employee benefits

These amounts include fees and benefits paid to the non-executive directors as well as all salary, paid leave benefits and fringe benefits awarded to executive directors and other KMP.

Post-employment benefits

These amounts are the current year's estimated cost of providing for the Group's superannuation contributions made during the year.

Other long-term benefits

These amounts represent long service leave benefits accrued during the year.

Further information in relation to the KMP disclosures can be found in the remuneration report contained in the Directors' report.

23. Share-based Payments

Employee Share Option Scheme

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

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

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

Options granted under the scheme carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share for cash. Amounts received 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.

24. Remuneration of Auditors

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

	2014	2013
	$	$
Audit Services – Williams Hall Chadwick		
Audit or review of the financial reports	144,113	129,548
Total remuneration for audit services	144,113	129,548

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

25. Commitments

	2014 $'000	2013 $'000
(a) Finance leases		
Commitments in relation to finance leases are payable as follows:		
- Within one year	20	148
- Later than one year but not later than five years	17	36
- Later than five years	-	-
Minimum lease payments	37	184
Future finance charges		
- Within one year	(2)	(10)
- Later than one year but not later than five years	(1)	(2)
- Later than five years	-	-
	34	172
Representing lease liabilities:		
Current	18	138
Non-current	16	34
	34	172

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:

	2014 $'000	2013 $'000
Within one year	177	169
Later than one year but not later than five years	698	629
Later than five years	21	172
	896	970

Operating leases mainly comprise leases of equipment and premises in Australia (Bankstown, Sydney). 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:

	2014 $'000	2013 $'000
Less than one year	804	341
Greater than one year but not later than five years	563	-
	1,367	341

(d) Capital commitments

No Capital expenditure contracted for at balance date.

26. Financial Risk Management and Other Financial Instrument Disclosures

Financial Risk Management

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

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

(a) Market risk

(i) Foreign exchange risk

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

The Group operates internationally and is exposed to foreign exchange risk primarily arising from sale and purchase transactions denominated in US dollars and UK pounds. The risk is measured using sensitivity analysis and cash flow 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-14		30-Jun-13	
	USD	GBP	USD	GBP
	$'000	£'000	$'000	£'000
Cash and cash equivalents	1,057	6	1,651	7
Trade and other receivables	6,334		9,506	-
Other assets	31	-	35	-
Forward exchange contracts	3,000	-	-	-
Trade and other payables	(3,535)	(263)	(4,927)	(173)
Borrowings	(8,254)	-	(8,945)	-
Other liabilities	(606)	-	(100)	-

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

(a) Market risk (continued)

Group sensitivity

Based on the financial instruments held at 30 June 2014, had the Australian dollar weakened/strengthened by 10% against the USD dollar, with all other variables held constant, the Group's post tax position for the year would have been $164,000 lower/$134,000 higher (2013: profit $235,000 lower/$192,000 higher), 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 $164,000 lower/$134,000 higher (2013: $235,000 lower/$192,000 higher) 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 has improved compared to the prior year due to the addition of a US$3 million cash flow hedge and a net reduction in USD creditors. This was partly offset by reductions in USD denominated long term HP Debtors.

As per above, the Group's exposure to other foreign exchange movements is not material.

It is also worth noting that the company undertakes the majority of its sales and purchases in US dollars. Therefore, the majority of profit is generated in US dollars, with the reported AUD 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.

