PTB GROUP LIMITED

ANNUAL REPORT 2020

PTB GROUP LIMITED AND CONTROLLED ENTITIES

CORPORATE DIRECTORY AND INFORMATION

Directors

Craig Baker, *Chairman*

Stephen Smith, *Managing Director and CEO*

Prince Gunasekara, *Non-executive Director*

Andrew Kemp, *Non-executive Director*

Russell Cole, *Non-executive Director*

Company Secretary

Daniel Zgrajewski

Registered Office and Principal Administrative Office

22 Orient Avenue
PINKENBA QLD 4008

Mailing Address

PO Box 90
PINKENBA QLD 4008

Telephone: +61 7 3637 7000

Facsimile: +61 7 3260 1185

Share Registry

Link Market Services
Level 21, 10 Eagle Street
BRISBANE QLD 4000

Telephone: +61 1300 554 474

Bankers

Commonwealth Bank
Business and Private Banking
Level 21, 180 Ann Street
Brisbane QLD 4000

Solicitors

Talbot Sayer
Level 27, Riverside Centre
123 Eagle Street
Brisbane QLD 4000

Auditor

Hall Chadwick Qld
Level 4, 240 Queen 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

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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.

Craig Baker, Chairman

"2020 was a landmark year for PTB Group"

This year PTB Group delivered a record financial result, achieving sales revenue of $78 million, up 52% on the prior year. This included a four-month contribution from our acquisition of Prime Turbines. Profit Before Tax, Foreign Exchange and Acquisition Costs was also a record result, up 50% on the prior period to $7.959 million.

On the back of this record result and the strong level of liquidity, the Board has declared a fully franked final dividend of $0.025 per share, thereby taking the full year dividend to $0.05 per share.

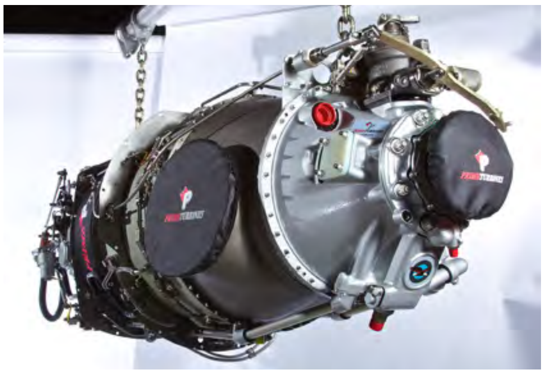
2020 was a landmark year for PTB Group, not only for the record financial results, but also due to the acquisition of Prime Turbines. This acquisition significantly strengthens our position in the United States, the largest market in the world, adding further diversity to the end markets and customers which PTB serves.

The management team, led by Stephen Smith, have done a tremendous job of successfully integrating the operations of Prime Turbines and I would like to take this opportunity to welcome all of our newest employees and customers to the PTB Group family.

As we enter FY2021 we continue to see the effects of COVID-19 unfold in global aviation markets. While we are not immune to those effects, the resilience of our business model and the strength of our balance sheet ensures we are well placed to respond to the challenges that may present.

Craig Baker

Chairman



Stephen Smith, Managing Director

FY2020 was a significant year of growth in our company, fuelled by the acquisition of Prime Turbines and the continued strong performance from the existing PTB Group. This financial year we recorded our highest ever revenues and earnings and we finished the year with a robust balance sheet with over $15 million of cash on hand. This result was extremely pleasing in the face of unprecedented market conditions and is a testament to the resilience of the operations of the Group and our people.

BUSINESS UPDATE

The past 12 months have represented a landmark year in the history of our business. FY2020 saw PTB Group deliver a record financial result, complete the acquisition of Prime Turbines, successfully raise $34.9 million of new equity, welcome a suite of new and supportive investors to the register and successfully navigate the challenges presented by the outbreak of COVID-19.

ACQUISITION UPDATE

On 31 January 2020 we announced our intention to acquire Prime Turbines, along with selected CT Aerospace inventory from VSE Corporation (VSEC.NASDAQ). This acquisition was completed on 26 February 2020 and the results incorporated under PTB ownership from 1 March 2020.

To fund the acquisition, PTB Group raised $34.9 million of new equity from new and existing shareholders. The equity issuance was oversubscribed, reflecting the growth platforms available to the business and the strong strategic rationale underpinning the acquisition.

With the acquisition complete, we welcome to the PTB family our newest members from Prime Turbines. Prime Turbines conducts the same type of business as PTB, with a strong focus on the Pratt and Whitney PT6 series of engines. The business is led by Bruce Weaver and John Waldrop, with whom I share professional relationships of over 15 years.

This talented management team, in combination with the seamless overlap of operational footprint, has resulted in a smooth and efficient integration.

FINANCIAL UPDATE

FY2020 marked another year of continued growth for PTB Group with all the business units continuing to perform at or above expectations, culminating in a record financial result. PTB Group posted revenues of $78 million, up 52% on last financial year. At an earnings level, PTB Group posted Net Profit Before Tax (excluding foreign exchange gains and acquisition costs) ("NPBTFX") of $7.959 million, up 50% on the previous corresponding period.

The FY2020 results include $331,500 from payments received under the JobKeeper Payment scheme.

Importantly, our balance sheet remains liquid, ending the year with a cash balance of $15.207 million. This positions the business to selectively pursue further growth initiatives as they arise.

The management team have delivered under demanding conditions and continue to implement growth strategies which augur well for future financial years.

GROUP HIGHLIGHTS

Several financial milestones were achieved throughout the year, a few of which are highlighted below:

» Record revenues of $78 million, up 52% on the previous year

» Record NPBTFX of $7.959 million, up 50% on the previous year

» Ending cash balance of $15.207m, up $8.033m over the previous year

» Sale and lease back of three test cells acquired as part of the Prime Turbines transaction, increasing available cash by $3.659 million

» Extension of the USD component of the CBA loan facilities by $3.162m and for a further 3 years with a reduced fixed rate

» A four-month contribution from Prime Turbines (from 1 March)

PACIFIC TURBINE BRISBANE

Pacific Turbine Brisbane delivered a NPBTFX of $5.596 million (2019: $3.928 million). Increased volumes of engine overhaul work completed by the workshop was the main driver of this result. The part sales team also contributed an improved result, building on the deep customer relationships and proving to be a valued partner in the supply of parts and equipment.

PACIFIC TURBINE USA GROUP

Pacific Turbine USA Group returned a NPBTFX of $2.145 million (2019: $0.549 million). Prime Turbines has been included in this division since 1 March 2020 and was the main driver of the improved result.

The existing PTUSA operations continue to supply a large portion of the parts used by the PT6 workshop in Brisbane, and now also supplies the three workshops acquired as part of the Prime Turbines acquisition. The inventory acquired from CT Aerospace has now been relocated to the Miami facility.

PACIFIC TURBINE LEASING

Pacific Turbine Leasing delivered a NPBTFX of $0.288 million (2019: $0.641 million). The business continues to generate stable returns from its customers, leasing engines and/or aircraft. The business has a number of additional leasing deals being negotiated at present that are expected to add to future returns.

The addition of Prime Turbines and the addition of EASA and FAA certification positions this division well for future growth opportunities.

INTERNATIONAL AIR PARTS

The IAP business posted a NPBTFX of $1.969 million (2019: $1.855 million). The business continues to invest in stock for the engine parts business and is expected to continue to provide consistent results into the future.

OPERATIONAL RESULTS BY BUSINESS

	2020 $'000	2019 $'000	2018 $'000
Pacific Turbine Brisbane	$5,596	$3,928	$4,142
Pacific Turbine USA Group	$2,145	$549	($74)
Pacific Turbine Leasing	$288	$641	$565
International Air Parts	$1,969	$1,855	$1,393
Corporate Overheads	($2,039)	($1,659)	($1,598)
Profit/(Loss) excluding FX & Acquisition Costs	**$7,959**	**$5,314**	**$4,428**
Foreign Exchange (FX) Gains/(Losses)	($1,097)	$263	$246
Acquisition Costs	($949)	–	–
Profit/(Loss) before Income Tax Expense	**$5,913**	**$5,577**	**$4,674**

CORPORATE OVERHEADS

Costs relating to corporate overheads were $2.039 million (2019: $1.659 million). These costs include all head office and corporate costs, including group management, the board and the central finance function. These costs are expected to continue to increase in line with the increase in the size and complexity of the Group's operations.

BALANCE SHEET ITEMS

PTB Group ended the financial year with a robust Balance Sheet. Cash on hand was the highest ever at $15.207 million and net debt was $25.531 million (2019: $13.143 million).

Total debt increased from $20.317 million to $40.738 million mainly due to:

» sale and lease back of the 3 test cells
» extension of the CBA facility
» vendor loan for CT Aerospace inventory

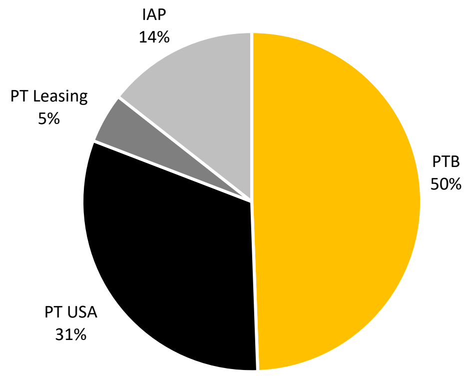
Net assets increased from $50.966 million to $86.312 million mainly due to the acquisition of Prime Turbines, which was fully funded via new equity issues of $34.9 million.

CASH FLOWS

The cash balance at the end of the year was $15.207 million (2019: $7.174 million). Cash flows from operating activities were ($8.414) million (2019: $4.193 million). Operating cash flows were reduced due to the acquisition of the $12.177 million of inventory from CT Aerospace.

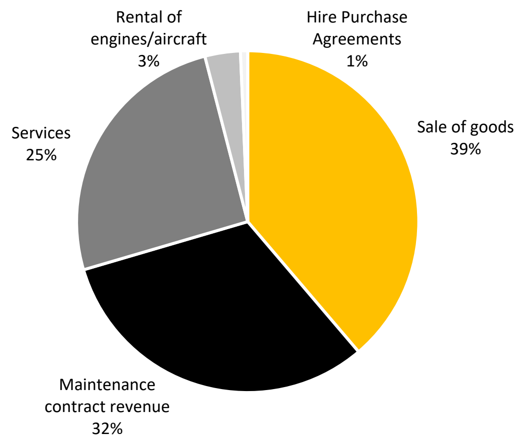
Cash flows from financing activities were $49.203 million. This included the issuance of new equity and the additional loan facilities. These were partly offset by principal repayments of $4.015 million and $1.873 million of dividend payments.

FY2020 REVENUE BY DIVISION



Note: Excludes Other Revenue

FY2020 REVENUE BY SERVICE



Note: Excludes Other Revenue

OUTLOOK

I remain confident in the outlook for FY2021 and beyond as we are well positioned to grow our share of global markets.

Stephen Smith

Managing Director

ABOUT PTB GROUP

OVERVIEW OF PTB GROUP

PTB Group is an ASX listed aviation company which provides the following services globally:

- Maintenance, repair and overhaul ("MRO") services for turboprop aircraft engines
- Aircraft and engine leasing
- Aircraft and engine spare parts

PTB Group provides these services through its four operating divisions.

PACIFIC TURBINE BRISBANE

Pacific Turbine Brisbane specialises in PT6 and TPE331 Turboprop engines. It repairs and sells PT6 and TPE331 engines, maintains related engines under contract, and trades related engine and airframe parts.

PACIFIC TURBINE USA

PRIMETURBINES

Pacific Turbine USA Group, including Prime Turbines and Pacific Turbine USA, provides MRO services on turboprop engines including PT6A, PT6T and T53, as well as Bell drivetrain components. It operates from locations in Texas, Arizona, Miami and Pennsylvania. The division also supplies and manages spare parts.

PACIFIC TURBINE LEASING

Pacific Turbine Leasing owns aircraft and engines and leases these to operators under both operating and finance leases (PT6, TPE331, Rolls Royce).

INTERNATIONAL AIR PARTS

The division trades in aircraft, aircraft engines, airframe parts and engine parts.

PTB Group's Integrated business model aims to provide multiple touchpoints over the asset lifecycle. PTB Group's leasing division provides an initial entrée into life of an engine or airframe, thereafter allowing the provision of further ancillary support services such as Maintenance Repair and Overhaul ("MRO") services and the sale of engines or spare parts. At the end of the engine or airframe's serviceable life, PTB Group again has an opportunity to remarket the asset or derive value from component sales.

PTB's INTEGRATED BUSINESS MODEL

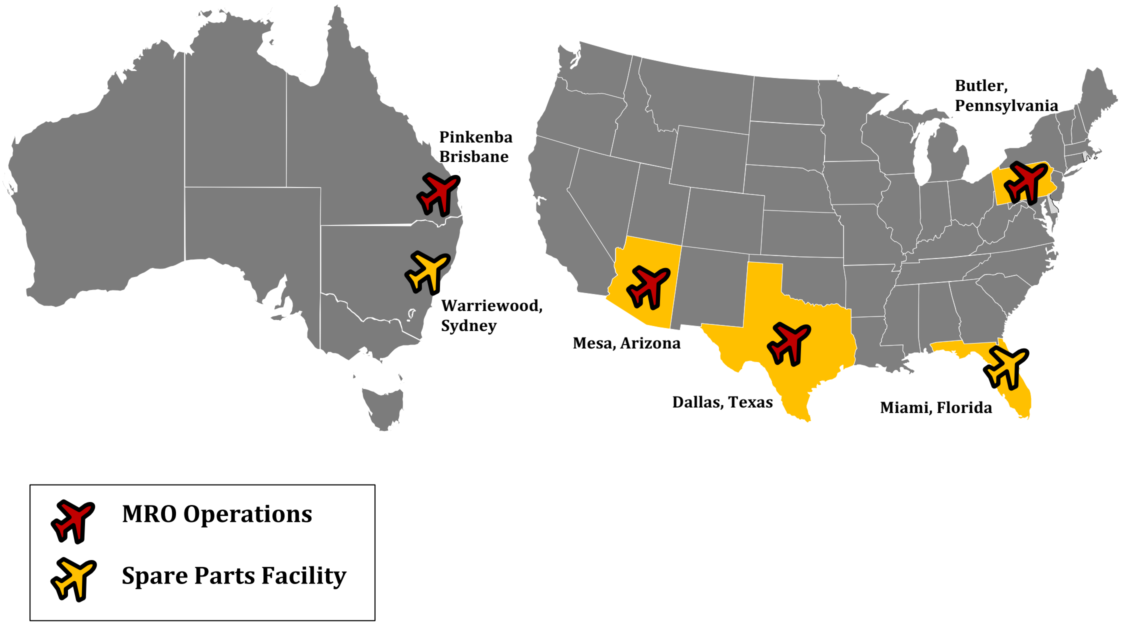
PTB Group offers a range of services over the asset lifecycle from the arranging and provision of financing services in the form of:

» Finance or operating leases (either on balance sheet or through one of PTB's global financing partners)
» Power By The Hour programs: engine management programs which provide an agreed rate per flying hour over an asset's life (engine or airframe)
» Spare parts sales
» End of lease remarketing and tear down services

An Aviair plane flies over the Kununurra region of Western Australia

PTB Group provides its services to predominantly two turboprop engine types, being the Pratt and Whitney PT6 series and the Honeywell TPE331 engines that are used on narrow bodied planes of less than 25 seat capacity. PTB Group also retains capability to service Bell helicopter components and to tear down and sell spare parts for other engine variants.

