



**PTB GROUP LIMITED**

ABN 99 098 390 991



**ANNUAL REPORT**  
30 June 2009

## Corporate Directory and Information

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### **Directors**

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

### **Company Secretary**

James Barbeler

### **Registered Office and Principal Administrative Office**

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PINKENBA QLD 4008

#### Mailing Address

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### **Share Register**

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BRISBANE QLD 4000

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

### **Bankers**

ANZ Corporate Bank  
Level 3, 324 Queen Street  
BRISBANE QLD 4000

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

### **Solicitors**

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

### **Auditor**

WHK Horwath  
Level 16, 120 Edward Street  
BRISBANE QLD 4000

### **Stock Exchange Listing**

The Company is listed on the Australian  
Securities Exchange

### **Internet address**

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



**PTB GROUP LIMITED**

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30 June 2009

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

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

## Chairman's and Managing Director's Review

for the year ended 30 June 2009

### Results

Net profit after tax decreased from \$3.1 million in 2008 to \$0.1 million in 2009, representing a reduction of 97 per cent. Basic earnings per share were 0.4 cents (11.86 cents in 2008).

This represents a return on average shareholders' funds of 0.3 % (8.3 % in 2008). No dividend will be paid for the June 2009 year (2008: nil). The emphasis on debt reduction means that it is highly unlikely that a dividend will be paid in the 2010 year.

### The 2009 Year in Review

In our 2008 Annual Report the key changes in the business we detailed included:

- The strategic shift in the business back to trading;
- That there would be less concentration on rental of aircraft because of the lack of returns (relative ease of finance had meant that aircraft prices had been too high);
- The engine rental business would continue as it was relatively easy to fund; and
- The group had to focus on achieving its targeted return on assets.

The 2009 financial year has seen a number of unexpected challenges and a number of very significant achievements which are outlined in this report. The most significant events, linked to the matters noted above are:

- The strategic shift back to trading continued and contributions from these sectors of the business were significantly improved;
- The sale of the two large freight door (LFD) ATP aircraft to the Middle East operator did not proceed and this was replaced by a long-term finance lease to an established operator in Indonesia. This was significant in that the Middle East transaction was for cash and when this did not proceed we had to extend the \$14.7 million Emerald loan to an amortising facility over four years; and
- Our engine financing facility was not renewed by one of our bankers meaning that the previously reliable contribution from this section of our business was significantly reduced.

The combination of these factors, in particular the negative impact of the ATP sale cancellation, the time taken to replace it, and the resulting interest and currency costs, led to the breakeven year in 2009.

Looking back we can now see that the financial crisis was far worse than we anticipated and was a significant

factor in our ATP sale to the Middle East operator not proceeding, as well as the withdrawal of our engine financing facility. However in hindsight, and given the suddenness and severity of the financial crisis, the Company was overexposed on the Emerald transaction. This will be foremost in our thinking and planning in the future.

Importantly, there were a number of critical initiatives completed during the year. These are summarised below and commented on later in the review:

- Settlement of Belmont Airport land at Newcastle to a listed property developer;
- Completion and settlement of the new workshop and office complex in Brisbane;
- Rollover of \$4.5 million of Notes;
- Sale of Newcastle RPT operator Aeropelican;
- Completed two LFD and one passenger ATP in UK;
- Replaced Middle East cash sale of LFD ATP aircraft with an extended credit type arrangement to an established operator in Indonesia;
- Extension of short term \$14.7 million loan to a four year term loan;
- Closure of UK Emerald refurbishment operation;
- Extended ANZ funding facilities to 31 October 2009;
- A power by the hour arrangement with a major Australian freight operator;
- Core operating business for IAP and PTB exceeded prior year and current forecasts in a difficult year; and
- The refocus on core PTB business to compensate for withdrawal of the key bank engine finance facility.

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

The group now has three broad business groupings under its aviation asset management umbrella:

- PTB: TPE331 together with PT6A turbine engine repair and overhaul in the repair facility in Brisbane, and trading in spare parts for engines, and engines;
- IAP: Spare parts supply and the continued acquisition of aircraft and redundant spares as well as trading in aircraft. All aircraft are acquired at a price underwritten by their parts value with a view to resell or reduce to parts; and
- Financing and Rentals: Purchase of engines and aircraft for lease, rental or hire purchase and sale of engines and aircraft from the aircraft and engine pool. The rental of the two LFD ATP's and the expected rental of the ATP passenger aircraft will add to the rental pool.

## Commentary on operations during the year

A summary of results for the year is as follows:

Division	Actual 2009 \$'000	Budget 2009 \$'000	Variance \$'000	Actual 2008 \$'000
PTB Business	3,228	2,928	300	1,686
IAP Business	2,178	2,108	70	785
Emerald Assets	2,630	3,316	(686)	1,719
Emerald Currency	(3,147)	-	(3,147)	2,095
Emerald Interest	(3,004)	(1,092)	(1,912)	(1,067)
Corporate Overheads	(1,583)	(1,567)	(16)	(1,761)
Sale of Belmont land	-	-	-	1,839
Sale of Aeropelican	652	-	652	-
Bad and doubtful debts	(621)	(310)	(311)	(1,134)
Profit before Tax	333	5,383	(5,050)	4,162

### PTB Business

The Brisbane business was ahead of budget for the year by 10% and 91% ahead of the corresponding 12 months to June 2008. The year's performance is a strong result in today's climate.