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

(a) Market risk (continued)

(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:

			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
2014										
Financial assets										
Cash and cash equivalents	0.00%	1,134	-	-	-	-	-	-	8	1,142
Trade and other receivables	-	-	-	-	-	-	-	-	5,790	5,790
Extended credit receivables	8.51%	-	738	1,741	-	-	-	-	-	2,479
Total financial assets		1,134	738	1,741	-	-	-	-	5,798	9,411
Financial liabilities										
Trade and other payables	-	-	-	-	-	-	-	-	5,408	5,408
Bank overdraft	7.16%	1,382	-	-	-	-	-	-	-	1,382
Bank Loans	7.41%	-	7,235	1,555	99	14	-	-	-	8,903
Bills payable	7.17%	1,400	2,275	-	-	-	-	-	-	3,675
Lease liabilities	7.68%	-	18	15	1	-	-	-	-	34
Insurance Loan	4.58%	-	54	-	-	-	-	-	-	54
Related party loans	9.00%	-	-	2,600	-	-	-	-	-	2,600
Total financial liabilities		2,782	9,582	4,170	100	14	-	-	5,408	22,056

26. 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
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

There are no other interest bearing financial assets and liabilities.

Group sensitivity

As the majority of the interest rates are fixed, at 30 June 2014 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 (2013: immaterial).

Net Fair Values

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

Derivative Financial Instruments

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

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

(b) Credit risk

The Group trades only with recognised, creditworthy third parties.

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

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

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

- The Group's customers are involved in the airline passenger and freight operation industry;
- There are a number of individually significant receivables. For example at 30 June 2014 the largest 10 debtors comprised approximately 73% (2013: 71%) of total receivables. It should be noted that the largest debtor is an extended credit receivable to a customer in Indonesia which accounts for 28% (2013: 44%) 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 27% (2013: 29%) of total receivables; and
- The receivables are concentrated in six main geographical areas. Refer to note 27 for further information.

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

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

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The Group also ensures that adequate unutilised borrowing facilities and cash reserves are maintained. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, unsecured notes, finance leases and finance company loans.

	Consolidated	
	2014 $'000	2013 $'000
Finance Facilities		
Available facilities		
Bank overdraft	1,533	1,542
Bank loans – chattel mortgage	423	679
– other	8,578	9,279
Bills payable – multi option	3,675	4,155
Finance Company Leases & Loans	34	172
Related party facilities	2,600	2,600
	16,843	18,427
Amounts utilised		
Bank overdraft	1,382	1,194
Bank loans – chattel mortgage	423	679
– other	8,534	9,235
Bills payable – multi option	3,675	4,155
Finance Company Leases & Loans	34	172
Related party facilities	2,600	2,600
	16,648	18,035
Unused facilities		
Bank overdraft	151	348
Bank loans – other	44	44
	195	392

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

(c) Liquidity risk (continued)

Maturities of financial liabilities

The tables below analyse the Group's 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 cash flows.

	1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group 2014							
Non-derivatives							
Non-interest bearing	5,408	-	-	-	-	-	5,408
Variable rate	2,782	-	-	-	-	-	2,782
Fixed rate	9,581	4,171	100	14	-	-	13,866
Total financial liabilities	17,771	4,171	100	14	-	-	22,056
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

Bank overdraft

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

Bank loans

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

Related party loans

The related party loans are at the interest rate of 9.0% (2013: 9.0%) per note 22.

Bills payable

The multi-option facility includes variable rate commercial bills of $3,675,000 (2013: $4,155,000) at a weighted average interest rate of 7.17% (2013: 7.39%). 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 3 to 4 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 cash flows.

27. Segment Information

The Group has three reportable segments:

- **PTB:** Covering the operations of the holding company PTB Group Limited specialising in PT6 and TPE331 Turboprop engines. The business repairs, sells, hires and leases PT6 and TPE331 engines, maintains under contract related engines, and trades in related engine and airframe parts.

- **IAP:** Covering the operations of the IAP Group Australia Pty Ltd trading in aircraft, jet aircraft engines, airframes and related parts. This business is an aircraft owner and leases aircraft to airline operators under both operating and finance leases.

- **Emerald:** Covers the operation of PTB (Emerald) Pty Ltd the owner of the aircraft acquired from Emerald Airways UK which are leased to airline operators under both operating and finance leases.

Geographical Segments (Secondary Reporting)

The Group's management and operations are based in Brisbane and Sydney, Australia. Its customers, however, are located in six main geographical markets – Australia/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.