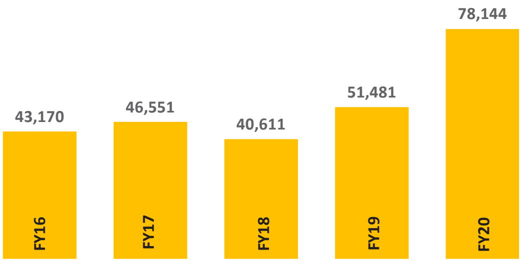
PTB Group operates out of its workshop facilities in Australia (Pacific Turbine Brisbane) and the USA (Arizona, Texas and Pennsylvania). Spare parts services are provided out of the Warriewood facility in Australia and the Miami facility in the US.



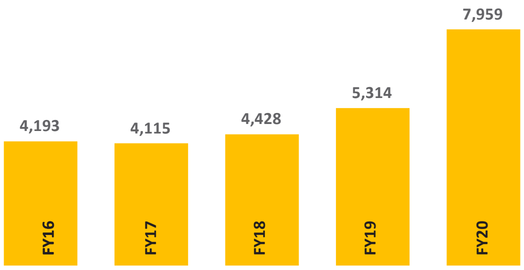
PTB Group maintains a diverse customer base throughout the world including Australia, North and South America, Asia and the Pacific Islands. PTB's diversified business model provides operational resilience. PTB provides MRO, sales and support services to its customers in essential end markets such as fly-in fly-out ("FIFO") services, aero-medical evacuations, regional transportation between Pacific Island communities, agricultural crop spraying markets, corporate travel, government and tourism markets.

FINANCIAL HIGHLIGHTS

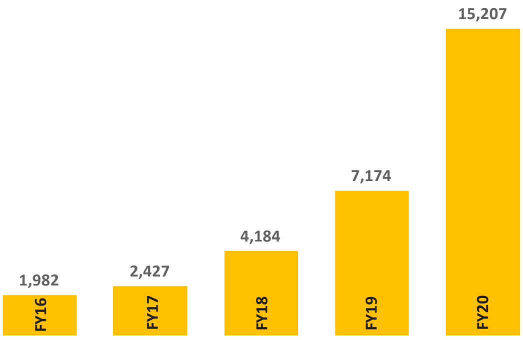
SALES REVENUE



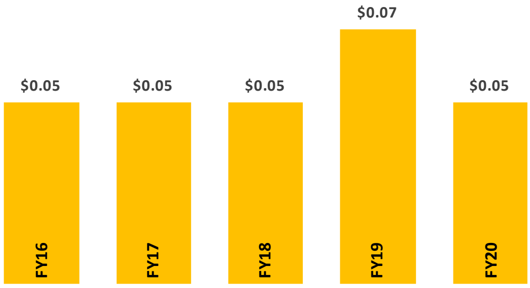
NPBTFX



CASH BALANCE



DIVIDENDS PER SHARE



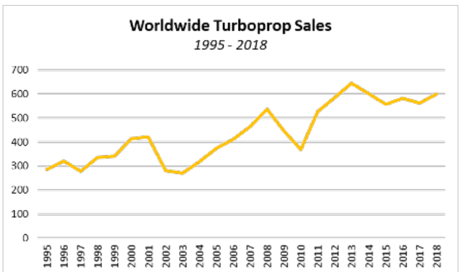
GLOBAL AND GROWING MARKET

PTB Group is a relatively small player in a global and growing market. It is estimated there are in excess of 20,000 PT6 engines in global circulation, with PTB's market share currently estimated to be less than 2%. The acquisition of Prime Turbines brings with it FAA and EASA accreditation which positions PTB Group well to grow its global market share.

The global population of turboprop engines is estimated to be in excess of 25,000 residing in over 180 different countries

More than one-third of the world's commercial airports rely exclusively on planes with turboprop engines

Turboprop aircraft connect remote locations and therefore play an essential role in regional economic development. Pacific, Caribbean, Asian and other regional markets depend on turboprop aircraft as a key mode of transportation



2018 GAMA Annual Report:
https://gama.aero/facts-and-statistics/consensus-standards/publications/

Global sales of turboprop aircraft continue to display upward momentum over the long term growing at a CAGR of 6.3% over the 2010 to 2018 period

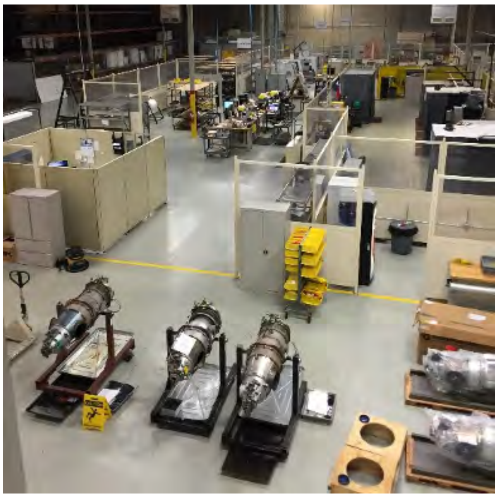
ACQUISITION OF PRIME TURBINES

PTB Group announced its intention to acquire Prime Turbines from VSE Corporation on 31 January 2020 and subsequently completed the transaction on 26 February 2020. Prime Turbines is a US based Maintenance Repair and Overhaul provider supplying services to ostensibly the same engine types as PTB's existing business.

The merger extended the service offering of the Group for selected Pratt and Whitney and Honeywell engine variants.

ENGINE MANUFACTURER	ENGINE TYPE	PACIFIC TURBINE	PRIMETURBINES	COMBINED
Pratt and Whitney	PT6A – Small	✓	✓	✓
	PT6A – Medium	✓	✓	✓
	PT6A – Large	✗	✓	✓
	PT6T	✗	✓	✓
Honeywell	TPE331	✓	✗	✓
	T53	✗	✓	✓
GE Aviation	M601 and H Series	✗	✓	✓
Bell / Textron	Bell Helicopter Components	✗	✓	✓

Prime Turbines offices in Dallas, Texas



Prime Turbines Dallas, Texas maintenance repair and overhaul facilities span over 65,000 square feet

Prime operates out of three facilities in the USA

Dallas, Texas

- 65,000 sq. ft.
- PT6A independent – GE M601 and H Series Licensed
- PT6A test cell (PWC Correlated)

Mesa, Arizona

- 30,000 sq. ft.
- Honeywell T53 Licensed – PT6A & T independent
- Light & Medium Bell Helicopter static component repair
- Two test cells

Butler, Pennsylvania

- 2,500 sq. ft.
- PT6A independent quick turn shop for Hot Sections/ Power Sections

Prime Turbines is an independent Maintenance, Repair and Overhaul (MRO) company specialising in Pratt & Whitney Canada PT6A & PT6T, Honeywell T53, Bell Drivetrain and GE M601 & H series engines.

Prime offers more than three decades of expertise on major turboprop and turboshaft engine platforms used on business and general aviation, military and agricultural fixed and rotor wing aircraft.

COVID-19 Impacts and Response

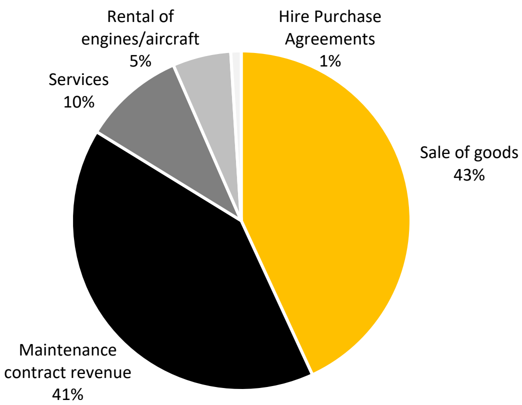
The effects of COVID-19 on PTB's operations were mainly contained to those customers impacted by slowing tourism markets, with other customers generally maintaining, and in some cases increasing, their demand for services.

PTB's main exposure to tourism markets lies within the Maldives, which closed to international visitors and saw very limited hours flown during the fourth quarter of FY2020. However, as of 15 July 2020, the Maldives reopened its borders and recommenced accepting international tourists. While we expect the rate of recovery to full operations in the Maldives to be slow, PTB should experience growing revenues from this region in FY2021.

The increased customer and end market diversification delivered by the acquisition of Prime Turbines (management estimates 2% of Prime's revenues are derived from tourism) also assisted to cushion the impacts of COVID-19 on PTB Group overall.

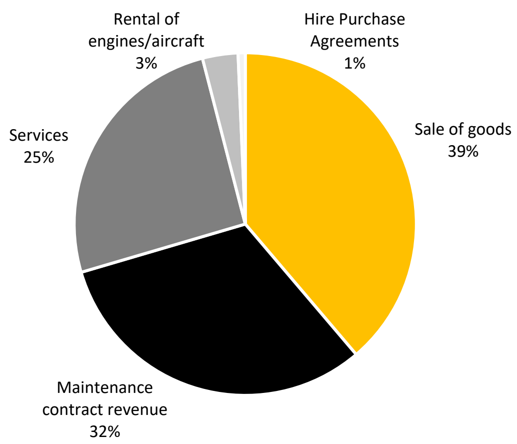
In addition to its increased customer and end market diversification, PTB's strategy of focusing on the whole of asset lifecycle value chain allowed it to pivot its strategy to focus on other revenue streams including engine and parts sales. Further to this, the reduced demand from contract customers in the Maldives allowed the workshops to focus on higher margin non-contract services. The graphs below demonstrate the shift in revenue streams.

FY2019 REVENUE BY TYPE



Note: Excludes Other Revenue

FY2020 REVENUE BY TYPE



Note: Excludes Other Revenue

Overall, PTB's focus on the narrow-bodied sub-25 seat capacity aviation market, in conjunction with its integrated business model and diverse customer base, allowed it to deliver a record financial result despite the challenging market conditions.

Your directors present the financial report of PTB Group Limited and its controlled entities ("the Group") for the year ended 30 June 2020.

Directors

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

Name	Position
CL Baker	Director (non-executive), Chairman
SG Smith	Managing Director
APS Kemp	Director (non-executive)
RQ Cole	Director (non-executive)
PP Gunasekara	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:

» Specialist Pratt & Whitney PT6A/PT6T and Honeywell TPE331/T53 turbine engine repair and overhaul businesses based in Brisbane, Australia and three locations in the USA;
» 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.

Operating Results

The consolidated net profit after tax was $4.020 million (2019: $3.974 million profit).

Financial Position

The net assets of the Group are $86.312 million as at 30 June 2020 (2019: $50.966 million).

Dividends

An interim fully franked dividend of 2.5 cents per share was declared and paid for the 30 June 2020 financial year (2019: nil). A final dividend of 2.5 cents per share has also been declared but not yet paid (2019: 7 cents per share).

Franking Credits

Franking credits available for subsequent financial years based on a tax rate of 30 per cent are $4.661 million (2019: $5.167 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 years.

Future Developments, Prospects and Business Strategies

The acquisition of Prime Turbines was identified as a key building block for the long-term growth of PTB Group, providing increased workshop capacity and the ability to access the US and global markets.

Over the next few years, the Group will be focusing on selling engine management programs and other services into the expanded markets. This will include aircraft leasing with engine management programs attached.

Other than as detailed in the Chairman and Managing Director's Reviews, 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 and Sydney in Australia as well as Texas, Arizona, Florida and Pennsylvania in the USA. It is required to meet the Commonwealth's Airports (Environment Protection) Regulations 1997 as well as other legislation relevant to the various locations. There have been no non-compliances while the Group has operated from these various locations.

Information on Current Directors and Company Secretary

Craig Baker - Founder, Chairman

Craig is a founding shareholder and director of PTB Group Ltd and was the Managing Director until 2017. Craig is a qualified accountant and has worked as General Manager, Director and Finance Manager in a range of aviation businesses for over 35 years. Craig was also involved in the development of Airwork (NZ) Limited.

Craig is the Chairman of the Remuneration Committee and a member of the Audit and Risk Management Committee. He has held no director positions with other listed companies in the last three years.

Stephen Smith - Founder, Managing Director

Stephen is a founding shareholder and director of PTB Group Ltd and has fulfilled a number of key roles within the Group including Commercial Sales Manager and Director of Sales and Marketing. Through these roles, Stephen's extensive knowledge of the business provides unique insight into the strategic direction and growth of the company. Stephen has significant experience in the aviation industry as both a helicopter and fixed wing operator.

Stephen has held no director positions with other listed companies in the last three years.

Andrew Kemp - Independent Non-Executive Director

Andrew is a Chartered Accountant and has worked for KPMG, Littlewoods Chartered Accountants, Coutts Group and as Qld Manager of AIFC, the merchant banking affiliate of the ANZ Banking Group. Andrew formed Huntington Group in 1987 and has been involved in a range of listings, acquisitions and divestments. He is a member of the Audit and Risk Management and Remuneration Committees of the Company.

Andrew is currently Chairman of SIV Capital Ltd (from November 2019). He had previously been a director of the company (from April 2005). Andrew is also a director of the unlisted Firstmac Limited (home loans) and Investors Central Limited (second tier motor vehicle finance).

Russell Cole - Independent Non-Executive Director

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

Russell has held no director positions with other listed companies in the last three years.

Prince Gunasekara - Non-Executive Director

Prince is an aviation expert with over 20 years of experience, particularly within Japanese aviation. Prince has worked across many areas of the industry, including but not limited to procurement of aircraft parts and aircraft engines for Japanese aircraft operators. Since joining PTB Group in 2013 Prince has been instrumental in introducing key Japanese investors and business partners.

Prince has held no director positions with other listed companies in the last three years.

Daniel Zgrajewski - Company Secretary

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

Daniel has over 25 years of experience in finance and has worked in a number of roles. This includes a range of commercial and financial accounting roles within commercialised business units of Brisbane City Council.