The loss of our engine finance facility has had a major impact on our engine sale business. Engine finance was a very valuable engine sales tool and in today's financial climate would have been even more valuable in generating new business.

The cash support from Brisbane for our Emerald Financier repayments and the close down of Emerald's UK operation has reduced Brisbane's ability to generate additional speculative engine sales and opportunistic engine parts purchases.

We have been able to add to our parts sales team and this has significantly increased our parts sale business which has gone some way to compensating for a decline in engine sales.

The new building has created efficiencies with Brisbane staff under one roof. We had expected to set up a Dart engine line in Brisbane. However a lack of funding has currently prevented this strategic initiative being implemented. IAP has since developed a relationship with an overseas Dart engine shop which meets its needs as an interim measure.

The Brisbane business is reviewing the feasibility of installing a PT6A engine test cell. A test cell would significantly expand the profit opportunities for Brisbane in the PT6A engine repair and overhaul business. This cell can be made multi-engine thus enhancing its value to the Group. The key to progressing this is finance, and this will be a significant project for the coming year.

Brisbane's engine and rental business is slowing as a result of the slowdown in the aviation sector. We expect the rental business to improve as the global economy recovers.

### IAP Business

The IAP result was slightly ahead of budget for the year and 177% ahead of the previous year. This is an outstanding result.

Early in the financial year IAP purchased for part-out a BAE 146 in Australia, a BAE ATP in India, and a 737-200 in Indonesia.

The lease of the J32 aircraft to Aeropelican will create excellent long-term part sales opportunities for IAP and engine repair and overhaul opportunities for Brisbane. The finance leases of the LFD ATP's to the Indonesian operator will also provide a base for significant long-term ATP parts sales opportunities for IAP.

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

With the placement of the ATP's in Indonesia, and the closure of the UK facility, Steve Ferris will be able to spend more time on the core business this year, thus enhancing growth in that sector.

### Emerald Assets

The global financial crisis and resulting restriction in available finance has had a major effect on this division and the Group's results.

The sale of the two LFD ATP's was expected to be completed early in this financial year. The company contracted to the end user was unable to finance the

## Chairman's and Managing Director's Review

for the year ended 30 June 2009 (Continued)

purchase and the deteriorating financial climate meant the end user was no longer prepared to underwrite the project. The failure to settle has had a major impact on the division as the sale would have cleared its expensive funding and substantially reduced the Emerald interest cost of \$3 million for the year.

Our Emerald Financier converted our USD facility to AUD during the period, an action which cost the PTB Group approximately \$2.4 million in foreign currency losses for the year.

In addition, the expected cash sale of the two passenger (PAX) ATP aircraft to a European operator did not occur, reducing the Group's forecast profit by a further \$2.2 million for the year.

An Indonesian operator accepted delivery of the two LFD ATP aircraft in June 2009 under an extended credit type arrangement. These aircraft were delivered in early August.

To limit the operational cash drain a decision was made to close the UK refurbishment facility and complete one PAX ATP, one LFD HS748, and reduce to spares the remaining HS748's as part of the closedown. The closedown, completion of the aircraft, part-out of the HS748's, and termination of the workforce was completed as planned.

One PAX ATP has been mothballed and stored at Blackpool in the UK. At a later date we will complete the refurbishment when we have the appropriate commercial opportunity.

Steve Ferris, IAP's managing director, has done an absolutely outstanding job in closing the facility as planned and deploying the aircraft to approved facilities where the care and maintenance programs can be managed. He has also completed the sale and deployment of the two LFD ATP's to the Indonesian customer, a major task on its own, with the additional pressures of meeting UK and Indonesian aviation regulation requirements.

Emerald has a number of aircraft assets not deployed at present. These aircraft are all future opportunities that we are confident can be leased or sold as conditions improve.

Brief details are:

- *Completed PAX ATP:* We have had a number of enquiries to lease the PAX ATP however to date the potential customers have not been able to meet our financial requirements. Our Indonesian operator is keen to lease the aircraft and is the logical future operator of this aircraft;
- *Two UK HS748's:* The two HS748 aircraft on finance leases with a UK operator have

been returned as UK Post terminated the operator's contract as a result of difficult trading conditions;

- *African LFD HS748:* The operator in Africa has returned the aircraft after meeting all financial requirements and getting the aircraft on line in Africa, as the expected UN contracts were no longer forthcoming; and
- *Bangladesh HS748:* This aircraft was returned. One of our HS748 operators in Bangladesh has expressed an interest in operating this aircraft.

We are working to find alternative markets for the unused HS748's. The combination of new markets and improved economic conditions will see these aircraft redeployed.

### Corporate Overheads

Corporate overhead costs are slightly ahead of budget at \$1.58 million (Budget: \$1.57 million) to 30 June 2009, however they have reduced significantly from \$1.76 million in the prior year. Additional legal and financing costs were incurred during the year due to the various asset and business disposals, and the number of refinancing activities undertaken. These costs were offset by reductions in Director's fees and employee share option expenses, with salary and wage costs remaining stable.

### Bad and Doubtful Debts

Bad and doubtful debts expense for the year totalled \$0.6 million (2008: \$1.13 million). These expenses were largely attributable to three customers on long-standing open account. The customers operated regional passenger and freight airline operations in Australia, the Pacific Islands, and Bangladesh and were largely affected by the global downturn in passenger and freight activity. A provision for impairment of \$0.6 million (2008: \$0.3 million) has been prudently booked at year end. Management are confident however that recovery efforts will realise funds which will reduce the final amount to be written off on these customers.