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27. Segment Information (continued)

2014	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	6,272	1,934	729	13,494	4	6	-	22,439
Inter-segment Revenue	(401)	-	-	-	-	-	-	(401)
Revenue from external customers	5,871	1,934	729	13,494	4	6	-	22,038
Emerald								
Total Segment Revenue	-	-	-	1,482	619	19	-	2,120
Inter-segment Revenue	-	-	-	-	-	-	-	-
Revenue from external customers	-	-	-	1,482	619	19	-	2,120
IAP								
Total Segment Revenue	2,724	-	3,209	3,734	122	1,088	-	10,877
Inter-segment Revenue	(303)	-	-	-	-	-	-	(303)
Revenue from external customers	2,421	-	3,209	3,734	122	1,088	-	10,574
Unallocated								
Total Unallocated Revenue	-	-	-	-	-	-	-	-
Revenue from external customers	8,292	1,934	3,938	18,710	745	1,113	-	34,732
(ii) Adjusted EBITDA								
PTB	1,060	267	100	1,860	-	1	-	3,288
Emerald	-	-	-	115	48	1	-	164
IAP	413	-	610	710	23	207	-	1,963
Unallocated	-	-	-	-	-	-	-	-
Adjusted EBITDA	1,473	267	710	2,685	71	209	-	5,415

27. Segment Information (continued)

2014	Australia PNG & NZ	Pacific	America North & South	Asia	Africa	Europe	Unallocated	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
(iii) Segment Disclosure Items								
Depreciation & Amortisation								
PTB	440	–	–	26	–	–	–	466
Emerald	–	–	–	–	247	2	–	249
IAP	654	–	–	–	250	–	–	904
Total	1,094	–	–	26	497	2	–	1,619
Impairment of Goodwill								
PTB	–	–	–	–	–	–	–	–
Total	–	–	–	–	–	–	–	–
Impairment of Assets								
PTB	100	–	–	–	–	–	–	100
Emerald	–	–	–	2,346	1,048	8,370	–	11,764
IAP	7,056	–	–	–	238	–	–	7,294
Total	7,156	–	–	2,346	1,286	8,370	–	19,158
Unrealised (Gain)/Loss on Foreign Currency								
PTB	–	(30)	(11)	(210)	–	–	–	(251)
Emerald	–	–	–	(630)	(263)	(8)	–	(901)
IAP	–	–	62	72	2	21	–	157
Total	–	(30)	51	(768)	(261)	13	–	(995)

27. Segment Information (continued)

2014	Australia PNG & NZ $'000	Pacific $'000	America North & South $'000	Asia $'000	Africa $'000	Europe $'000	Unallocated $'000	Total $'000
Capital Expenditure								
PTB	677	-	-	-	-	-	-	677
Emerald	-	-	-	-	-	2,799	-	2,799
IAP	617	-	-	-	-	-	-	617
Total	1,294	-	-	-	-	2,799	-	4,093
Total Segment Assets								
PTB	21,462	454	434	1,294	181	3	20,243	44,071
Emerald	735	-	-	5,988	854	2,857	(11,193)	(759)
IAP	19,184	720	772	640	107	99	(9,050)	12,472
Unallocated	-	-	-	-	-	-	-	-
Total	41,381	1,174	1,206	7,922	1,142	2,959	-	55,784
Total Assets Includes								
Non-current Assets (other than financial assets and deferred tax)								
PTB	8,190	39	-	60	-	-	20,243	28,532
Emerald	-	-	-	5,401	-	1,789	(11,193)	(4,003)
IAP	13,154	720	-	-	-	-	(9,050)	4,824
Total	21,344	759	-	5,461	-	1,789	-	29,353
Total Segment Liabilities								
PTB	2,019	745	1,665	519	4	33	-	4,985
Emerald	31	-	1,129	186	328	222	-	1,896
IAP	1,139	128	200	364	-	121	-	1,952
Total	3,189	873	2,994	1,069	332	376	-	8,833

27. 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	–	–	–	–	–	–	–	–
Total 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

27. 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)

27. 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

27. Segment Information (continued)

Other segment information

(i) Segment revenue

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

Revenues from external customers of PTB are derived from repairing, selling, leasing and maintaining PT6 and TPE331 turbo prop aircraft engines under contract and 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.