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 CL Baker (Chairman, Non-Executive Director)

Mr APS Kemp (Non-Executive Director)

Mr RQ Cole (Non-Executive Director)

Mr PP Gunasekara (Non-Executive Director)

Executive officers

Mr SG Smith (Managing Director)

Mr D Zgrajewski (Company Secretary and CFO)

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 Group funds as remuneration for their services, such sum as accrues on a daily basis as the Group 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 $200,000 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. The maximum aggregate amount 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 Group 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 Group 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 Group or Board meetings, or meetings of any committee engaged in the Group'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 caliber 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 may include 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 (2019: 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 Group, an Employee Share Option Scheme ("the Scheme") is in place. The incentive provided by the scheme will be of material benefit to the Group in encouraging the commitment and continuity of service of the recipients. By providing executives and employees with a personal financial interest in the Group, the Group 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 Group.

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 Group).

As advised in the following "Section E Share-Based Payment Compensation" no options were issued under the scheme during the year (2019: 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.

C. Details of Remuneration

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

	Short-term benefits			Post-employ-ment	Other		Share-based payment	Total
	Cash salary and fees $	Cash bonus $	Non-monetary benefits $	Super-annu-ation $	Long-term benefits $	Termin-ation Benefits $	Options $	$
2020 Year Directors								
CL Baker *(Chairman, Non-Executive Director)*	21,139	–	–	22,661	–	–	–	43,800
SG Smith *(Managing Director)*	579,990	–	–	–	–	–	–	579,990
APS Kemp *(Non-Executive Director)*	21,800	–	–	–	–	–	–	21,800
RQ Cole *(Non-Executive Director)*	30,000	–	–	–	–	–	–	30,000
PP Gunasekara *(Non-Executive Director)*	190,000	–	–	–	–	–	–	190,000
Total Directors	**842,929**	**–**	**–**	**22,661**	**–**	**–**	**–**	**865,590**
Other Key Management Personnel								
D Zgrajewski *(Company Secretary and CFO)*	235,952	10,000	–	22,781	–	–	–	268,733
Total Other Key Management Personnel	**235,952**	**10,000**	**–**	**22,781**	**–**	**–**	**–**	**268,733**

	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 $	$
2019 Year Directors								
CL Baker *(Chairman, Non-Executive Director)*	21,139	–	–	22,661	–	–	–	43,800
SG Smith *(Managing Director)*	439,980	–	–	–	–	–	–	439,980
APS Kemp *(Non-Executive Director)*	21,800	–	–	–	–	–	–	21,800
RQ Cole *(Non-Executive Director)*	30,000	–	–	–	–	–	–	30,000
PP Gunasekara *(Non-Executive Director)*	190,000	–	–	–	–	–	–	190,000
Total Directors	**702,919**	**–**	**–**	**22,661**	**–**	**–**	**–**	**725,580**
Other Key Management Personnel								
D Zgrajewski *(Company Secretary and CFO)*	210,509	5,000	–	23,648	–	–	–	239,157
Total Other Key Management Personnel	**210,509**	**5,000**	**–**	**23,648**	**–**	**–**	**–**	**239,157**

There were no other executives in the current or prior year.

D. Service Contracts

Major provisions of service agreements with executive directors and other key management personnel as at 30 June 2020 are set out below:

S G Smith (Managing Director)

» Commencement date of consultancy agreement – 1 May 2017;

» Service fee – $750,000 p.a.; and

» Notice period – Termination by three months' notice in writing by either party other than for gross misconduct.

P P Gunasekara (Director)

» Commencement date of consultancy agreement – 1 August 2017;

» Service fee – $190,000 p.a. ($20,000 of this relates to non-executive director fees and the remainder is for other activities); 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 2019;

» Base annual salary – $260,000 excluding superannuation; and

» Notice period – Termination by six 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 Group held during the financial year by each director of PTB Group Limited and other key management personnel of the Group, including their personally related parties, are set out below. There were no shares granted during the current or previous year as compensation.

Name	Balance at the start of the year Number	Received during the year on the exercise of options Number	Other changes (on-market purchases & DRP) Number	Balance at date of appointment/ resignation Number	Balance at the end of the year Number
2020					
Directors					
CL Baker	2,531,069	–	402,461	–	2,933,530
SG Smith	6,568,966	–	–	–	6,568,966
APS Kemp	1,472,698	–	626,683	–	2,099,381
RQ Cole	77,631	–	–	–	77,631
PP Gunasekara	2,719,137	–	1,157,080	–	3,876,217
Other key management personnel of the Group					
D Zgrajewski	77,056	–	70,724	–	147,780
2019					
Directors					
CL Baker	2,274,293	–	256,776	–	2,531,069
SG Smith	5,992,635	–	576,331	–	6,568,966
APS Kemp	1,329,314	–	143,384	–	1,472,698
RQ Cole	69,755	–	7,876	–	77,631
PP Gunasekara	2,443,282	–	275,855	–	2,719,137
Other key management personnel of the Group					
D Zgrajewski	69,238	–	7,818	–	77,056

Loans to key management personnel

On 21 June 2017, the Group provided a limited recourse loan of $1.65 million to SG Smith at an interest rate of 5% per annum to pay for the subscription price of 3 million fully paid ordinary shares. These shares were issued to him in accordance with the shareholder approval on 9 June 2017 and the terms of his engagement as the Group's Managing Director. The maximum term of this loan is 5 years and interest will be capitalised throughout the term of the loan. The interest capitalised during the year was $92,146. A voluntary escrow applies to these shares until money owing under the loan is repaid. Any cash dividends paid in relation to these shares are paid against any remaining loan balance. There were no other loans to directors of PTB Group Limited or other key management personnel of the Group during the previous reporting period.

Other transactions with key management personnel (KMP) and/or their related parties

All transactions were under normal commercial terms and conditions, unless otherwise stated. No bad or doubtful debt expenses have been, or are likely to occur, from transactions with related parties.

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

	2020 $	2019 $
– Non-current receivables (Loan to SG Smith)	1,826,351	1,825,401

There were no other transactions between the Group and KMP or their related parties 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 2020 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 2020. 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

On 21 June 2017, the Group provided a limited recourse loan of $1.65 million to SG Smith at an interest rate of 5% per annum to pay for the subscription price of 3 million fully paid ordinary shares.

These shares were issued to him in accordance with the shareholder approval on 9 June 2017 and the terms of his engagement as the Group's Managing Director. The maximum term of this loan is 5 years and interest will be capitalised throughout the term of the loan. The interest capitalised during the year was $92,146.

A voluntary escrow applies to these shares until money owing under the loan is repaid. Any cash dividends paid in relation to these shares are paid against any remaining loan balance.

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

Meetings of Directors

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

	Number of Meetings Held While a Director	Number of Meetings Attended
Full Board		
CL Baker	12	12
SG Smith	12	12
APS Kemp	12	11
RQ Cole	12	12
PP Gunasekara	12	11
Remuneration Committee		
CL Baker	2	2
APS Kemp	2	2
RQ Cole	2	2
Audit and Risk Management Committee		
RQ Cole	4	4
CL Baker	4	4
APS Kemp	4	4

Indemnification and Insurance of Directors, Officers and Auditors

During or since the end of the financial year, the Group 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 Group has Directors and Officers insurance in place for all directors and officers of the Group.

This insurance insures any person who is or has been an officer of the Group against certain liabilities in respect of their duties as an officer of the Group, 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 Group may decide to employ the auditor on assignments additional to statutory audit duties where the auditor's expertise and experience with the Group 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 Group (2019: Nil).

The lead auditor's independence declaration is set out on page 27 and forms part of the Directors' Report for the year ended 30 June 2020.

Hall Chadwick Qld 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 legislative instrument 2016/191, relating to the "rounding off" of amounts in the Directors' Report. Amounts in the Directors' Report have been rounded off in accordance with that legislative instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

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

CL Baker
Chairman

Brisbane

28 August 2020

HALL CHADWICK
CHARTERED ACCOUNTANTS & BUSINESS ADVISORS | QLD

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

As lead auditor for the audit of the financial report of PTB Group Limited for the financial year ended 30 June 2020, I declare to the best of my knowledge and belief, 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.

This declaration is in respect of PTB Group Limited and the entities it controlled during the financial period.

Clive Massingham
Director
HALL CHADWICK QLD

Dated this 28th day of August 2020

Corporate Governance describes the framework of rules, relationships, systems and processes within and by which authority is exercised and controlled within corporations. It encompasses the mechanisms by which companies, and those in control, are held to account. Good corporate governance promotes investor confidence which is crucial to the ability of the Group to compete for capital.

The ASX Corporate Governance Council's Corporate Governance Principles and Recommendations 3rd Edition recommends eight core corporate governance principles for entities listed on the ASX that, in the Council's view are likely to achieve good governance outcomes and meet the reasonable expectations of most investors in most situations. The Recommendations are not mandatory and do not seek to prescribe the corporate governance practices that a listed entity must adopt.

Under Listing Rule 4.10.3 PTB is required to provide a statement disclosing the extent to which it has followed the Recommendations. Where a Recommendation has not been followed, this fact must be disclosed together with the reasons for the departure.

This PTB Group Corporate Governance Statement is structured with reference to the Council's Principles and Recommendations.

Principle 1: Lay solid foundations for management and oversight.

A listed entity should establish and disclose the respective roles and responsibilities of its board and management and how their performance is monitored and evaluated.

Recommendation 1.1 *Complies: YES*

A listed entity should disclose:

(a) the respective roles and responsibilities of its board and management; and

(b) those matters expressly reserved to the board and those delegated to management.

Recommendation 1.2 *Complies: YES*

A listed entity should:

(a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and

(b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.

Recommendation 1.3 *Complies: YES*

A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.

Recommendation 1.4 *Complies: YES*

The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.

Recommendation 1.5 *Complies: NO*

A listed entity should:

(a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;

(b) disclose that policy or a summary of it; and

(c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either:

  (1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or

  (2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.

Recommendation 1.6 *Complies: YES*

A listed entity should:

(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and

(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

Recommendation 1.7 *Complies: YES*

A listed entity should:

(a) have and disclose a process for periodically evaluating the performance of its senior executives; and

(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

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 Group;

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 Group.

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 Group 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.

Responsibilities of the Managing Director and Senior Management

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.

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 in June 2015. 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.

Appointment of Board Members

When a vacancy exists, through whatever cause, or where the Board considers that it would benefit from the services of a new member with particular skills, the Board considers a panel of candidates identified and selected by the Board having regard to:

a) what may be appropriate for the Company and the Group;

b) the skills, expertise and experience of the candidates;

c) the mix of those skills, expertise and experience with those of the existing directors; and

d) the perceived compatibility of the candidates with the Group and with the existing directors.

Potential candidates to be appointed as directors are considered by the Board with advice from an external consultant as considered by the Board to be appropriate. The Board then appoints the most suitable candidates who (assuming that they consent to act as directors) continue in office only until the next AGM and are then eligible for re-election but are not taken into account in determining the number of directors to retire by rotation at the AGM. Security holders are provided with all material information in the Group's possession relevant to a decision on whether or not to elect or re-elect a director

The terms and conditions of the appointment of all new members of the Board must be specified in a letter of appointment.

Service Agreements with Senior Management and Company Secretary

The terms of appointment of senior management are documented in a service agreement. Key details of service agreements with key management personnel are detailed in the remuneration report forming part of the Directors' Report in the annual report.

The terms of appointment of the company secretary are documented in a service agreement including that the company secretary is accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.

Diversity Policy

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 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 given the size of the Group 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.

Board and Committee Evaluation Process

The performance of the Board, its committees, and individual directors is evaluated annually by the Chairman in accordance with the Group'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.

Senior Management Evaluation Process

The process for evaluating the performance of senior management includes a process of annual appraisals measuring performance against goals and key performance indicators including contributions to the overall outcomes of the business. Performance evaluations have taken place in accordance with the process disclosed.

Principle 2: Structure the board to add value

A listed entity should have a board of an appropriate size, composition, skills and commitment to enable it to discharge its duties effectively.

Recommendation 2.1 *Complies: YES*

The board of a listed entity should:

(a) have a nomination committee which:

  (1) has at least three members, a majority of whom are independent directors; and

  (2) is chaired by an independent director, and disclose:

  (3) the charter of the committee;

  (4) the members of the committee; and

  (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or

(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.

Recommendation 2.2 *Complies: YES*

A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.

Recommendation 2.3 *Complies: YES*

A listed entity should disclose:

(a) the names of the directors considered by the board to be independent directors;

(b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and

(c) the length of service of each director.

Recommendation 2.4 *Complies: NO*

A majority of the board of a listed entity should be independent directors.

Recommendation 2.5 *Complies: NO*

The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.

Recommendation 2.6 *Complies: YES*

A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.

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 Group and of the Board the responsibility for this function rests with the Board.

Composition of the Board

The Board performs its role and function in accordance with the following principles:

a) The Board should comprise at least three and no more than 10 directors;

b) The Board must comprise of members with a broad range of experience, expertise, skills and contacts relevant to the Group 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.

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 Group'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 Group or an officer of, or otherwise associated, directly or indirectly, with a substantial shareholder of the Group;

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 Group; 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 Group.

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.

The Board composition does not comply with recommendation 2.4 and 2.5 of the ASX Corporate Governance Guidelines as the majority of directors are not independent directors and the Chairman is not an independent director as discussed below.

At 30 June 2020, the Board comprised five members including CL Baker (appointed 09/10/2001), a non-executive Chairman, APS Kemp (appointed 25/08/2006), an independent non-executive director, RQ Cole (appointed 28/02/2017), an independent non-executive director), PP Gunasekara (appointed 01/09/2017), a non-executive director and SG Smith (appointed 23/05/16) who is an executive director (Managing Director).

The board comprises only two out of five directors who meet the definition of independent directors. There are however four non-executive directors. The chairman is non-executive but does not meet the definition of independent director. The board is satisfied the mix of skills within the board far outweigh the benefits of simply complying with the guidelines. This position will continue to be monitored over time.

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

» Two members of the Board are independent non-executive directors with significant experience in corporate governance;
» The majority of the Board are non-executive directors;
» The Chairman is a non-executive director;
» Directors are entitled to seek independent professional advice at the Group'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.

Board Skills Matrix

A Board skills matrix has been adopted by the board of PTB Group Limited (PTB) to ensure the board maintains an appropriate mix of skills, knowledge, experience, personal attributes and other criteria appropriate for the governance of the Group.

The PTB Board is a skills-based board comprising directors who collectively have the skills, knowledge and experience to effectively govern and direct the organisation including governance skills, industry skills and personal attributes.

The Board skills matrix is reviewed and assessed annually as part of the board evaluation process. Individual board member skills are updated annually as part of the director evaluation process.

A summary of skills, experience and special responsibilities of each director is disclosed in the Directors' Report included in the annual report.