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

### Financing Facilities

#### *PTB Emerald Finance Facility*

Due to the inability of our Middle East customer to settle for cash on the two LFD ATP freighters, the Group was forced to renegotiate the terms of this facility to match the extended credit terms offered to the Indonesian customer. Key terms of the arrangement previously

disclosed to the market include an interest rate of 15% per annum (previously 22%), minimum monthly loan repayments of \$165,000, a four year loan term (i.e. to 31 July 2013), and the existing security arrangements to remain in place. The balance at 30 June 2009 was \$14.9 million (2008: \$11.9 million).

In addition, while there is money owed to the Financier, no return of capital, dividends or payments can be made to ordinary shareholders in PTB or related parties without its approval. The Financier has been granted 2,875,000 ordinary shares in PTB on the basis that these shares can be issued progressively over five tranches. The first tranche of shares, i.e. for 1.2 million shares, was issued on 30 June 2009 as approved by the shareholders on that date. The share issue has been structured in this way to minimise the potential dilutive effect on shareholders by allowing an early repayment of this facility.

#### *Unsecured Notes (PTB Rentals)*

During the year the Group's \$4.589 million Note facility was extended for two years to 30 November 2010 at an interest rate of 14% (previously 11.5%).

In addition, PTB Group will issue to each Noteholder one Option in relation to ordinary shares for each two Notes held by that Noteholder at an exercise price of \$0.40 per share, in four six monthly tranches commencing from the issue date of 1 December 2008. The exercise period expires on 30 November 2010. The option issue has also been structured in this way to minimise the potential dilutive effect on shareholders by allowing an early repayment of this facility.

#### *ANZ Facility (PTB Group)*

As a result of a change to its internal lending policies, the ANZ Bank is limiting further lending to certain industries, including our second tier aviation industry sector. As the PTB Group requires ongoing financing to fund its business growth, the Group has agreed to consolidate its financing facilities with another provider. The Group's net exposure to the ANZ is less than \$2.0 million at the reporting date and it is planned that this transition will be completed prior to October 2009.

### **Other Matters**

#### Exchange rates

The current year has been volatile with AUD/USD exchange rate movements from 0.94 at June 2008, to 0.62 in November 2008, and a closing rate at 30 June 2009 of 0.81.

While the group has a natural hedge in respect to its assets and liabilities, the fact that a large part of PTB Group's trading is undertaken in US dollars and in US dollar valued assets means that the conversion to Australian dollars has a significant negative impact on the gross margins and sales of the PTB and IAP businesses when the AUD appreciates against the USD.

As mentioned above, the inability of our Emerald Financier to continue to finance their facility in USD led directly to a realised foreign currency loss of \$2.4 million, of which approximately \$1.7 million would otherwise have reversed to 30 June 2009. In conjunction with the Emerald interest expense, this was one of the largest negative impacts on Group trading performance for the year.

#### Asset Values

Aviation inventory and assets are global commodities and are valued, bought, and sold in USD. Before the fall in the exchange rate from 30 June 2008, the Directors were of the opinion that assets were carried in the books at conservative values. The fall in the \$AUD/\$USD exchange rate of around 13% to 30 June 2009 has created an additional buffer in asset values.

#### Sale of Aeropelican

Following an unsolicited approach, Aeropelican Air Services Pty Ltd was sold effective 30 September 2008. The profit on sale of the subsidiary was \$651,820. The sale includes the lease of three J32 aircraft currently owned by IAP on an ongoing basis with potential to deploy further aircraft as the new operations expand. Since the end of the financial year, Aeropelican has agreed to take a fourth aircraft on lease from IAP commencing October 2009.

#### Brisbane relocation

In November 2008 the Company moved into its new combined engineering, warehouse and office facility near Brisbane airport. Funding was provided by the CBA. This has enabled the business to once again combine under one roof and will enable the expansion of the PT6 and TPE331 engine repair and overhaul business as opportunities develop. The business also has space to add additional engine lines.

### **Balance Sheet and Net Assets**

The net asset position has decreased from \$40.2 million as at 30 June 2008 (2007: \$35.5m) to \$39.0 million at 30 June 2009. The decrease is mainly attributable to the settlement of the effective foreign currency hedges and the reversal of the related derivative financial instrument and hedging reserve totalling \$1.5 million.

## Chairman's and Managing Director's Review

for the year ended 30 June 2009 (Continued)

Included in net assets are:

*The Emerald assets:* These are predominantly aircraft and make up \$13.3 million (2008: \$15.3 million) of Inventories, \$3.2 million (2008: \$3.3 million) of property, plant and equipment, and \$16.6 million (2008: \$11.2 million) of extended credit receivables, mainly consisting of the hire purchase type arrangements.

As previously disclosed above, the remaining inventory largely consists of completed ATP and 748 aircraft, with one incomplete PAX ATP aircraft remaining that can be refurbished or parted-out. The completed aircraft will either be sold outright to reduce debt and generate working capital, or moved to the financing and rentals pool (classified as plant and equipment in non-current assets).

### Cashflows

The positive operating cashflow has been predominantly due to the realisation of inventory and reduction in the days to collect accounts receivable. As mentioned in previous years, the Group will normally have a negative operating cashflow as short-term debt is utilised to acquire aviation asset inventory which are either sold or placed in the recurring earnings lease and rental pool as non-current assets. The short-term debt is then reduced and substituted with longer-term debt secured over the leased or rented assets. The overall negative net cashflow is predominantly due to the net investment by the PTB Group in the new building in Brisbane as detailed earlier in this report.