	2014 $'000	2013 $'000
Total Segment revenue	35,436	35,547
Intersegment eliminations	(704)	(7,843)
Interest revenue	-	-
Total revenue from continuing operations (note 2)	34,732	27,704

The Group is domiciled in Australia. The amount of its revenue from external customers in Australia is $8.292 million (2013: $9.025 million) and the total revenue from external customers in other countries is $26.440 million (2013: $18.679 million). Segment revenues are allocated based on the country in which the customer is located.

(ii) Adjusted EBITDA

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

This measurement basis excludes the effects of non recurring expenditure from the operating segments such as, unrealised gains / (losses) on foreign currency movements, impairments of aircraft, inventory and extended credit receivables. 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:

	2014 $'000	2013 $'000
Adjusted EBITDA	5,415	3,603
Unrealised gain/(loss) on foreign Currency	995	755
Impairment of inventory	(7,216)	-
Impairment of extended credit receivables	(2,653)	-
Impairment of aircraft	(9,289)	-
Depreciation and amortisation	(1,619)	(2,070)
Finance Costs	(1,540)	(1,703)
(Loss)/Profit before income tax from continuing operations	(15,907)	585

27. 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:

	2014 $'000	2013 $'000
Segment Assets	55,784	73,300
Unallocated:		
Deferred tax assets	5,866	1,776
Total assets as per the statement of financial position	61,650	75,076

The total of non current assets other than financial instruments and deferred tax assets located in Australia is $21.344 million (2013: $32.850 million), and the total of these non current assets located in other countries is $8.009 million (2013: $19.477 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:

	2014 $'000	2013 $'000
Segment Liabilities	8,833	9,110
Unallocated:		
Derivative financial instruments	55	-
Deferred tax liabilities	2,558	3,238
Current borrowings	12,364	3,091
Non-current borrowings	4,284	14,944
Total liabilities as per the statement of financial position	28,094	30,383

28. Dividends

	2014 $'000	2013 $'000
Dividends paid during the year		
No dividends were paid during the year		
In the previous year an Interim dividend for 30 June 2013 of 5.1 cents per share 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:

	2014 $'000	2013 $'000
Paid in cash	-	250
Satisfied by the issue of shares	-	1,394
	-	1,644

	Consolidated		Parent Entity	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Franking credits				
Franking credits available for subsequent financial years based on a tax rate of 30% (2013: 30%)	11,020	11,020	11,020	11,020

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

a) franking credits that will arise from the payment of the amount of the provision for income tax;

b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date; and

c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

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

29. Subsidiaries

Name	Country of Incorporation	Equity Holding 2014	Equity Holding 2013
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.

There are no significant restrictions over the Group's ability to access these assets, and settle liabilities, of the Group.

30. Deed of Cross Guarantee

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

(a) Consolidated statement of profit & 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 & loss and other comprehensive income and a summary of movements in consolidated retained profits for the year ended 30 June 2014 of the Closed Group:

	2014 $'000	2013 $'000
Revenue	34,732	27,704
Total Revenue	34,732	27,704
Cost of goods sold	(18,512)	(14,079)
Employee benefits expense	(5,858)	(5,469)
Depreciation and amortisation	(1,619)	(2,070)
Repairs and maintenance	(76)	(49)
Bad and doubtful debts	(227)	(328)
Finance costs	(1,540)	(1,703)
Net foreign exchange loss	(203)	(617)
Net loss on sale of property, plant and equipment	(2)	(405)
Impairment of aircraft	(9,289)	-
Impairment of extended credit receivables	(2,653)	-
Impairment of inventory	(7,216)	-
Other expenses	(3,444)	(2,399)
Total expenses	(50,639)	(27,119)
Profit before income tax expense	(15,907)	585
Income tax expense	4,770	(217)
Profit for the year	(11,137)	368
Statement of Comprehensive Income		
Profit for the year	(11,137)	368
Other comprehensive income net of tax	-	-
Total comprehensive income for the year attributable to the owners of the parent entity	(11,137)	368
Summary of movements in consolidated retained profits		
Retained profits at the beginning of the financial year	244	15,476
Transfer to dividend appropriation reserve	-	(15,600)
Profit for the year	(11,137)	368
Retained profits at the end of the financial year	(10,893)	244

30. Deed of Cross Guarantee (continued)

(b) Consolidated Statement of Financial Position

Set out below is a consolidated statement of financial position as at 30 June 2014 of the Closed Group:

	2014 $'000	2013 $'000
Current Assets		
Cash and cash equivalents	1,142	2,352
Trade and other receivables	6,242	6,244
Inventories	18,817	12,180
Current tax assets	–	–
Other current assets	230	197
Total Current Assets	26,431	20,973
Non-Current Assets		
Trade and other receivables	1,713	6,809
Inventories	–	9,141
Other financial assets	265	265
Property, plant and equipment	22,992	31,727
Deferred tax assets	5,866	1,776
Intangible assets	4,334	4,334
Other non-current assets	–	2
Total Non-Current Assets	35,170	54,054
Total Assets	61,601	75,027
Current Liabilities		
Trade and other payables	5,408	6,179
Borrowings	12,364	3,091
Derivative financial instruments	55	–
Current tax liabilities	–	–
Provisions	821	766
Other current liabilities	1,573	1,125
Total Current Liabilities	20,221	11,161
Non Current Liabilities		
Borrowings	4,284	14,944
Deferred tax liabilities	2,558	3,238
Provisions	100	68
Other non-current liabilities	931	972
Total Non-Current Liabilities	7,873	19,222
Total Liabilities	28,094	30,383
Net Assets	33,507	44,644
Equity		
Contributed equity	30,444	30,444
Reserves	13,956	13,956
Retained earnings	(10,893)	244
Total Equity	33,507	44,644

31. Related Party Balances and Transactions

a) Parent entity and subsidiaries

The ultimate parent entity of the Group is PTB Group Limited. Interests in subsidiaries are set out in note 29.

b) Key management personnel

Disclosures relating to key management personnel are set out in the Directors' Report.

c) Other Transactions with Subsidiaries

The following transactions occurred with subsidiaries:

	Parent Entity	
Parent Entity	**2014 $**	**2013 $**
Revenue – sale of engines	303,322	-
Revenue – sale of goods and services	38,251	115,011
Revenue – engine rentals	58,676	50,133
Revenue – dividend	-	7,382,000
Purchase of goods and services	-	-
Rent and property related expenses	364,959	279,643

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	19,925,633	24,378,908

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.

32. Parent Entity Financial Information

a) Summary financial information

	2014 $'000	2013 $'000
Statement of Financial Position		
Current assets	15,539	14,863
Total Assets	58,160	58,763
Current liabilities	8,228	6,859
Total Liabilities	10,165	12,197
Shareholder's equity		
Issued Capital	30,444	30,444
Reserves	13,956	13,956
Retained earnings	3,595	2,166
	47,995	46,566
Profit or loss for the year	1,429	9,072
Total comprehensive income	1,429	9,072

b) Guarantees entered into by the parent entity

Carrying amount included in current liabilities	–	–
	–	–

33. Events after the Balance Date

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

34. Contingent liabilities

The Group had the following bank guarantees as at 30 June 2014:

Favouree	Bank	Date	2014 $'000	2013 $'000
Brisbane Airport Corporation Limited	CBA	16/05/2013	–	20
The President of Islamic Republic of Pakistan	CBA	5/03/2014	21	–
Bankstown Airport Limited	CBA	27/03/2007	18	18
			39	38

Directors' Declaration
for the year ended 30 June 2014

The Directors of the Company declare that:

(a) the attached financial statements and notes, as set out on pages 28 to 82 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 2014 and of the performance for the year ended on that date of the consolidated entity;

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

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group identified in note 30 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 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 2014 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
22 August 2014

WILLIAMS
HALL CHADWICK
CHARTERED ACCOUNTANTS & BUSINESS ADVISORS

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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 2014, 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) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2014 and of their performance for the year ended on that date; and
(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.

Report on the Remuneration Report

We have audited the Remuneration Report included on pages 11 to 16 of the directors' report for the year ended 30 June 2014. 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 2014, complies with section 300A of the *Corporations Act 2001*.

Geoffrey Stephens
Director

Williams Hall Chadwick

Dated this 22nd day of August 2014

Shareholders' Information

for the year ended 30 June 2014

The shareholder information set out below was applicable as at 13 August 2014.

(a) Distribution of Shareholders:

Category (size of Holding)	Class of equity security Ordinary Shares	Options
1 – 1,000	26	–
1,001 – 5,000	123	–
5,001 – 10,000	59	–
10,001 – 100,000	83	–
100,001 and over	37	–
	328	–

(b) (b) The number of ordinary shareholdings held in less than marketable parcels is 40.

(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	21.14
Keybridge Capital	6,882,089	18.81
River Capital	4,548,266	12.43
CL Baker	2,356,505	6.44
SG Smith	1,996,201	5.46

(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	6,882,089	18.81%
RIVER CAPITAL ALTERNATE FUND MANAGEMENT PTY LTD	4,548,266	12.43%
BAKER SUPERANNUATION PTY LTD	1,815,690	4.96%
MR STEPHEN GARRY SMITH & MRS JUDITH ANN FLINTOFT	1,108,201	3.03%
GRAEME HILLS	907,373	2.48%
MARGARET HILLS	901,922	2.47%
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%
MR GEORGE YANNIS & MRS THELMA YANNIS	540,673	1.48%
MS CECILIA HAMILTON CROAKER	481,621	1.32%
MOAT INVESTMENTS PTY LTD	410,419	1.12%
M R & S J GORDON PTY LTD	401,464	1.10%
HUNTINGTON GROUP PTY LIMITED	396,472	1.08%
DAVID FAMILY SUPERANNUATION FUND PTY LTD	390,710	1.07%
HARVEY PARKER	343,175	0.94%
LIDOSHALE PTY LTD	328,554	0.90%
HUGH JONES	319,988	0.87%
	30,697,990	83.92%

Unquoted equity securities	Number on issue	Number of holders
Options issued under the PTB Group Ltd Share Option Scheme to take up ordinary shares	–	–

	2014	2013	2012	2011	2010
Revenue ($'000)	34,732	27,704	32,275	31,347	27,241
+-Net (loss)/profit ($'000)	(11,137)	368	1,375	657	1,647
Net Assets ($'000)	33,556	44,693	45,575	43,200	42,543
Cash Flow from Operating Activities ($'000)	3,215	6,496	5,413	2,079	4,137
Ordinary Shares fully paid ('000)	36,582	36,582	32,225	32,225	32,225
Return on average shareholders' funds (%)	(28.47)	0.82	3.13	1.53	3.99
Share price at year-end ($)	0.29	0.40	0.23	0.25	0.17
NTA backing per Share (Cents)	80	110	125	121	119
Dividend paid (Cents) per share in respect of each financial year	Nil	5.1	Nil	Nil	Nil
Average AUD/USD exchange rate	$0.92	$1.03	$1.03	$0.99	$0.88

Notes:

PTB GROUP LIMITED

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