Induction of New Directors, Training and Advice

Directors are provided with relevant information in relation to the Company and the Group before accepting appointment, and also with a relevant induction package on accepting appointment, in each case appropriate for them to discharge their responsibilities in office.

Directors are provided with access to continuing education in relation to the Group extending to its business, the industry in which it operates, and generally information required by them to discharge the responsibilities of their office.

Each director has the right to seek independent legal or other professional advice at the Group's expense. Prior approval from the Chairman is required but may not be unreasonably withheld or delayed.

Principle 3: Act ethically and responsibly

A listed entity should act ethically and responsibly.

Recommendation 3.1 *Complies: YES*

A listed entity should:

(a) have a code of conduct for its directors, senior executives and employees; and

(b) disclose that code or a summary of it.

Best practice commitment

The Group is committed to achieving and maintaining the highest standards of conduct and has undertaken various initiatives 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 Group'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 Group'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 Group's operations or undertakings in order to fulfil their duties and responsibilities as directors. Any costs incurred are borne by the Group.

Code of conduct for transactions in securities

The Group 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 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.

Principle 4: Safeguard integrity in corporate reporting

A listed entity should have formal and rigorous processes that independently verify and safeguard the integrity of its corporate reporting.

Recommendation 4.1 *Complies: YES*

The board of a listed entity should:

(a) have an audit committee which:

(1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and

(2) is chaired by an independent director, who is not the chair of the board, and disclose:

(3) the charter of the committee;

(4) the relevant qualifications and experience of the members of the committee; and

(5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or

(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.

Recommendation 4.2 *Complies: YES*

The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

Recommendation 4.3 *Complies: YES*

A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.

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 Group. Its current members are Russell Cole (independent non-executive director - Chairman of ARM Committee), Craig Baker (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. Other matters for which the Committee is responsible include 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 four times 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.

PTB Group's Managing Director and Chief Financial Officer report in writing to the ARM Committee that:

» The Group'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 Group'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 and the names, qualifications, and the number of meetings attended has been disclosed in the Directors' Report included in the annual report.

The Group's auditor attends the AGM of the Company and is available to answer questions in relation to the audit of the financial report.

Principle 5: Make timely and balanced disclosure

A listed entity should make timely and balanced disclosure of all matters concerning it that a reasonable person would expect to have a material effect on the price or value of its securities.

Recommendation 5.1 *Complies: YES*

A listed entity should:

(a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and

(b) disclose that policy or a summary of it.

Continuous Disclosure Obligations

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 Group'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 Group's activities in light of its continuous disclosure policy. The Group'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.

Principle 6: Respect the rights of security holders

A listed entity should respect the rights of its security holders by providing them with appropriate information and facilities to allow them to exercise those rights effectively.

Recommendation 6.1 *Complies: YES*

A listed entity should provide information about itself and its governance to investors via its website.

Recommendation 6.2 *Complies: YES*

A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.

Recommendation 6.3 *Complies: YES*

A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.

Recommendation 6.4 *Complies: YES*

A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.

Shareholder Communications

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. Company information, news, announcements, reporting results and main corporate governance documents 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 Group's auditors will always attend the annual general meeting and will be available to answer shareholders' questions.

Principle 7: Recognise and manage risk

A listed entity should establish a sound risk management framework and periodically review the effectiveness of that framework.

Recommendation 7.1 *Complies: YES*

The board of a listed entity should:

(a) have a committee or committees to oversee risk, each of which:

(1) has at least three members, a majority of whom are independent directors; and

(2) is chaired by an independent director, and disclose:

(3) the charter of the committee;

(4) the members of the committee; and

(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or

(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.

Recommendation 7.2 *Complies: YES*

The board or a committee of the board should:

(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and

(b) disclose, in relation to each reporting period, whether such a review has taken place.

Recommendation 7.3 *Complies: YES*

A listed entity should disclose:

(a) if it has an internal audit function, how the function is structured and what role it performs; or

(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.

Recommendation 7.4 *Complies: YES*

A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.

Risk Management

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.

The risk management framework included in the Audit and Risk Management Committee Charter is available on the Company's website and is reviewed at least annually. The last review was in June 2020.

Internal Audit

The Group currently does not have an internal audit function. Considerable importance is placed on maintaining a strong control environment both financially and operationally. The audit committee and the board continue to monitor the need for an internal audit function as the business grows and through the independent expertise on the audit committee in conjunction with reporting from external auditors and industry certification audits which regularly evaluate the effectiveness of its risk management and internal control processes.

Economic, Environmental and Social Sustainability Risks

The Group is not subject to any material exposure to economic, environmental and social sustainability risks.

Principle 8: Remunerate fairly and responsibly

A listed entity should pay director remuneration sufficient to attract and retain high quality directors and design its executive remuneration to attract, retain and motivate high quality senior executives and to align their interests with the creation of value for security holders.

Recommendation 8.1 — *Complies: NO*

8.1(a)(2) not complied with

The board of a listed entity should:

(a) have a remuneration committee which:

   (1) has at least three members, a majority of whom are independent directors; and

   (2) is chaired by an independent director, and disclose:

   (3) the charter of the committee;

   (4) the members of the committee; and

   (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or

(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.

Recommendation 8.2 — *Complies: YES*

A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.

Recommendation 8.3 — *Complies: YES*

A listed entity which has an equity-based remuneration scheme should:

(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and

(b) disclose that policy or a summary of it.

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. These policies are included in the Group's Corporate Governance Charter. Its current members are Craig Baker (Chairman), Russell Cole and Andrew Kemp.

Russell Cole and Andrew Kemp are independent directors and its composition does not fully comply with the recommendations in 8.1 of the ASX Corporate Governance Guidelines as it is not chaired by an independent director. The Board believes this is acceptable given the size of the Group, the nature of its business and the commercial experience of the members.

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 Group'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.

The Group's polices relating to non-executive directors' and executive directors' and senior executives' remuneration are set out in the annual report.

It is the Group'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.

Equity-Based Remuneration Scheme

The Group does not currently operate an equity-based remuneration scheme.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Note	**2020** $'000	**2019** $'000
Revenue	2	78,144	51,481
Total Revenue		78,144	51,481
Changes in inventories of finished goods and work in progress		31,670	(1,201)
Raw materials and consumables used and finished goods purchased for sale		(78,417)	(31,031)
Employee benefits expense		(11,230)	(6,487)
Depreciation and amortisation	9	(3,085)	(2,106)
Repairs and maintenance		(270)	(151)
Bad and doubtful debts	5	(1,080)	131
Finance costs		(1,271)	(957)
Net foreign exchange gain/(loss)		(1,097)	263
Net gain/(loss) on sale of property, plant and equipment		–	(1)
Acquisition costs		(949)	–
Other expenses		(6,502)	(4,364)
Total expenses		(72,231)	(45,904)
Profit/(Loss) before income tax expense	3	**5,913**	**5,577**
Income tax (expense)/benefit	4	(1,893)	(1,603)
Profit/(Loss) for the year attributable to the owners of the parent entity		**4,020**	**3,974**
Other comprehensive income net of tax:			
Exchange differences on translation of foreign operations		(201)	2
Total comprehensive income/(loss) for the year attributable to the owners of the parent entity		**3,819**	**3,976**
		Cents	**Cents**
Basic earnings per share	21	4.32	5.71
Diluted earnings per share	21	4.32	5.71

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

	Note	2020 $'000	2019 $'000
Current Assets			
Cash and cash equivalents	19(a)	15,207	7,174
Trade and other receivables	5	20,234	13,376
Inventories	6	54,872	23,202
Current tax assets	7	–	144
Other current assets	8	1,698	1,242
Total Current Assets		92,011	45,138
Non-Current Assets			
Trade and other receivables	5	11,321	11,319
Inventories	6	2,662	2,687
Property, plant and equipment	9	28,522	18,752
Deferred tax assets	10	3,644	1,618
Intangible assets	11	12,673	4,334
Other non-current assets	8	–	–
Total Non-Current Assets		58,822	38,710
Total Assets		150,833	83,848
Current Liabilities			
Trade and other payables	12	9,529	4,856
Borrowings	13	9,437	2,455
Derivative financial liabilities		7	–
Current tax liabilities	7	1,168	47
Provisions	15	1,387	804
Other current liabilities	16	3,039	2,141
Total Current Liabilities		24,567	10,303
Non-Current Liabilities			
Borrowings	13	31,301	17,862
Deferred tax liabilities	14	6,645	4,332
Provisions	15	148	146
Other non-current liabilities	16	1,860	239
Total Non-Current Liabilities		39,954	22,579
Total Liabilities		64,521	32,882
Net Assets		86,312	50,966
Equity			
Issued capital	17	81,038	47,638
Reserves	18	13,514	13,312
Retained earnings		(8,240)	(9,984)
Total Equity		86,312	50,966

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

Consolidated Statement of Changes in Equity

	Note	Issued Capital			Reserves			
		Share Capital	Other Equity Securities	Total Issued Capital	Dividend Approp -riation Reserve	Foreign Currency Trans -lation	Retained Earnings	Total Equity
		$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2018		**42,938**	**183**	**43,121**	**14,367**	**(7)**	**(10,166)**	**47,315**
Total comprehensive income								
Profit for the year		-	-	-	-	-	3,974	3,974
Other comprehensive income		-	-	-	-	2	-	2
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**2**	**3,974**	**3,976**
Transactions with owners in their capacity as owners and other transfers								
Contributions of equity net of transaction cost	17	4,517	-	4,517	-	-	-	4,517
Transfer to reserves	18	-	-	-	3,792	-	(3,792)	-
Dividends recognised for the year	18	-	-	-	(4,842)	-	-	(4,842)
Balance at 30 June 2019		**47,455**	**183**	**47,638**	**13,317**	**(5)**	**(9,984)**	**50,966**
Balance at 1 July 2019		**47,455**	**183**	**47,638**	**13,317**	**(5)**	**(9,984)**	**50,966**
Total comprehensive income								
Profit for the year		-	-	-	-	-	4,020	4,020
Other comprehensive income		-	-	-	-	(201)	-	(201)
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**(201)**	**4,020**	**3,819**
Transactions with owners in their capacity as owners and other transfers								
Contributions of equity net of transaction cost	17	33,400	-	33,400	-	-	-	33,400
Transfer to reserves	18	-	-	-	2,276	-	(2,276)	-
Dividends recognised for the year	18	-	-	-	(1,873)	-	-	(1,873)
Balance at 30 June 2020		**80,855**	**183**	**81,038**	**13,720**	**(206)**	**(8,240)**	**86,312**

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

Consolidated Statement of Cash Flows

	Note	**2020** $'000	**2019** $'000
Cash Flow From Operating Activities			
Cash receipts from customers (inclusive of GST)		70,710	45,434
Cash payments to suppliers and employees (inclusive of GST)*		(78,103)	(40,707)
Interest received		547	567
Finance costs		(1,271)	(957)
Income tax refunded/(paid)		(297)	(144)
Net cash provided by/(used in) operating activities*	19(b)	(8,414)	4,193
Cash Flow From Investing Activities			
Payments for property, plant and equipment		(1,566)	(3,329)
Proceeds on disposal of property, plant and equipment		–	–
Payments relating to acquisition of subsidiary	20	(31,190)	–
Net cash provided by/(used in) investing activities		(32,756)	(3,329)
Cash Flow From Financing Activities			
Proceeds from borrowings		21,692	5,614
Proceeds from issue of shares		33,399	–
Repayment of borrowings		(3,602)	(2,194)
Repayment of lease liabilities		(413)	–
Payment of dividends		(1,873)	(1,294)
Net cash used in financing activities		49,203	2,126
Net increase/(decrease) in cash and cash equivalents held		8,033	2,990
Cash and cash equivalents at the beginning of the year		7,174	4,184
Cash and cash equivalents at the end of the year	19(a)	15,207	7,174

The consolidated statement of cash flows should be read in conjunction with the accompanying notes.

* Note that these amounts include acquisition of $12,177 million of inventory from CT Aerospace, LLC in February 2020. The acquisition was funded by a loan from the vendor.

Notes to the Financial Statements

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 Company 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 Financial Statements were authorised by the Board of Directors for issue on 28 August 2020.

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 IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company'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 2020 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 the Consolidated Statement of Profit or Loss.

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

The Group recognises revenue when it transfers control over a product or service to a customer. Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties.

The following table provides further information about the major business activities of the Group, including the nature and timing of the satisfaction of performance obligations in contracts with customers and the related revenue recognition policies of the Group:

Type of product/service	Revenue recognition including nature and timing of satisfaction of performance obligations and significant payment terms
Sale of goods, including turbine engines, aircraft and related parts.	The Group recognises revenue once a customer takes control of the part, engine or aircraft. For parts sales, this is deemed to occur once the items have been dispatched to the customer. While this is also generally the case for engine and aircraft sales, there are occasions where customers are deemed to have taken control of these goods prior to shipment. In these cases, appropriately completed sales documents demonstrate the transfer of control to the customer. Payment terms will vary depending on the relationship with the customer. These can include prepayment and credit terms (usually 30 days).
Repair and overhaul of turbine engines and related parts.	The services performed can range from minor part repairs to engine overhauls. With repairs and overhauls, the Group is enhancing the state of the engine/part, however the asset remains under the customer's control. Revenue is recognised in line with the Group's satisfaction of performance obligations. In many cases, this is at the completion of the job, however for larger jobs, revenue is taken up progressively in line with the percentage of completion. Payment terms will vary depending on the relationship with the customer. These can include prepayment and credit terms (usually 30 days).
Engine maintenance contracts.	The Group enters into engine maintenance agreements with customers. While the detailed terms of each contract vary, they all include the supply of a combination of parts, engines and workshop services over the term of the agreement. The Group invoices customers monthly across the term of the contracts. The monthly invoices are usually based on engine utilisation for the prior month and are payable on credit terms of up to 30 days. Revenue recognition is based on the timing of the supply of goods and services under these agreements rather the timing of the invoicing. The Group uses the same approaches explained above to determine when to recognise revenue for parts, engines and workshop services supplied under engine maintenance agreements.
Lease, hire or rental of aircraft and turbine engines.	Revenue from the lease, hire or rental of engines and aircraft is recognised as the services are provided. These may include a combination of fixed monthly charges and variable charges based on engine/aircraft utilisation each month. These are billed and paid on a monthly basis and can include credit terms of up to 30 days.
Provision of finance for aircraft and turbine engines and related Interest income.	The Group recognises interest revenue in relation to financing arrangements provided on aircraft and engines. This interest revenue is recognised by the Group on a progressive basis over the term of the contract. Monthly instalments including interest and principal repayments are paid by the customer as per the terms of the finance agreement.

(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.

(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

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

Rental contracts are typically made for fixed periods, but may have extension options. Lease agreements do not impose any covenants other than the security interests in the leased assets held by the lessor. Leased assets may not be used as security for borrowing purposes.