### Management

The Group now has a small team with the financial skills to meet its management and reporting requirements and obligations. The Group continues to work at building the systems and processes to meet the complexities of a multicurrency, multi-country business. In the Operations area, the PTB Business has a good team which can handle growth.

The aim is to have good support, financial, and other management staff freeing up the deal doers to spend a greater proportion of their time creating sales and new business.

### PTB Group's Outlook

The Group has completed a number of initiatives to allow it to "weather the storm" and establish a platform for the future. Management of IAP and PTB have concentrated on their core businesses and their improved performance has been most important.

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

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

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

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

For the next 12 months we will be concentrating on:

- Getting our unused aircraft back out on lease and generating income, or selling to generate cash;
- Using cash flows to pay down expensive loans without destroying working capital, while seeking less expensive alternate funding; and
- Continuing to manage our working capital to enable our core business to 'deal' as necessary.

In a recovery year we are expecting to generate a pre-tax profit of approximately \$2.7 million skewed towards the second half as conditions improve. However, as a recovery commences we expect to see other significant profit making opportunities.

Senior management have been through a number of down turns in the aviation industry and there is always a bottom and a recovery. Our business tends to prosper in these recovery times as buying opportunities occur. Once recovery begins aircraft start flying and often these aircraft require maintenance catch-up. This leads to additional parts sales, engine repair and overhaul work, and rental and lease opportunities.

An extract from the 2008 Annual Report reviewing the turboprop aviation sector, has again been included overleaf due to its continuing relevance.



## Chairman's and Managing Director's Review

for the year ended 30 June 2009 (Continued)

### 2008 Annual Report extract: **PTB Group's aviation sector outlook**

*"The Turboprop market has gone from strength to strength since a downturn in 2001.*

*Airlines have realised that the future was not necessarily in the small regional jets and have flocked back to turboprops due to their fuel efficiency and low operating costs. This is a worldwide phenomenon, where we are seeing major carriers making huge investments in Bombardier, Dash 8 and ATR aircraft to replace both small and large jet transport aircraft. With the high cost of fuel, this trend seems to be increasing at a staggering rate which has effectively seen the death of the small regional jet, the aircraft that replaced and squeezed the turboprop out of the same market.*

*The aviation industry pre 2000 effectively wrote the turboprop off in favour of the regional jet and almost all manufacturers ceased production prior to the downturn.*

*Only ATR and Bombardier remained, concentrating on the larger 50+ seat turboprop aircraft. Today the smallest new commercial turboprop available is the 50 seat ATR42 selling at USD 16 million.*

*Times have come full circle and the high cost of fuel has made airlines look again at the turboprop, but they are now faced with little choice and very tight availability. This has resulted in driving turboprop prices up – in some cases up to three times what we saw immediately after 9/11.*

*Low time, well cared for aircraft are in short supply and hard to source. There is only a very limited supply of fewer than 50 seat aircraft and this pool is continually diminishing as older aircraft are retired. Supply is further hampered as soon after 2001, many of the "newer" turboprops were snapped up by the freight market. These are now dedicated freighters and no longer available to cycle through the passenger networks. No new aircraft are coming in to top up this pool except in the 50+ range.*

*The 19 seat sector is in the biggest short supply. These are in demand from both the smaller passenger operator and the freighter market. The power plant for most 19 seat aircraft is the P&W PT6 engine or the Honeywell TPE331 engine, both products extensively handled by PTB.*

*The 19 to 50 seat market is also dominated by 1970's, 80's and 90's build aircraft that cannot be replaced, regardless of funding. Many smaller operators and freight operators rely upon this size aircraft and we are now seeing even 1950's turboprop aircraft flying in Australia carrying freight. Unthinkable just five years ago.*

*From our point of view this is all good news for the PTB Group as there is a limited amount of spares and engines in the marketplace and the demand for parts and support can only increase. The value of inventory is climbing as the larger manufacturers are unwilling to make small production runs of new parts.*

*The primary focus for the group is aircraft and engines in the turboprop market and the group is well placed to continue to build business in this section of the market. Our existing inventories are the largest within Australia and our extensive experience in this sector bodes well for our growth in the coming year."*

### **PTB Group Limited**



**Harvey Parker**  
Chairman



**Craig Baker**  
Managing Director

## Directors' Report

for the year ended 30 June 2009

Your Directors present the financial report of PTB Group Limited ("the Company") and its controlled entities ("the Group") for the year ended 30 June 2009.

### Directors

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

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

### Principal Activities

The principal activities of the Group during the financial year were the provision of the following services in relation to aviation assets:

- A specialist Pratt & Whitney PT6A and Honeywell TPE331 turbine engine repair and overhaul business based at Brisbane Airport, Australia;
- Trading operations in Australia and internationally in aircraft airframes, turbine engines, and related parts;
- The provision of finance for aircraft and turbine engines sold to customers; and
- The lease, rental, or hire of aircraft and turbine engines to customers from the Group's aviation assets pool.

There have been no significant changes in the nature of these activities during the year not otherwise disclosed in this report.

### Review of Operations

#### Background

PTB Group Limited ("PTB") was established in 2001, when it was incorporated to acquire the Brisbane assets of Pacific Turbine Pty Ltd ACN: 079 166 653. It focused on providing services in relation to the Pratt & Whitney PT6A and Honeywell TPE331 light turbine engines.

The Company undertook:

- Specialist turbine engine repair and overhaul based at Brisbane Airport, Australia;
- Trading operations in Australia and internationally in aircraft turbine engines and related parts; and
- The provision of finance for PT6A and TPE331 turbine engines for customers.

The Company listed on the Stock Exchange of Newcastle Ltd (NSX) in March 2005. In September 2006 it acquired

IAP Group for \$13.8 million. IAP Group is a Sydney-based niche aviation asset management company providing aircraft inventory support, encompassing:

- Global supply of aviation parts; and
- Global aircraft and engine financing and sales.

Its business operations are highly complementary to PTB Group's business. Steve Ferris, the founder of IAP Group, took approximately 80 per cent of the consideration as PTB Group shares and now holds approximately 25 per cent of the expanded Group.

In October 2006 the Company announced it had acquired the aircraft and associated parts of the UK companies Emerald Airways Ltd and Emerald Airways Engineering Ltd for approximately \$16.25 million. The assets acquired comprised five British Aerospace ATPs, 14 HS 748s, 10 Shorts 360s and their related spare parts along with a lease of an engineering facility at the Blackpool airport. The ATP and HS 748 aircraft are assets in which IAP Group has a long-term history of trading and managing.

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

#### Initiatives in Current Period

The 2009 financial year has seen some unexpected challenges and a number of significant achievements. These events have been detailed in the Chairman's and Managing Director's Review included in this annual report.

#### Operating Results

The consolidated profit for the financial year after providing for income tax, was \$103,285 (2008: \$3,131,388), a decrease of 97%. Operating profit before tax for the year was \$333,257 (2008: \$4,162,091) a decrease of 92%.

The decrease in both profit after tax and operating profit is due in part to the interest incurred on the Emerald project of \$3 million due to the inability of our customer in the Middle East to settle as expected and realise funds to repay the loans. In addition, a related realised foreign currency loss of \$2.4 million was incurred as a result of the financier's inability to continue funding in USD. The PTB Brisbane and IAP business performed ahead of budget despite the poor trading conditions during the year.

#### Financial Position

The net assets of the Group have decreased by 3% to \$39 million as at 30 June 2009 (2008: \$40.2 million).

### Dividends

No dividend has been declared and paid for the 30 June 2009 financial year (2008: Nil). The emphasis on debt reduction means that it is highly unlikely that a dividend will be paid in the 2010 year.

### Significant Changes in State of Affairs

There were no significant changes in the state of affairs of the Group not otherwise disclosed in this report.

### After Balance Date Events

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

The Company has agreed to consolidate its existing financing facilities with the ANZ Bank with another provider. The net exposure to the ANZ at balance date was less than \$2 million and the ANZ has extended the Company's financing facilities until 31 October 2009 to allow this transition to occur. A second ranking charge over the assets of the parent entity and IAP Group Australia Pty Ltd was also signed on 31 July 2009 in favour of the Emerald financier.

### Future Developments, Prospects and Business Strategies

The global aviation industry is currently experiencing difficult trading conditions with lower passenger and freight demand, and a shortage of available funding. However suppliers to the industry such as the PTB Group have benefited historically in these times, and the Group has the ability to acquire assets to part-out or trade as operators and financiers exit surplus assets. As such the prospects for the continuing performance and growth of the Group remain sound.

The Group is maintaining a very strong focus on its core competencies and has identified a number of further initiatives that are expected to enhance its prospects.

The Group now has three broad business groupings under its aviation asset management operations:

#### Pacific Turbine Brisbane:

- Rebuilding PT6A and TPE331 engines at PTB's engine repair and overhaul facilities in Brisbane;
- Managing the rebuilding of engines at third party overhaul shops;
- Trading in spare parts for engines; and
- Trading in parts (other than engines) for PTB clients.

#### IAP Group:

- Spare Parts Supply: Acquisition of redundant spares from airlines which have changed their aircraft types and then remarketing to other operators of that type. IAP Group is by far the largest surplus spare parts dealer in the southern hemisphere. Its purchasing systems are well-honed over many years and its network of contacts enables maximum exposure both for purchasing and reselling opportunities. IAP Group also has a strong parts brokering business, particularly with its Asian contacts; and
- Acquisition and Sale of Aircraft/Parting out Aircraft: As an integral activity to spares support, IAP Group has bought and sold many aircraft. The aircraft traded in this way range in size from an Islander to a Boeing 737 and Airbus A300. Its engineering operation at Bankstown airport has significant capability to perform aircraft refurbishment. IAP Group also acquires aircraft and parts them out. For example, aircraft could be acquired outside of Australia and be parted-out on site. Some parts such as engines could then be immediately sold to recoup the initial purchase cost, with the balance containerised as parts and shipped to the Sydney warehouse for marketing and subsequent sale.

#### Aircraft Engine and Airframe Rental and Financing:

The Group earns recurring earnings from rental and financing although the more difficult debt market has significantly curtailed this part of the business. These areas, which include profits from assets bought and sold for the pool, earn returns of between 12 and 25 per cent on assets employed. Finance leases tend to generate lower returns with operating leases being more profitable. Activities include:

- Short or medium term rental or financing of engines including: Pratt & Whitney PT6A; Honeywell TPE331; Rolls Royce Dart prop jet; Rolls Royce Tay turbo fan and Rolls Royce Spey turbo fan; and
- Airframe financing (including purchase and sale) for aircraft including: Metro 23; EMB 110 Bandeirante; Hawker Siddley 748; BAE ATP; F27; Twin Otter and Beechcraft King Air.