From 1 July 2019, the Group accounts for leases with the recognition of a right-of-use (ROU) asset and a corresponding lease liability at the date of which the lease is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

» Fixed payments, less any lease incentives available
» Amounts expected to be payable under residual value guarantees
» Payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case, the Group's incremental borrowing rate is used, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

(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 recognised in accordance with AASB 9: Financial Instruments. Refer to note 1(n) for further details on the Group's financial asset impairment policy.

The amount of the provision is recognised in the statement of profit or loss and other comprehensive income.

(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) Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Trade receivables that do not contain a significant financing component are initially measured at the transaction price.

Classification and subsequent measurement of financial assets

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

» Amortised cost
» Fair value through profit and loss (FVTPL)
» Fair value through other comprehensive income (FVOCI)

The classification is determined by both the entity's business model for managing the financial asset and the contractual cash flow characteristics of the financial asset.

Financial assets that meet the following conditions are measured subsequently at amortised cost:

» the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
» the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group currently has no financial assets at FVTPL or FVOCI.

Impairment of financial assets

In relation to the impairment of financial assets, an expected credit loss model is adopted where expected credit losses and changes in those expected credit losses are accounted for at each reporting date to reflect changes in credit risk since initial recognition of the financial asset.

The Group measures the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition. However, if the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12 months ECL.

The Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that may affect the expected collectability of the future cash flows of the instrument. A more detailed analysis is performed on the outstanding trade receivables listing as at 30 June to ensure the predicted current exposure is adequately covered by the calculated ECL.

Classification and subsequent measurement of financial liabilities

The Group's financial liabilities include borrowings, trade and other payables.

Financial liabilities are subsequently measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at their fair value with gains or losses recognised in profit or loss.

Derecognition

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

(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 - 15 years	DV
Plant and equipment – leased	6–8 years	DV
Rental engines	3,600 - 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 revalued assets are sold, it is Group policy to transfer the amounts included in revaluation reserves in respect of those assets to retained earnings.

(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 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'.

(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 corporate 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 legislative instrument 2016/191 relating to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that legislative instrument 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 4008

(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 of goodwill

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.

Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

Provision for impairment of inventories.

The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence.

Estimation of useful lives of assets

The Group determines the estimated useful lives and related depreciation and amortisation charges for its plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down as the Group considers this to be a better estimation of likely useful life.

Business combinations

Business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the Group taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

(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 participant's 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) Changes in significant accounting policies

AASB 16 Leases: The Group has adopted AASB 16 Leases from 1 July 2019. The standard replaces existing accounting requirements under AASB 117 Leases and eliminates the classification between operating and finance leases, introducing a single lessee accounting model.

Previously, leases were classified based on their nature as either finance leases or operating leases. Finance leases were recognised in the Consolidated Statement of Financial Position and operating leases were recognised on a straight-line basis over the term of the lease.

Under AASB 16, the Group's accounting for operating leases as a lessee will now result in the recognition of a right-of-use (ROU) asset and a corresponding lease liability, with the exception of short term leases under 12 months and where the underlying ROU asset is of a low value. The lease liability will represent the present value of future lease payments. There will be a separate recognition of the depreciation charge on the ROU asset and interest expense on the lease liability.

The Group adopted AASB 16 using the modified retrospective method of adoption. The reclassifications and adjustments arising from the new leasing standard are therefore recognised in the opening statement of financial position on 1 July 2019. As the Group adopted this approach, there was no restatement of previous financial statements required. When applying this modified approach, the Group has elected to apply practical expedients allowed under the standard, including the use of hindsight in determining the lease term where the contract contains options to extend the lease. The group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying AASB 117.

On adoption of AASB 16, the Group recognised lease liabilities in relation to leases which had previously been classified as operating leases under AASB 117 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate at date of transition.

The change in accounting policy affected the following items in the balance sheet at 1 July 2019:

» Right-of-use assets – increase $179,000

» Borrowings – increase $179,000

There was no impact to retained earnings.

The Group has recognised a charge of $470,000 in relation to depreciation of right-of-use assets (note 9), and additional finance costs of $80,000 due to interest expense on the lease liability.

The Group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of AASB 16.

(ag) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2020 reporting periods and have not been early adopted by the group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2. Revenue

The Group generates revenue primarily from the sale of goods (turbine engines, aircraft and related parts), provision of services (repair services and maintenance), rental of engines/aircraft and interest income from financing arrangements on the same. Other sources of revenue include other interest income and freight collected.

	2020 $'000	2019 $'000
Revenue from contracts with customers		
Sale of goods	30,130	22,149
Services	24,622	4,974
Maintenance contract revenue	19,825	20,887
Rental of engines/aircraft	2,604	2,855
Interest on extended credit receivables (hire purchase agreements)	528	509
	77,709	51,374
Other revenue	435	107
Total revenue	**78,144**	**51,481**

(a) Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers is disaggregated by primary geographical market, major business activities and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segments (see Note 27). Note that the PT USA segment includes revenues for the Prime Turbines, LLC business that was acquired in February 2020.

	PTB		PT USA		PT Leasing		IAP		Total	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Geographical markets										
AUS, PNG, NZ	8,439	5,305	8	453	3,033	2,073	1,529	1,338	13,009	9,169
Pacific	5,656	7,120	-	-	48	290	41	30	5,745	7,440
America	2,820	828	23,222	3,654	-	(8)	4,983	2,925	31,025	7,399
Asia	18,550	18,721	87	652	581	693	4,438	2,998	23,656	23,064
Africa	13	115	745	4	36	40	4	39	798	198
Europe	2,940	2,211	333	49	-	-	203	1,844	3,476	4,104
Total	**38,418**	**34,300**	**24,395**	**4,812**	**3,698**	**3,088**	**11,198**	**9,174**	**77,709**	**51,374**
Major business activities										
Sale of goods	9,785	8,167	8,101	4,808	1,046	-	11,198	9,174	30,130	22,149
Services	8,534	4,970	16,088	4	-	-	-	-	24,622	4,974
Maintenance contract revenue	19,825	20,887	-	-	-	-	-	-	19,825	20,887
Rental of engines/ aircraft	-	-	206	-	2,398	2,855	-	-	2,604	2,855
Interest on hire purchase agreements	274	276	-	-	254	233	-	-	528	509
Total	**38,418**	**34,300**	**24,395**	**4,812**	**3,698**	**3,088**	**11,198**	**9,174**	**77,709**	**51,374**
Timing of recognition										
Point in time	38,144	34,024	24,395	4,812	3,444	2,855	11,198	9,174	77,181	50,865
Over-time	274	276	-	-	254	233	-	-	528	509
Total	**38,418**	**34,300**	**24,395**	**4,812**	**3,698**	**3,088**	**11,198**	**9,174**	**77,709**	**51,374**
Other revenue	315	46	3	16	19	27	98	18	435	107
External revenue as reported in Note 27	**38,733**	**34,346**	**24,398**	**4,828**	**3,717**	**3,115**	**11,296**	**9,192**	**78,144**	**51,481**

3. Profit/(Loss) before income tax expense

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

	2020 $'000	2019 $'000
Depreciation		
– Buildings	129	124
– Plant and equipment	1,016	169
– Rental engines/aircraft	1,445	1,755
– Leasehold improvements	10	8
– Right-of-use assets	470	–
– Leased engines/aircraft	15	50
Short-term/low value leases		
– Premises	–	180
– Equipment and software	53	33
Impairment losses/(write back)		
– Trade debtors	1,080	(131)
Superannuation expense	641	503

4. Income Tax Expense

	2020 $'000	2019 $'000
(a) Income tax expense		
Current tax	1,609	47
Deferred tax arising from origination or reversal of temporary differences	264	1,576
Under/(over) provided in prior years	20	(20)
	1,893	1,603
(b) Numerical reconciliation of income tax expense to prima facie tax		
Profit/(loss) before income tax expense	5,913	5,577
Tax at the Australian tax rate of 30% (2019: 30%)	1,774	1,673
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
- Acquisition costs	286	–
- Non-deductible expenses	7	3
- Foreign income tax rate	(193)	(53)
- Adjustments for deferred tax assets of prior periods	19	(20)
Income tax expense/(benefit)	1,893	1,603

5. Trade and Other Receivables

	2020 $'000	2019 $'000
Current		
Trade receivables	17,773	10,312
Provision for impairment	(2,357)	(158)
	15,416	10,154
Maintenance contract receivables	2,099	1,646
Contract receivables	704	641
Extended credit receivables	2,015	935
	20,234	13,376
Non-Current		
Trade receivables	260	275
Maintenance contract receivables	5,349	4,232
Contract receivables	2,722	2,976
Extended credit receivables	1,164	2,011
Loan to related party	1,826	1,825
	11,321	11,319

Impaired trade receivables

In relation to the impairment of trade receivables, as at 30 June 2020, the Group had recognised an expected loss allowance of $2,357,000 (2019: $158,000). This includes $1,186,000 that was included in the balance sheet for Prime Turbines at acquisition date.

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

	2020 $'000	2019 $'000
At 1 July	(158)	(299)
Provision for impairment written back/(recognised) during the year	(1,080)	131
Acquisition of subsidiary balance	(1,186)	–
Exchange movements	46	–
Receivables written off during the year as uncollectable	21	10
At 30 June	(2,357)	(158)

Further information on the Group's policy concerning the impairment of financial assets are set out in Note 1(n).

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.

	2020 $'000	2019 $'000
Payments in relation to the extended credit receivables are receivable as follows:		
Within one year	2,213	1,174
Later than one year but not later than five years	1,247	2,249
Later than five years	-	-
Minimum hire purchase payments receivable	3,460	3,423
Future finance revenue		
Within one year	(198)	(239)
Later than one year but not later than five years	(83)	(238)
Later than five years	-	-
	(281)	(477)
Total extended credit receivables	3,179	2,946
Representing receivables:		
Current	2,015	935
Non-current	1,164	2,011
	3,179	2,946

Risk exposure

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

6. Inventories

	2020 $'000	2019 $'000
Current		
Work in progress – at cost	6,521	4,097
Finished goods – at cost	48,351	19,105
	54,872	23,202
Non-current		
Finished goods – at cost	2,662	2,687
	2,662	2,687

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

	2020 $'000	2019 $'000
Current tax assets	–	144
Current tax liabilities	1,168	47

8. Other Assets

	2020 $'000	2019 $'000
Current		
Prepayments	1,444	1,024
Deposits	254	218
	1,698	1,242

9. Property, Plant and Equipment

Leases

Lessor 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 16 "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:

	2020 $'000	2019 $'000
No later than one year	826	1,375
Later than one year but not later than five years	888	1,527
	1,714	2,902

Non-current assets pledged as security

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

Lessee arrangements

The balance sheet shows the following amounts relating to leases:

	2020 $'000	2019* $'000
Right-of-use assets		–
Buildings	3,764	–
	3,764	–
Lease liabilities		
Current	1,049	–
Non-current	2,772	–
	3,821	–

*In the previous year, the Group only recognised lease assets and lease liability in relation to leases that were classified as 'finance leases' under AASB 117 Leases. The assets were presented in property, plant and equipment and the liabilities as part of the Group's borrowings. For adjustments recognised on adoption of AASB 16 on 1 July 2019, please refer to Note 1(af).

Additions to the right-of-use assets during the 2020 financial year were $590,000.

The statement of profit or loss shows the following amounts relating to leases:

	2020 $'000	2019* $'000
Depreciation charge of right-of-use assets		–
Buildings	470	–
	470	–
Interest expenses included in finance costs	80	–
Expense relating to short-term leases	46	–

9. Property, Plant and Equipment (continued)

	Land & Buildings		Leasehold Improvements		Plant & Equipment		Rental Engines/ Aircraft		Assets Under Con-struction	Total
	Owned $'000	Under Lease $'000	Owned $'000	Under Lease $'000	Owned $'000	Under Lease $'000	Owned $'000	Under Lease $'000	Owned $'000	$'000
Year ended 30 June 2019										
Opening net book value	6,643	-	9	-	736	-	9,774	174	2,049	19,385
Additions	112	-	-	-	1,639	-	1,578	-	-	3,329
Transfers[1]	-	-	-	-	1,994	-	(1,805)	-	(2,049)	(1,860)
Disposals	-	-	(1)	-	-	-	-		-	(1)
Impairment	-	-	-	-	-	-	-	-	-	-
Depreciation/ amortisation	(124)	-	(8)	-	(169)	-	(1,755)	(50)	-	(2,106)
FX translation	-	-	-	-	5	-	-	-	-	5
Closing net book value	6,631	-	-	-	4,205	-	7,792	124	-	18,752
At 30 June 2019										
Cost	7,893	-	-	-	5,730	-	15,941	263	-	29,827
Accumulated depreciation	(1,262)	-	-	-	(1,525)	-	(8,149)	(139)	-	(11,075)
Net book value	6,631	-	-	-	4,205	-	7,792	124	-	18,752
Year ended 30 June 2020										
Opening net book value	6,631	-	-	-	4,205	-	7,792	124	-	18,752
Adjustment for change in accounting policy	-	179	-	-	-	-	-	-	-	179
Adjusted opening net book value	6,631	179	-	-	4,205	-	7,792	124	-	18,931
Additions	-	590	-	-	431	-	1,135	-	-	2,156
Acquisition of subsidiary	-	3,447	396	-	7,409	-	-	-	-	11,252
Transfers[1]	-		-	-	-	-	(462)	-	-	(462)
Disposals	-		-	-	-	-	-		-	-
Impairment	-		-	-	-	-	-	-	-	-
Depreciation/ amortisation	(129)	(470)	(10)	-	(1,016)	-	(1,445)	(15)	-	(3,085)
FX translation	-	18	(15)	-	(273)	-	-	-	-	(270)
Closing net book value	6,502	3,764	371	-	10,756	-	7,020	109	-	28,522
At 30 June 2020										
Cost	7,893	4,191	381	-	13,260	-	16,431	263	-	42,419
Accumulated depreciation	(1,391)	(427)	(10)	-	(2,504)	-	(9,411)	(154)	-	(13,897)
Net book value	6,502	3,764	371	-	10,756	-	7,020	109	-	28,522

1 Represents transfer of engine cores and aircraft frames (to)/from inventory.

10. Deferred Tax Assets

	2020 $'000	2019 $'000
The balance comprises temporary differences attributable to:		
Tax losses	398	530
Accruals	110	47
Employee benefits	297	285
Doubtful debts	598	47
Acquisition costs	366	–
Other	1,875	709
Total deferred tax assets	3,644	1,618

Movements	Tax losses $'000	Accruals $'000	Employee benefits $'000	Doubtful debts $'000	Acquisition costs $'000	Other $'000	Total $'000
At 1 July 2018	1,007	43	250	77	–	1,095	2,472
(Charged)/credited to statement of profit or loss and other comprehensive income	(477)	4	35	(30)	–	(386)	(854)
At 30 June 2019	530	47	285	47	–	709	1,618
(Charged)/credited to statement of profit or loss and other comprehensive income	(132)	63	12	551	366	1,166	2,026
At 30 June 2020	398	110	297	598	366	1,875	3,644

A deferred tax asset of $3.644 million (2019: $1.618 million) has been recognised at 30 June 2020. This includes $0.398 million attributable to prior years' income tax losses carried forward (2019: $0.530 million) as based on management forecast of expected future taxable profits and the reversal of the temporary differences, it was considered probable that these deferred tax assets would be recovered in the future.