Additional commentary has been included in the Chairman's and Managing Director's Review in this annual report. The Directors have excluded from this report any further information on the likely developments in the operations of the Group and the expected results of those operations in future financial years, as the Directors have reasonable grounds to believe that it would be likely to result in unreasonable prejudice to the Group.

## Directors' Report

for the year ended 30 June 2009 (Continued)

### Environmental Issues

The Group operates from Brisbane, Sydney, and Bankstown Airport in Australia, and Blackpool Airport in the UK. It is required to meet Brisbane Airport Corporation environment regulations and the Commonwealth's Airports (Environment Protection) Regulations 1997 as well as relevant UK legislation. The Group is subject to regular audits by these authorities. The Group also has administration and warehouse facilities in a number of locations subject to relevant legislation. There have been no non-compliances to date while the Group has operated from these various locations.

### Information on Current Directors

Harvey Parker  
(Non-Executive Chairman)

Harvey Parker was born in 1943 and has had a distinguished career spanning several industries. He has experience in the aviation industry as Managing Director of New Zealand Post and the Airpost Joint Venture. Presently he is the Chairman and also serves on the audit and remuneration committees of the Company.

He is presently Chairman of DWS Advanced Business Solutions Limited (since 9 May 2006), Director of Riding for the Disabled Association of Victoria Limited, and Director and Chairman of Jumbuck Entertainment Limited (since February 2009). During the past three years Mr Parker was also a Director of the Volante Group (until April 2006) and Chairman of Intermoco from (2 May 2007 to 31 May 2008). He has held no other Director positions with other listed companies in the last three years.

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

Craig Baker was born in 1946 and has had extensive experience in the aviation industry. He is a qualified accountant and has been involved in aviation businesses as a General Manager, Director, and Finance Manager for over 20 years. Along with Hugh Jones, he was involved in the development of Airwork (NZ) Limited which has grown to become a major aviation provider in New Zealand with annual sales in excess of \$80 million.

Craig's duties involve the overall management of the Group. He has held no other Director positions with other listed companies in the last three years.

Royston Stephen (Steve) Ferris B.Sc  
(Managing Director – IAP Division)

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

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

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

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

Andrew joined the North Queensland based Coutts Group as general manager early in 1985, and continued with this group until January 1987 when he formed Huntington Group.

Since 1980, Andrew has been involved in a range of listings, acquisitions and divestments. He has structured and implemented the ASX listing of eleven companies. He has also advised clients on a wide range of investments and divestments over the last 20 years.

Andrew is currently a Director of the following listed companies: Silver Chef Limited (from April 2005), Trojan Equity Limited (from May 2005), and SCV Group Limited (from March 2004). He was previously a Director of S8 Limited from February 2004 until January 2007.

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

Company Secretary

James Barbeler was appointed as the Chief Financial Officer from 28 May 2007, and Company Secretary on 15 June 2007. James has a Bachelor of Business (Accountancy) from Queensland University of Technology, a MBA with an IT major, and is a member of the Institute of Chartered Accountants. James has over 22 years experience in all aspects of financial accounting, auditing, treasury, Board, and statutory reporting. James has held various positions including Audit Manager in a Chartered Accounting firm, CFO, Company Secretary, and CEO of various agribusiness and commercial entities in both public and private companies.

## Directors' Report

for the year ended 30 June 2009 (Continued)

### Remuneration Report

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

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

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

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

##### Non-executive Directors

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

Directors' remuneration for their services as Directors is by a fixed sum and not a commission or a percentage of profits or operating revenue. It may not be increased except at a general meeting in which particulars of the proposed increase have been provided in the notice convening the meeting to shareholders. There is provision for Directors who devote special attention to the business of the Company or who perform services which are regarded as being outside the scope of their ordinary duties as Directors, or who at the request of the Board engage in any journey on Company business, to be paid extra remuneration determined by the Board. Directors are also entitled to their reasonable travel, accommodation and other expenses incurred in attending Company or Board meetings, or meetings of any committee engaged in the Company's business.

Any Director may be paid a retirement benefit as determined by the Board, consistent with the *Corporations Act 2001* and the ASX Listing Rules.

##### Executive and Key Management Pay

The remuneration committee is responsible for advising the Board on remuneration and issues relevant to remuneration policies and practices including those of senior management and executive Directors. The committee has responsibility for reviewing and evaluating market practices and trends in relation to remuneration,

recommending remuneration policies, overseeing the performance and making recommendations on remuneration of members of senior management and executive Directors.

Remuneration in each case is taken as including not only monetary payments (salaries), but all other non-monetary emoluments and benefits, retirement benefits, superannuation and incentive programs.

In each case the committee refers to the general market and industry practice (as far as directly relevant benchmarks can be identified for comparative purposes) and the need to attract and retain high calibre personnel.

Compensation in the form of cash bonuses for executives and key management personnel is designed to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive and key management reward with achievement of strategic objectives and creation of value for shareholders in terms of return on equity, and conforms with market practice for delivery of reward. The Board ensures that executive and key management reward satisfies the following key criteria for good reward governance practices:

- Competitiveness and reasonableness;
- Acceptability to shareholders;
- Performance alignment of compensation;
- Transparency; and
- Capital management.

##### Executive Directors

The Executive Directors' pay and reward framework has the following components:

- Base pay and benefits, including superannuation; and
- Short-term performance incentives.