11. Intangible Assets

	2020 $'000	2019 $'000
Goodwill – IAP	4,334	4,334
Goodwill – Prime Turbines	8,339	–
Total Goodwill	12,673	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, and to Prime Turbines following the acquisition (see note 20) as a single cash-generating unit included in the PT USA 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

IAP:

The calculations utilise a pre-tax risk adjusted discount rate of 12.7% (2019: 13.4%) based on the Group's weighted average cost of capital of 8.9% (2019: 9.4%). A perpetual growth rate beyond the forecast period of 3% (2019: 3%) has been used. Management determined budgeted cash flows based on past performance and directors' best estimates over a five-year period.

Prime Turbines:

The calculations utilise a pre-tax risk adjusted discount rate of 12.7% (2019: n/a) based on the Group's weighted average cost of capital of 8.9% (2019: 9.4%). A perpetual growth rate beyond the forecast period of 3% (2019: n/a) has been used. Management determined budgeted cash flows based on past performance and directors' best estimates over a five-year period.

Impact of possible changes in key assumptions

The directors consider that there are no reasonably possible changes in key assumptions, which management has based its determination of recoverable amounts, which would cause the carrying amount of the CGU's to exceed their recoverable amounts.

12. Trade and Other Payables

	2020 $'000	2019 $'000
Trade payables and accruals	9,529	4,856

13. Borrowings

	2020 $'000	2019 $'000
Current		
Secured		
Bank overdraft	–	–
Bank loans	3,461	1,704
Test cell loans	774	276
Inventory loan	2,040	–
Lease liabilities	3,162	475
	9,437	2,455
Non-Current		
Secured		
Bank loans	13,431	11,134
Test cell loans	5,381	2,806
Inventory loan	7,819	–
Lease liabilities	4,670	3,922
	31,301	17,862

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 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 Pacific Turbine Leasing Pty Ltd, Pacific Turbine USA Pty Ltd and IAP Group Australia Pty Ltd of $84.364 million (2019: $50.472 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.

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.

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. Deferred Tax Liabilities

	2020 $'000	2019 $'000
The balance comprises temporary differences attributable to:		
Property, plant and equipment	3,453	1,282
Other	3,192	3,050
Total deferred tax liabilities	6,645	4,332

Movements	Property, plant and equipment $'000	Other $'000	Total $'000
At 1 July 2018	1,518	2,112	3,630
Charged/(credited) to statement of profit & loss and other comprehensive income	(236)	938	702
At 30 June 2019	1,282	3,050	4,332
Charged/(credited) to statement of profit & loss and other comprehensive income	2,171	142	2,313
At 30 June 2020	3,453	3,192	6,645

15. Provisions

	2020 $'000	2019 $'000
Current		
Employee benefits	1,224	804
Service warranties	163	–
	1,387	804
Non-Current		
Employee benefits	148	146
Remediation provisions	–	–
	148	146

Movements in Provisions	Employee Benefits $'000	Service warranties $'000	Remed -iation Provisions $'000	Total $'000
Balance 1 July 2018	833	–	340	1,173
Provisions made during the year	488	–	–	488
Provisions used during the year	(371)	–	(340)	(711)
Balance at 30 June 2019	950	–	–	950
Acquisition of subsidiary	318	151	–	469
Provisions made during the year	625	56	–	681
Provisions used during the year	(521)	(44)	–	(565)
Balance at 30 June 2020	1,372	163	–	1,535

(a) Remediation Provisions

Provision was made for the estimated expenditure required to restore the leasehold premises to an acceptable standard at the end of the lease term. This lease was terminated during the 2019 year and a payment was made as full and final settlement of the Group's obligations under the lease.

(b) Warranty Provisions

General provision was made for potential future claims against work carried out to 30 June 2020.

(c) 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 2020: $349,000 (2019: $314,000) 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.

16. Other Liabilities

	2020 $'000	2019 $'000
Current		
Deferred revenue	1,539	1,111
Deposits in advance	1,500	1,030
	3,039	2,141
Non-Current		
Deferred revenue	1,860	239

Deferred revenue

Deferred revenue relates to maintenance contract revenue received in advance.

17. Contributed Equity

	2020 $'000	2019 $'000
Share capital		
125,475,728 ordinary shares fully paid		
(2019: 74,904,990 ordinary shares fully paid)	80,855	47,455
Other equity securities		
Value of conversion rights (net of tax)	183	183
	81,038	47,638

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 2018	67,311,853	42,938
Shares issued 2019		
- under dividend reinvestment plan refer note 28	5,741,285	3,547
- share placement	1,851,852	970
Closing balance 30 June 2019	74,904,990	47,455
Shares issued 2020		
- under dividend reinvestment plan refer note 28	–	–
- rights issue	31,875,086	21,058
- share placements	18,695,652	12,342
Closing balance 30 June 2020	125,475,728	80,855

The purpose of the rights issue and share placements were to fund the acquisition of Prime Turbines, LLC (see note 20), plus associated costs and additional working capital.

Note that the Group received net funds of $977,500 on 29 June 2018, which was in advance of the placement of 1,851,852 shares on 2 July 2018. These proceeds were recorded in the 2018 accounts under payables.

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.

18. Reserves

	2020 $'000	2019 $'000
Foreign currency translation reserve	(206)	(5)
Dividend appropriation reserve	13,720	13,317
	13,514	13,312
Movements in Foreign Currency Translation Reserve:		
Reserve balance 1 July	(5)	(7)
Translation of controlled entity	(201)	2
Reserve balance 30 June	(206)	(5)
Movements in Dividend Appropriation Reserve:		
Reserve balance 1 July	13,317	14,367
Transfer from retained earnings	2,276	3,792
Dividend payment	(1,873)	(4,842)
Reserve balance 30 June	13,720	13,317

The dividend appropriation reserve is used to record the retained earnings which can be used for future dividend payments. A fully franked interim dividend of 2.5 cents per share (2019: nil) was paid from the dividend appropriation reserve. A final dividend of 2.5 cents per share has also been declared (2019: 7 cents per share) and will be paid from the reserve.

19. Cash Flow Information

(a) Reconciliation of Cash and Cash Equivalents

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

	2020 $'000	2019 $'000
Cash and cash equivalents assets – cash at bank and on hand	15,207	7,174
Bank overdraft (note 13)	–	–
	15,207	7,174

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

	2020 $'000	2019 $'000
Profit/(loss) for the year	4,020	3,974
Depreciation and amortisation	3,085	2,106
(Gain)/loss on disposal of property, plant and equipment	–	1
Movement in impairment of trade receivables	1,013	(141)
Unrealised foreign currency movements	865	(87)
Acquisition costs included in expenses	949	–
Changes in operating assets and liabilities		
(Increase)/decrease in:		
Trade and other receivables	(8,773)	(6,664)
Inventories *	(13,892)	2,913
Deferred tax assets	(2,026)	854
Other assets	(312)	(802)
Increase/(decrease) in:		
Trade payables, accruals, and other liabilities	2,638	1,513
Employee benefits	585	(223)
Current tax liabilities	1,121	47
Deferred tax liabilities	2,313	702
Net cash flow from operating activities	(8,414)	4,193

*net of transfers to/from property, plant and equipment. Note that this includes the acquisition of $12.177 million of inventory from CT Aerospace, LLC in February 2020. The acquisition was funded by a loan from the vendor.

20. Business combinations

On 26 February 2020, the Group acquired 100% of the issued share capital of Prime Turbines LLC, an established US based independent aircraft engine maintenance, repair and overhaul company, from VSE Corporation following the raising of $34.9m via a Placement and an Entitlement Offer (refer note 17). The acquisition has further strengthened the Group's position in the aviation services market.

Details of the purchase consideration, the fair value of net assets acquired and goodwill are as follows:

	$'000
Purchase consideration	
Cash paid	30,241
Net assets acquired	
Cash	–
Trade receivables	1,461
Prepayments	494
Inventories	17,022
Property, Plant and Equipment	7,805
Right-of-use assets	3,447
Trade and other payables	(4,562)
Employee benefits	(318)
Lease liabilities	(3,447)
Net identifiable assets acquired:	21,902
Add: goodwill	8,339
Net assets acquired	30,241

The goodwill is attributable to the expected synergies from the combined operations and the existing profitability of Prime Turbines. It will not be deductible for tax purposes.

The fair value of acquired trade receivables is $1.461 million. The gross contractual amount for trade receivables is $2.647 million, with a loss allowance of $1.186 million recognised.

Prime Turbines, LLC contributed revenues of $16.825 million and net profit of $1.215 million to the Group for the period 1 March 2020 to 30 June 2020. Had the acquisition occurred at 1 July 2019, Prime Turbines would have contributed revenues of $48.086 million to the Group.

Acquisition costs of $0.949 million that were not attributable to the issue of shares are included within expenses in the statement of profit and loss and as part of the payments relating to acquisition of subsidiary in the statement of cash flows.

21. Earnings Per Share

	2020 cents	2019 cents
Basic earnings per share	4.32	5.71
Diluted earnings per share	4.32	5.71
	$'000	$'000
Earnings used to calculate basic and diluted earnings per share		
– Profit/(loss) after tax for the year	4,020	3,974
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	92,978,642	69,646,247
Effect of dilutive securities	–	–
Weighted average number of ordinary shares and potential ordinary shares used in calculating diluted earnings per share	92,978,642	69,646,247

22. Key Management Personnel Disclosures

Directors

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

Chairman – non-executive

CL Baker

Executive directors

SG Smith, Managing Director

Non-executive directors

APS Kemp

RQ Cole

PP Gunasekara

Other key management personnel

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

Name	*Position*	*Employer*
D Zgrajewski	Company Secretary and CFO	PTB Group Limited

Key management personnel compensation

	2020 $	2019 $
Short-term employee benefits	1,088,881	918,428
Post-employment benefits	45,442	46,309
Other long-term benefits	–	–
	1,134,323	964,737

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 represent 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:

	2020 $	2019 $
Audit Services – Hall Chadwick Qld		
Audit or review of the financial reports	195,000	145,000
Total remuneration for audit services	195,000	145,000

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

25. Commitments

(a) Finance leases

	2020 $'000	2019 $'000
Commitments in relation to finance leases are payable as follows:		
– Within one year	3,483	667
– Later than one year but not later than five years	4,913	4,147
– Later than five years	-	–
Minimum lease payments	8,396	4,814
Future finance charges		
– Within one year	(321)	(192)
– Later than one year but not later than five years	(243)	(225)
– Later than five years	-	–
	7,832	4,397
Representing lease liabilities:		
Current	3,162	475
Non-current	4,670	3,922
	7,832	4,397

Finance leases comprise aircraft and aircraft engines leased under commercial terms and conditions, as well as property leases 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.

(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:

	2020 $'000	2019 $'000
Within one year	41	110
Later than one year but not later than five years	30	26
Later than five years	-	-
	71	136

Operating leases mainly comprise leases of equipment. 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. Leases for premises previously disclosed as operating leases are now disclosed in accordance with note 1 (h).

(c) Capital commitments

The Group's commitments for capital expenditure as at 30 June 2020 were nil (2019: Nil).

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. 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. The Group holds a fair value foreign exchange hedge for JPY193.7 million maturing October 2021. 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 2020		30 JUN 2019	
	USD $'000	JPY ¥'000	USD $'000	JPY ¥'000
Cash and cash equivalents	8,892	–	3,926	–
Trade and other receivables	11,756	–	9,660	–
Inventories	20,909	–	3,949	–
Other assets	1,037	–	601	–
Property, plant and equipment	7,492	–	55	–
Trade and other payables	(5,906)	–	(3,015)	–
Borrowings	(20,128)	(242,163)	(8,774)	–
Financial derivatives	(4)	–	–	–
Other liabilities	(3,106)	–	(1,240)	–

Group sensitivity

Based on the financial instruments held at 30 June 2020, 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 $2,380,000 higher/$1,947,000 lower (2019: $574,000 higher/$470,000 lower), mainly as a result of foreign exchange gains and losses on translation of US dollar denominated financial instruments as detailed in the above table.

Equity would have been $2,380,000 higher/$1,947,000 lower (2019: $574,000 higher/$470,000 lower) had the Australian dollar weakened/strengthened by 10% against the US dollar due to the reasons noted above.

It is 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.

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

(ii) Price Risk

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

(iii) Cash flow and fair value interest rate risk

The Group has significant interest-bearing 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 Australian dollar denominated bank loans) 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 Maturing							
2020	**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
Financial Assets										
Cash and cash equivalents	0.00%	15,203	–	–	–	–	–	–	4	15,207
Trade and other receivables	8.00%	–	84	99	26	–	–	–	22,915	23,124
Loan to related party	5.00%	–	–	1,826	–	–	–	–	–	1,826
Contract receivables	5.00%	–	704	1,052	1,105	565	–	–	–	3,426
Extended credit receivables	9.77%	–	2,015	822	342	–	–	–	–	3,179
Total financial assets		15,203	2,803	3,799	1,473	565	–	–	22,919	46,762
Financial liabilities										
Trade and other payables	–	–	–	–	–	–	–	–	9,529	9,529
Bank overdraft	–	–	–	–	–	–	–	–	–	-
Bank loans	3.24%	7,649	1,394	1,659	4,135	–	–	–	–	14,837
Finance Lease liabilities	4.73%	–	2,113	1,227	671	–	–	–	–	4,011
Operating lease liabilities	5.00%	–	1,049	1,138	1,191	443	–	–	–	3,821
Test cell loans	4.36%	–	774	3,105	308	318	328	1,322	-	6,155
Vendor financed inventory loan	4.00%	–	2,040	2,124	2,210	2,300	1,185	–	–	9,859
Paycheck Protection Program loans (USA)	–	–	1,949	–	–	–	–	–	–	1,949
Insurance loan	8.20%	–	106	–	–	–	–	–	–	106
Total financial liabilities		7,649	9,425	9,253	8,515	3,061	1,513	1,322	9,529	50,267

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

2019	Effective Weighted Average Interest Rate	Floating Interest Rate	Fixed Interest 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
Financial Assets										
Cash and cash equivalents	0.00%	7,171	–	–	–	–	–	–	3	7,174
Trade and other receivables	8.00%	–	95	93	101	–	–	–	16,018	16,307
Loan to related party	5.00%	–	–	–	1,825	–	–	–	–	1,825
Contract receivables	5.00%	–	642	824	866	910	375	–	–	3,617
Extended credit receivables	10.28%	–	935	938	738	335	–	–	–	2,946
Total financial assets		7,171	1,672	1,855	3,530	1,245	375	–	16,021	31,869
Financial liabilities										
Trade and other payables	–	–	–	–	–	–	–	–	4,856	4,856
Bank overdraft	–	–	–	–	–	–	–	–	–	–
Bank loans	4.94%	7,649	1,570	3,496	–	–	–	–	–	12,715
Lease liabilities	4.73%	–	475	2,063	1,201	658	–	–	–	4,397
Test cell loan	3.00%	–	276	284	293	302	311	1,616	–	3,082
Insurance loan	8.20%	–	123	–	–	–	–	–	–	123
Total financial liabilities		7,649	2,444	5,843	1,494	960	311	1,616	4,856	25,173

There are no other interest-bearing financial assets and liabilities.