Base pay: structured as a total employment cost package which may be delivered as a combination of cash and prescribed non-financial benefits at the Executive Director's discretion. Base pay is reviewed annually and benchmarked against inflation.

Benefits: Executive Directors receive benefits including car allowances.

Superannuation: Executive Directors' base pay includes statutory and salary sacrificed superannuation contributions.

Short-term performance incentives: Cash bonus incentives are based on pre-determined after tax return on equity and operational targets based on the criteria detailed above, as set by the remuneration

## Directors' Report

for the year ended 30 June 2009 (Continued)

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

committee. The bonuses are paid in October each year. The pre-determined targets ensure that variable reward is only available when value has been created for shareholders, and when profit and operational objectives are consistent with the business plan. Each Executive Director has a target short-term incentive opportunity depending on the accountabilities of the role and impact on the organisation or business unit performance. The maximum target bonus opportunity is 33% of base pay.

#### Other Executives and key management personnel

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

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

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

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

The options issued to key management personnel were issued pursuant to the Scheme whereby options were issued to all employees (excluding Executive Directors) on the same basis and the entitlements are not linked to performance. The number of options issued to employees was determined by the remuneration committee and approved by the Board in accordance with the terms of the Scheme.

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

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

Options granted under the Scheme carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share in PTB Group Limited. Amounts receivable on the exercise of options are recognised as share capital. The above remuneration policy together with the options package is to encourage the alignment of personal and shareholder interests.

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

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

	2009	2008	2007	2006	2005
Revenue (\$'000)	38,526	46,608	40,559	16,982	10,135
Net profit (\$'000)	103	3,131	3,589	1,861	1,420
Return on average shareholders funds (%)	0.3	8.3	15.8	20.31	26.29
Share price at year-end (\$)	0.12	0.46	1.95	1.60	1.15
Dividend paid per share in respect of each financial year	Nil	Nil	6 cents	6 cents	6 cents

## Directors' Report

for the year ended 30 June 2009 (Continued)

### B. Details of Remuneration

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

	Short-term benefits			Post-employment	Other	Share-based payment	Total
	Cash salary and fees	Cash bonus	Non-monetary benefits	Super-annuation	Long-term benefits*	Options	
	\$	\$	\$	\$	\$	\$	\$
<b>2009 Year</b>							
<b>Directors</b>							
H Parker (Non-Executive Director)	35,475	-	-	-	-	-	35,475
CL Baker (Managing Director – Group)	183,338	-	5,299	95,189	8,963	-	292,789
RS Ferris <sup>(3)</sup> (Managing Director – IAP)	282,387	-	-	23,297	9,171	-	314,855
APS Kemp <sup>(1)</sup> (Non-Executive Director)	29,480	-	-	-	-	-	29,480
<b>Total Directors</b>	<b>530,680</b>	<b>-</b>	<b>5,299</b>	<b>118,486</b>	<b>18,134</b>	<b>-</b>	<b>672,599</b>
<b>Other Key Management Personnel</b>							
JT Barbeler <sup>(2)</sup> (Company Secretary and CFO)	181,680	-	-	16,139	-	2,839	200,658
<b>2008 Year</b>							
<b>Directors</b>							
CL Baker (Managing Director – Group)	167,526	-	11,793	69,734	5,500	-	254,553
SG Smith <sup>(4)</sup> (Sales and Marketing Director – Pacific Turbine Brisbane)	117,826	-	5,166	9,900	-	-	132,892
RS Ferris <sup>(3)</sup> (Managing Director – IAP)	252,344	-	-	21,450	8,415	-	282,209
H Parker (Non-Executive Director)	30,000	-	-	3,000	-	-	33,000
RJ David <sup>(6)</sup> (Non-Executive Director)	10,900	-	-	1,962	-	-	12,862
APS Kemp <sup>(1)</sup> (Non-Executive Director)	20,000	-	-	1,800	-	-	21,800
R Blumberg <sup>(5)</sup> (Non-Executive Director)	-	-	-	-	-	-	-
<b>Total Directors</b>	<b>598,596</b>	<b>-</b>	<b>16,959</b>	<b>107,846</b>	<b>13,915</b>	<b>-</b>	<b>737,316</b>
<b>Other Key Management Personnel</b>							
JT Barbeler <sup>(2)</sup> (Company Secretary and CFO)	171,496	-	-	15,030	-	6,181	192,707

\* comprising long service leave

(1) APS Kemp's remuneration includes additional amounts paid for services provided in respect of corporate advisory and capital raising strategy services totalling \$5,500 (2008: \$Nil).

(2) JT Barbeler was appointed CFO on 28 May 2007 and company secretary on 15 June 2007.

(3) RS Ferris was appointed Managing Director (IAP Division) on 21 September 2006.

(4) SG Smith resigned on 30 November 2007.

(5) R Blumberg was appointed on 4 July 2007 and resigned on 22 February 2008.

(6) RJ David resigned on 22 February 2008.

## Directors' Report

for the year ended 30 June 2009 (Continued)

### B. Details of Remuneration (Continued)

There were no other executives in the current or prior year. All Directors and other key management personnel are employed by PTB Group Limited except Mr S Ferris who was employed by IAP Group Australia Pty Ltd from 1 July 2008. Cash bonuses were paid during the current and prior year to non-key management personnel. No specific service or performance criteria were used to determine the amount of the bonuses.

No share-based payment compensation benefits were granted in the current year. Details of benefits provided in the prior year, which were in the form of share options, are given in section D below. No specific service or performance criteria were used to determine the amount of the grant.