Group sensitivity

As the majority of the interest rates are fixed, at 30 June 2020 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 (2019: 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.

(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 industries;

» There are a number of individually significant receivables. For example, at 30 June 2020 the largest 10 debtors made up approximately 65% (2019: 73%) of total receivables. The largest debtor is a long-term customer in the Maldives and includes trade receivables and maintenance contract receivables. This customer accounts for 33% (2019: 32%) of total receivables.

» 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, Chase Bank and Citizen's Bank.

(c) Liquidity risk

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

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

	Consolidated	
	2020 $'000	**2019** $'000
Finance Facilities		
Available facilities		
Bank overdraft	731	716
Bank loans – chattel mortgage	-	–
– other	15,088	12,969
Finance lease liabilities	4,011	–
Operating lease liabilities	3,821	4,397
Vendor financed inventory loan	9,859	–
Paycheck Protection Program loans (USA)	1,949	–
Test cell loans	6,155	3,082
	41,614	21,164
Amounts utilised		
Bank overdraft	–	–
Bank loans – chattel mortgage	–	–
– other	14,943	12,838
Finance lease liabilities	4,011	–
Operating lease liabilities	3,821	4,397
Vendor financed inventory loan	9,859	–
Paycheck Protection Program loans (USA)	1,949	–
Test cell loans	6,155	3,082
	40,738	20,317
Unused facilities		
Bank overdraft	731	716
Bank loans – other	145	131
	876	847

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 $'000	1 to 2 years $'000	2 to 3 years $'000	3 to 4 years $'000	4 to 5 years $'000	Over 5 years $'000	Total $'000
Group 2020							
Non-derivatives							
Non-interest bearing	9,529	–	–	–	–	–	9,529
Variable rate	11	–	7,638	–	–	–	7,649
Fixed rate	9,426	9,252	8,516	3,061	1,513	1,321	33,089
Total financial liabilities	18,966	9,252	16,154	3,061	1,513	1,321	50,267
Group 2019							
Non-derivatives							
Non-interest bearing	4,856	–	–	–	–	–	4,856
Variable rate	12	–	–	7,637	–	–	7,649
Fixed rate	2,444	5,843	1,494	960	311	1,616	12,668
Total financial liabilities	7,312	5,843	1,494	8,597	311	1,616	25,173

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

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 four reportable segments:

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

» PT USA: This covers the operations of Prime Turbines LLC, Pacific Turbine USA, LLC and Pacific Turbine USA Pty Ltd specialising in PT6 and T53 turboprop engines. The businesses repair and sell PT6 and T53 engines, maintain related engines under contract and trade in related engine parts.

» PT Leasing: Covers the operations of Pacific Turbine Leasing Pty Ltd. This business is an aircraft and engine owner and leases aircraft and engines to operators under both operating and finance leases.

» IAP: Covering the operations of IAP Group Australia Pty Ltd trading in aircraft, aircraft engines, airframes and related parts.

Geographical Segments (Secondary Reporting)

The Group's management and operations are based in Brisbane and Sydney, Australia. The company also operates facilities in the USA in Florida, Arizona, Texas and Pennsylvania. 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.

2020	AUS, PNG & NZ $'000	Pacific $'000	America North & South $'000	Asia $'000	Africa $'000	Europe $'000	Unallo-cated $'000	Total $'000
i) Revenue								
PTB								
Total Segment Revenue	13,117	5,673	3,653	18,555	13	2,940	–	43,951
Inter-segment Revenue	(4,395)	–	(823)	–	–	–	–	(5,218)
Revenue from External customers	8,722	5,673	2,830	18,555	13	2,940	–	38,733
PT USA								
Total Segment Revenue	18,689	–	25,031	87	745	333	–	44,885
Inter-segment Revenue	(18,681)	–	(1,806)	–	–	–	–	(20,487)
Revenue from External customers	8	–	23,225	87	745	333	–	24,398
PT Leasing								
Total Segment Revenue	3,601	48	–	581	39	–	–	4,269
Inter-segment Revenue	(552)	–	–	–	–	–	–	(552)
Revenue from External customers	3,049	48	–	581	39	–	–	3,717
IAP								
Total Segment Revenue	1,670	41	5,007	4,445	5	204	–	11,372
Inter-segment Revenue	(72)	–	(4)	–	–	–	–	(76)
Revenue from External customers	1,598	41	5,003	4,445	5	204	–	11,296
Unallocated								
Total Unallocated Revenue	–	–	–	–	–	–	–	–
Total Revenue from External Customers	13,377	5,762	31,058	23,668	802	3,477	–	78,144

27. Segment Information (continued)

2020	AUS, PNG & NZ $'000	Pacific $'000	America North & South $'000	Asia $'000	Africa $'000	Europe $'000	Unallo-cated $'000	Total $'000
ii) Adjusted EBITDA								
PTB	541	486	243	1,590	1	252	–	3,113
PT USA	1	–	3,369	12	144	59	–	3,585
PT Leasing	1,768	22	–	270	18	–	–	2,078
IAP	306	9	1,058	940	1	43	–	2,357
Unallocated	–	–	–	–	–	–	–	-
Adjusted EBITDA	2,616	517	4,670	2,812	164	354	–	11,133
iii) Segment Disclosure Items								
Depreciation & Amortisation								
PTB	439	–	–	–	–	–	–	439
PT USA	–	–	1,122	–	–	–	–	1,122
PT Leasing	1,035	16	–	409	–	–	–	1,460
IAP	64	–	–	–	–	–	–	64
Total	1,538	16	1,122	409	–	–	–	3,085
Unrealised (Gain)/ Loss on Foreign Currency								
PTB	–	134	68	438	–	69	–	709
PT USA	–	–	40	–	–	–	–	40
PT Leasing	–	(6)	–	(66)	(5)	–	–	(77)
IAP	–	1	100	88	–	4	–	193
Total	–	129	208	460	(5)	73	–	865

2020	AUS, PNG & NZ $'000	Pacific $'000	America North & South $'000	Asia $'000	Africa $'000	Europe $'000	Unallo-cated $'000	Total $'000
Capital Expenditure								
PTB	190	–	–	–	–	–	–	190
PT USA	–	–	829	–	–	–	–	829
PT Leasing	1,135	–	–	–	–	–	–	1,135
IAP	2	–	–	–	–	–	–	2
Total	1,327	–	829	–	–	–	–	2,156
Total Segment Assets								
PTB	41,518	3,433	973	11,432	16	316	36,435	94,123
PT USA	–	–	59,362	–	4	154	(34,777)	24,743
PT Leasing	9,832	329	–	1,795	236	–	960	13,152
IAP	15,454	12	571	1,737	1	14	(2,618)	15,171
Unallocated	–	–	–	–	–	–	–	-
Total	66,804	3,774	60,906	14,964	257	484	–	147,189
Total assets includes:								
Non-current Assets (other than financial assets and deferred tax)								
PTB	9,786	234	–	6,762	–	–	36,435	53,217
PT USA	–	–	19,287	–	–	–	(34,777)	(15,490)
PT Leasing	7,027	321	–	977	228	–	960	9,513
IAP	10,556	–	–	–	–	–	(2,618)	7,938
Total	27,369	555	19,287	7,739	228	–	–	55,178
Total Segment Liabilities								
PTB	1,942	269	1,654	783	22	25	–	4,695
PT USA	1	2,008	6,251	13	2	1	–	8,276
PT Leasing	887	–	–	589	9	–	–	1,485
IAP	441	–	765	5	–	296	–	1,507
Total	3,271	2,277	8,670	1,390	33	322	–	15,963

27. Segment Information (continued)

2019	AUS, PNG & NZ $'000	Pacific $'000	America North & South $'000	Asia $'000	Africa $'000	Europe $'000	Unallo-cated $'000	Total $'000
i) Revenue								
PTB								
Total Segment Revenue	12,770	7,132	1,488	18,741	115	2,212	–	42,458
Inter-segment Revenue	(7,456)	–	(656)	–	–	–	–	(8,112)
Revenue from External customers	5,314	7,132	832	18,741	115	2,212	-	34,346
PT USA								
Total Segment Revenue	11,139	–	3,654	664	4	50	–	15,511
Inter-segment Revenue	(10,683)	–	–	–	–	–	–	(10,683)
Revenue from External customers	456	–	3,654	664	4	50	–	4,828
PT Leasing								
Total Segment Revenue	3,627	290	346	694	41	–	–	4,998
Inter-segment Revenue	(1,529)	–	(354)	–	–	–	–	(1,883)
Revenue from External customers	2,098	290	(8)	694	41	–	–	3,115
IAP								
Total Segment Revenue	1,466	32	2,932	3,004	40	1,845	–	9,319
Inter-segment Revenue	(127)	–	–	–	–	–	–	(127)
Revenue from External customers	1,339	32	2,932	3,004	40	1,845	–	9,192
Unallocated								
Total Unallocated Revenue	–	–	–	–	–	–	–	–
Total Revenue from External Customers	9,207	7,454	7,410	23,103	200	4,107	-	51,481

2019	AUS, PNG & NZ $'000	Pacific $'000	America North & South $'000	Asia $'000	Africa $'000	Europe $'000	Unallo-cated $'000	Total $'000
ii) Adjusted EBITDA								
PTB	492	574	67	1,508	9	178	–	2,828
PT USA	58	–	439	84	1	6	–	588
PT Leasing	1,722	326	(9)	778	46	–	–	2,863
IAP	333	8	724	742	10	456	–	2,273
Unallocated	–	–	–	–	–	–	–	–
Adjusted EBITDA	2,605	908	1,221	3,112	66	640	–	8,552
iii) Segment Disclosure Items								
Depreciation & Amortisation								
PTB	195	–	–	–	–	–	–	195
PT USA	–	–	32	–	–	–	–	32
PT Leasing	1,091	60	20	632	3	–	–	1,806
IAP	73	–	–	–	–	–	–	73
Total	1,359	60	52	632	3	–	–	2,106
Unrealised (Gain)/ Loss on Foreign Currency								
PTB	–	(87)	(10)	(228)	(1)	(27)	–	(353)
PT USA	–	–	(26)	–	–	–	–	(26)
PT Leasing	–	87	(2)	209	12	–	–	306
IAP	–	–	(5)	(7)	–	(3)	–	(15)
Total	–	–	(43)	(26)	11	(30)	–	(88)

2019	AUS, PNG & NZ $'000	Pacific $'000	America North & South $'000	Asia $'000	Africa $'000	Europe $'000	Unallo-cated $'000	Total $'000
Capital Expenditure								
PTB	1,744	–	–	–	–	–	–	1,744
PT USA	–	–	–	–	–	–	–	–
PT Leasing	1,578	–	–	–	–	–	–	1,578
IAP	7	–	–	–	–	–	–	7
Total	3,329	–	–	–	–	–	–	3,329
Total Segment Assets								
PTB	31,730	3,361	370	8,417	1	3	10,249	54,131
PT USA	141	–	6,359	841	–	–	(5,099)	2,242
PT Leasing	12,864	357	–	2,091	267	–	(830)	14,749
IAP	11,878	12	1,298	2,010	4	82	(4,320)	10,964
Unallocated	–	–	–	–	–	–	–	–
Total	56,613	3,730	8,027	13,359	272	85	–	82,086
Total assets includes:								
Non-current Assets (other than financial assets and deferred tax)								
PTB	14,325	912	–	5,348	–	–	10,249	30,834
PT USA	–	–	79	–	–	–	(5,099)	(5,020)
PT Leasing	7,891	336	–	1,665	228	–	(830)	9,290
IAP	6,308	–	–	–	–	–	(4,320)	1,988
Total	28,524	1,248	79	7,013	228	–	–	37,092
Total Segment Liabilities								
PTB	2,112	179	722	240	–	17	–	3,270
PT USA	–	–	1,889	–	–	11	–	1,900
PT Leasing	669	–	–	845	9	487	–	2,010
IAP	469	–	85	261	–	191	–	1,006
Total	3,250	179	2,696	1,346	9	706	–	8,186

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 and PT USA are derived from repairing, selling, and maintaining PT6, T53 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. PT Leasing'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.

	2020 $'000	2019 $'000
Total Segment revenue	104,477	72,286
Inter-segment eliminations	(26,333)	(20,805)
Interest revenue	–	–
Total revenue from continuing operations (note 2)	78,144	51,481

The Group is predominantly domiciled in Australia. The amount of its revenue from external customers in Australia is $13.377 million (2019: $9.207 million) and the total revenue from external customers in other countries is $64.767 million (2019: $42.274 million). Segment revenues are allocated based on the country in which the customer is located.

(ii) Adjusted EBITDA

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

This measurement basis excludes the effects of non-recurring expenditure from the operating segments such as unrealised gains / (losses) on foreign currency movements and 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:

	2020 $'000	2019 $'000
Adjusted EBITDA	11,133	8,552
Unrealised gain/(loss) on foreign currency	(865)	88
Depreciation and amortisation	(3,085)	(2,106)
Finance costs	(1,270)	(957)
Profit/(Loss) before income tax from continuing operations	5,913	5,577

(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:

	2020 $'000	2019 $'000
Segment Assets	147,189	82,086
Unallocated:		
Current tax assets	–	144
Deferred tax assets	3,644	1,618
Total assets as per the statement of financial position	150,833	83,848

The total of non-current assets other than financial instruments and deferred tax assets located in Australia is $27.369 million (2019: $28.524 million), and the total of these non-current assets located in other countries is $27.809 million (2019: $8.568 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:

	2020 $'000	2019 $'000
Segment Liabilities	15,963	8,186
Unallocated:		
Current tax liabilities	1,168	47
Deferred tax liabilities	6,645	4,332
Derivative financial liabilities	7	–
Current borrowings	9,437	2,455
Non-current borrowings	31,301	17,862
Total liabilities as per the statement of financial position	64,521	32,882

28. Dividends

The directors have determined a fully franked (at 30%) final dividend of 2.5 cents per share amounting to $3.137 million. The dividend will be payable on 30 October 2020 to shareholders on the register at 5.00pm AEST on 2 October 2020.

Dividends paid during the year

	2020 $'000	**2019** $'000
Interim dividend for 30 June 2020 of 2.5 cents per share (2019: 7 cents per share) fully franked (at 30%) paid on 2 March 2020.	1,873	4,842

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

	2020 $'000	**2019** $'000
Paid in cash	1,873	1,294
Satisfied by the issue of shares	–	3,548
	1,873	4,842

	Consolidated		Parent Entity	
	2020 $'000	**2019** $'000	**2020** $'000	**2019** $'000
Franking credits				
Franking credits available for subsequent financial years based on a tax rate of 30% (2019: 30%)	4,661	5,167	4,661	5,167

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

		Equity Holding	
Name	Country of Incorporation	2020	2019
PTB Finance Limited(1)	Australia	100%	100%
Pacific Turbine USA Pty Ltd(1)(5)	Australia	100%	100%
Pacific Turbine Leasing Pty Ltd(2)	Australia	100%	100%
IAP Group Australia Pty Ltd(3)	Australia	100%	100%
748 Cargo Pty Ltd(4)	Australia	100%	100%
Pacific Turbine USA, LLC(6)	USA	100%	100%
PTB USA Holdings, LLC(7)	USA	100%	–
Prime Turbines, LLC(8)	USA	100%	–

(1) Incorporated 14 October 2005
(2) Incorporated 4 October 2006 (previously PTB (Emerald) Pty Ltd)
(3) Purchased as part of business combination on 21 September 2006
(4) Incorporated 21 June 2007 (Previously PTB Asset Management Pty Ltd)
(5) Change of name on 1 February 2016 (Previously PTB Rentals Australia Pty Ltd)
(6) Incorporated 27 March 2017
(7) Incorporated 6 January 2020
(8) Purchased as business combination on 26 February 2020

All subsidiaries are 100% owned by PTB Group Limited. 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 current and 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 (dissolved), 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 legislative instrument 2016/785 (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, represent a 'Closed Group' for the purposes of the legislative instrument, 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 2020 of the Closed Group:

	2020 $'000	2019 $'000
Revenue	78,144	51,481
Total Revenue	78,144	51,481
Changes in inventories of finished goods and work in progress	31,670	(1,201)
Raw materials and consumables used and finished goods purchased for sale	(78,417)	(31,031)
Employee benefits expense	(11,230)	(6,487)
Depreciation and amortisation	(3,085)	(2,106)
Repairs and maintenance	(270)	(151)
Bad and doubtful debts	(1,080)	131
Finance costs	(1,271)	(957)
Net foreign exchange gain/(loss)	(1,097)	263
Net gain/(loss) on sale of property, plant and equipment	-	(1)
Acquisition costs	(949)	–
Other expenses	(6,502)	(4,364)
Total expenses	(72,231)	(45,904)
Profit/(Loss) before income tax expense	5,913	5,577
Income tax expense	(1,893)	(1,603)
Profit/(Loss) for the year	4,020	3,974
Statement of Comprehensive Income Profit/(Loss) for the year	4,020	3,974
Other comprehensive income net of tax	(201)	2
Total comprehensive income for the year attributable to the owners of the parent entity	3,819	3,976
Summary of movements in consolidated retained profits/(losses)		
Retained (losses)/profits at the beginning of the financial year	(10,110)	(10,292)
Transfer to dividend appropriation reserve	(2,276)	(3,792)
Profit/(loss) for the year	4,020	3,974
Retained (losses)/profits at the end of the financial year	(8,366)	(10,110)

(b) Consolidated Statement of Financial Position

Set out below is a consolidated statement of financial position as at 30 June 2020 of the Closed Group:

	2020 $'000	2019 $'000
Current Assets		
Cash and cash equivalents	15,207	7,174
Trade and other receivables	20,234	13,376
Inventories	54,872	23,202
Current tax assets	-	144
Other current assets	1,698	1,242
Total Current Assets	92,011	45,138
Non-Current Assets		
Trade and other receivables	11,007	11,005
Inventories	2,662	2,687
Other financial assets	265	265
Property, plant and equipment	28,522	18,752
Deferred tax assets	3,644	1,618
Intangible assets	12,673	4,334
Other non-current assets	–	–
Total Non-Current Assets	58,773	38,661
Total Assets	150,784	83,799
Current Liabilities		
Trade and other payables	9,529	4,856
Borrowings	9,437	2,455
Derivative financial instruments	7	–
Current tax liabilities	1,168	47
Provisions	1,387	804
Other current liabilities	3,039	2,141
Total Current Liabilities	24,567	10,303
Non-Current Liabilities		
Borrowings	31,301	17,862
Deferred tax liabilities	6,645	4,332
Provisions	148	146
Other non-current liabilities	1,860	239
Total Non-Current Liabilities	39,954	22,579
Total Liabilities	64,521	32,882
Net Assets	86,263	50,917
Equity		
Contributed equity	81,115	47,715
Reserves	13,514	13,312
Retained earnings	(8,366)	(10,110)
Total Equity	86,263	50,917

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 and note 22.

c) Other transactions with subsidiaries

All transactions with subsidiaries are eliminated for the purposes of this report.

d) Outstanding balances of loans to subsidiaries

There are no outstanding, uneliminated loans to subsidiaries as at 30 June 2020 (2019: nil).

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

There are no outstanding other related party transactions or balances as at 30 June 2020 (2019: nil).

32. Parent Entity Financial Information

a) Summary financial information

	2020 $'000	2019 $'000
Statement of Financial Position		
Current assets	40,905	23,299
Total Assets	122,431	78,123
Current liabilities	7,630	4,307
Total Liabilities	25,247	16,412
Shareholders' equity		
Issued Capital	81,115	47,716
Reserves	14,410	12,463
Retained earnings	1,659	1,532
	97,184	61,711
Profit / (loss) for the year	2,615	7,648
Total comprehensive income	2,615	7,648

b) Guarantees entered into by the parent entity

	2020 $'000	2019 $'000
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:

Favouree	Bank	Date	2020 $'000	2019 $'000
Bankstown Airport Limited	CBA	27/03/2007	–	18
			–	18

DIRECTORS' DECLARATION

For the year ended 30 June 2020

The directors of the Company declare that:

(a) the attached financial statements and notes, as set out on pages 37 to 94 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 2020 and of the performance for the year ended on that date of the consolidated entity;

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

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

(d) the financial statements also comply with International Financial Reporting Standards as disclosed in note 1.

The directors have been given the declarations by the Managing Director and Chief Financial Officer for the financial year ended 30 June 2020 required by section 295A of the Corporations Act 2001.

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

CL Baker

Chairman

Brisbane

28 August 2020

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INDEPENDENT AUDITOR'S REPORT – TO THE MEMBERS OF PTB GROUP LIMITED

Report on the Audit of the Financial Report

Opinion

We have audited the accompanying financial report of PTB Group Ltd and controlled entities (the Group), which comprises the consolidated statement of financial position as at 30 June 2020, 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 and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

(a) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year then ended; and

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

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the audit of the financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES *110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the year ended 30 June 2020. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Key Audit Matter	How our audit addressed the key audit matter
Business Combinations **Refer to Note 1 (i) and Note 20 – Business Combinations** During the year the Group acquired 100% of the issued capital of Prime Turbines LLC, an established US based independent aircraft engine maintenance, repair and overhaul company. As a result of the business combination transactions, the Group recognised goodwill of $8.34m. The Business combination is considered a key audit matter due to the significant judgement involved in the recognition and measurement of identifiable assets and liabilities at their fair value.	Our procedures included, but were not limited to, the following: • Reading the sale and purchase agreements to understand the key terms and conditions. • Considering the Group's assessment of the application of AASB 3 Business Combinations. • Reviewing the provisional accounting entries associated with the business combination. • Assessing the methodology applied to recognise the fair value of identifiable assets and liabilities and agreeing to supporting documentation. • Assessing the adequacy of the related disclosures within the financial statements.
Key Audit Matter	**How our audit addressed the key audit matter**
Value of Goodwill **Refer to Note 1 (q), Note 11 and Note 1 (ad) – Intangible Assets** Goodwill of $12.67m recognised from the acquisition of Prime Turbines LLC in 2020 and International Air Parts (IAP) acquired in 2006 has been considered as a key audit matter due to the carrying value of goodwill at year-end and the calculations regarding impairment. Conditions giving rise to our focus on this area included the significant level of judgement in respect of factors such as: • budgeted future revenue and costs; • discount rates; and • the terminal growth rate	Our procedures included, but were not limited to, the following: • Evaluation of management's goodwill impairment assessment process. • Testing of internal controls, including the review of forecasts by management. • Obtaining the Group's value in use models and agreeing amounts to the Group's FY21 budget. • Testing key inputs to the value in use model included forecast revenue, costs, capital expenditure, discount rates and terminal growth rates. We challenged these inputs by corroborating the key market-based assumptions to external published industry growth rates and industry reports. For non-market-based assumptions, we corroborated those assumptions by comparing forecasts to historical costs incurred or margins on similar projects. We also assessed the inclusion of key ongoing revenue

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Key Audit Matter	How our audit addressed the key audit matter
	contracts by comparing the margins in the impairment model to historical contract margins. • Assessment of the accuracy of previous forecasts as part of our evaluation of forecasts included in the value in use model. We applied scepticism to current period forecasts in areas where previous forecasts were not achieved and/or where future uncertainty is greater, or volatility is expected. • Performing sensitivity analysis on the Cash Generating Unit (CGU) in two main areas being the discount rate and the terminal growth rate assumptions.

Key Audit Matter	How our audit addressed the key audit matter
Valuation of trade and other receivables **Refer to Note 1 (l) and Note 5 – Trade and other receivables** Net trade receivables total $31.55m, including an impairment provision of $2.36m, and includes $11.32m in long-term trade receivables. Trade receivables are recognised at their anticipated realisable value, which is the original invoiced amount less an estimated provision allowance. Valuation of trade receivables is a key audit matter in the audit due to the size of the trade receivable balance, the challenging conditions currently in the aviation industry and the high level of management judgement used in determining the impairment provision.	Our procedures included, but were not limited to, the following: • Obtained trade receivables balance confirmations. • Analysed the aging of trade receivables. • Obtained a list of long outstanding receivables and assessed the recoverability of these through inquiry with management and by obtaining sufficient corroborative evidence to support the conclusions. • Performed subsequent receipts testing on a sample of trade and other debtors. • Scrutinised managements' provision for impairment of receivables in conjunction with our detailed assessment.

Information Other Than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2020 but does not include the financial report and our auditor's report thereon.

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Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' Responsibility for the Financial Report

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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud of error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal controls relevant to the audit 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 Group's internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial

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report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the remuneration report included in pages 18 to 24 of the directors' report for the year ended 30 June 2020.

In our opinion the remuneration report of PTB Group Limited for the year ended 30 June 2020 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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.

Clive Massingham
Director
Hall Chadwick Qld, Chartered Accountants
Dated at Brisbane this 28th August 2020

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SHAREHOLDER INFORMATION

For the year ended 30 June 2020

The shareholder information set out below was applicable as at 7 August 2020.

(a) Distribution of Shareholders:

Category (size of Holding)	Class of equity security	
	Ordinary Shares	Options
1 – 1,000	87	–
1,001 – 5,000	359	–
5,001 – 10,000	242	–
10,001 – 100,000	617	–
100,001 and over	161	–
	1,466	–

(b) The number of ordinary shareholdings held in less than marketable parcels is 60.

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

	Number of Ordinary Shares Held	Percentage
Asir & Nek Private Limited	19,505,232	15.55%
Kiowa Two Thousand Corporate Trustee Company Limited	12,731,650	10.15%
SG Smith and Judith Flintoft	6,568,966	5.24%

(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.

SHAREHOLDER INFORMATION

For the year ended 30 June 2020

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

	Number of Ordinary Fully Paid Shares Held	Percentage
ASIR & NEK PRIVATE LIMITED	19,505,232	15.55%
KIOWA TWO THOUSAND CORPORATE TRUSTEE COMPANY LIMITED	6,945,115	5.54%
KIOWA TWO THOUSAND CORPORATE TRUSTEE COMPANY LIMITED	5,786,535	4.61%
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	4,650,316	3.71%
NATIONAL NOMINEES LIMITED	4,579,401	3.65%
PRINCE PRIYANTHA GUNASEKARA	3,876,217	3.09%
JUDITH ANN MARGARET FLINTOFT	3,647,850	2.91%
THREE HUNDRED CAPITAL PTY LTD	3,417,782	2.72%
BAKER SUPERANNUATION PTY LTD	2,857,095	2.28%
MILTON YANNIS	2,322,854	1.85%
MR STEPHEN GARRY SMITH & MRS JUDITH ANN FLINTOFT	2,033,116	1.62%
HACKETT CP NOMINEES PTY LTD	1,830,640	1.46%
MR ROSS GEORGE YANNIS	1,714,205	1.37%
MR WENDELL FLETCHER PHILLIPS & MRS BAILEY BAKER & MR SIMON JEREMEY KEMBER	1,449,275	1.16%
COSELL PTY LIMITED	1,031,213	0.82%
EST GEORGE YANNIS & MRS THELMA YANNIS	991,924	0.79%
PROF ALAN JONATHAN BERRICK	948,627	0.76%
LORNETTE PTY LTD	926,878	0.74%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	900,101	0.72%
JUDITH FLINTOFT	888,000	0.71%
	70,302,376	56.03%

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

COMPANY STATISTICS

For the year ended 30 June 2020

	2020	2019	2018	2017	2016
Revenue ($'000)	78,144	51,481	40,611	46,551	43,170
+-Net profit/(loss) ($'000)	4,020	3,974	3,243	2,948	2,567
Net Assets ($'000)	86,312	50,966	47,315	44,753	37,686
Cash Flow from Operating Activities ($'000)	(8,414)	4,193	3,910	(3,210)	1,671
Ordinary Shares fully paid ('000)	125,476	74,905	67,312	62,749	47,891
Return on average shareholders' funds (%)	5.86	8.09	7.04	7.38	7.21
Share price at year-end ($)	0.68	0.677	0.56	0.485	0.42
NTA backing per Share (Cents)	59	62	64	64	70
Dividend (Cents) per share in respect of each financial year	5	7	5	5	5
Average AUD/USD exchange rate	$0.67	$0.72	$0.76	$0.79	$0.73

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