### C. Service Contracts

Major provisions of service agreements with Executive Directors and other key management personnel as at 30 June 2009 are set out below:

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

- *Term of agreement* – Minimum of three years commencing 17 December 2007;
- *Base annual salary* – \$280,000 inclusive of 9% superannuation and vehicle allowance to be reviewed annually by the remuneration committee; and

- *Notice period* – Termination by a minimum of 12 month's notice in writing by either party other than for gross misconduct. Termination payment is equivalent to one year's salary plus superannuation as noted above.

#### RS Ferris (Managing Director – IAP)

- *Term of agreement* – Minimum of three years commencing 17 December 2007;
- *Base annual salary* – \$280,000 inclusive of 9% superannuation and vehicle allowance to be reviewed annually by the remuneration committee; and
- *Notice period* – Termination by a minimum of 12 month's notice in writing by either party other than for gross misconduct. Termination payment is equivalent to one year's salary plus superannuation as noted above.

#### JT Barbler (Company Secretary and Chief Financial Officer)

- *Term of agreement* – Indefinite with a notice period of one month;
- *Base annual salary* – \$195,030 inclusive of 9% superannuation to be reviewed annually by the remuneration committee; and
- *Notice period* – Termination by one month's notice in writing by either party other than for gross misconduct.

No other key management personnel are subject to service agreements.

### D. Share-based Payment Compensation

In the 2006 and 2007 financial years, options were granted to certain staff under the PTB Group Limited Employee Share Option Scheme. Refer Section A above for details of the Scheme. The options are not dependent upon the satisfaction of a performance condition as they depend upon service vesting conditions (the options vest one third each year).

The terms and conditions of each grant of options affecting key management personnel remuneration in the previous, current or future reporting periods are as follows:

Grant date	Expiry Date	Exercise price	Value per option at grant date	Date exercisable
10 March 2005	10 March 2008	\$1.15	\$0.137	10 March 2006 (expired 10 March 2008).
30 September 2005	19 November 2008	\$1.60	\$0.35	33% after 19 August 2006, 33% after 19 August 2007, and 33% after 19 August 2008.
31 May 2007	31 August 2010	\$2.00	\$0.54	33% after 31 May 2008, 33% after 31 May 2009, and 33% after 31 May 2010.



## Directors' Report

for the year ended 30 June 2009 (Continued)

### D. Share-based Payment Compensation (Continued)

Details of options over ordinary shares in the Company provided to each Director of PTB Group Limited and each of the key management personnel of the Group in the 2009 and 2008 financial years are set out below. When exercisable, each option is convertible into one ordinary share of PTB Group Limited.

	Number of options granted during the year		Number of options vested during the year	
	2009	2008	2009	2008
<b>Other Key Management Personnel</b>				
JT Barbeler	-	-	6,667	6,667

The amounts disclosed for remuneration relating to options above are the assessed fair values at grant date of options granted, allocated equally over the period from grant date to vesting date. Fair values at grant date are determined using a Binomial option pricing model which takes into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option. Refer note 25 of the financial report for the inputs into the model.

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

### E. Additional Information

Details of remuneration: cash bonuses and options

As both the grant of options and cash bonuses during the year were discretionary, no part of the grants was forfeited and no part is payable in future years. For details of option vesting conditions and number vested refer to Section D.

Share-based compensation: options

There were no options granted, exercised, or lapsed during the year.

Name	A Remuneration consisting of options	B Value at grant date \$	C Value at exercise date \$	D Value at lapse date \$
J Barbeler	1.4%	\$10,754	-	-

A = The percentage of the value of remuneration consisting of options, based on the value of options expensed during the year.

B = The value at grant date calculated in accordance with AASB 2 *Share-based Payment* of options granted during the year as part of remuneration.

C = The value at exercise date of options that were granted as part of remuneration and were exercised during the year.

D = The value at lapse date of options that were granted as part of remuneration and that lapsed during the year.

### Loans to Directors and Executives

There are no loans to Directors and executives.

## Directors' Report

for the year ended 30 June 2009 (Continued)

### E. Additional Information (Continued)

#### Meetings of Directors

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

	Number of Meetings Held While a Director	Number of Meetings Attended
<b>Full Board</b>		
H Parker	12	12
CL Baker	12	12
APS Kemp	12	12
RS Ferris	12	10
<b>Remuneration Committee</b>		
H Parker	1	1
APS Kemp	1	1
<b>Audit and Risk Management Committee</b>		
H Parker	2	2
APS Kemp	2	2

#### Nominations Committee

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

#### Share Options

##### Shares Issued on Exercise of Options

No ordinary shares of PTB Group Limited were issued during the year ended 30 June 2009 and subsequent to year end on exercise of options granted under the Employee Share Option Scheme.

##### Shares Under Option

At the date of this report, PTB Group Limited has unissued ordinary shares under option as follows:

Exercise price	No. of ordinary shares	Expiry date of options
\$0.40	4,588,800	30 November 2010
\$1.60	120,000	20 February 2010
\$2.00	40,000	31 August 2010

### Directors' Interests

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

	Ordinary Shares	Share Options	Unsecured Notes
CL Baker	1,782,104	-	-
RS Ferris	6,908,054	-	-
H Parker	296,000	-	-
APS Kemp	181,982	414,800	414,800

### Indemnification and Insurance of Directors, Officers and Auditors

During or since the end of the financial year, the Company has not given any indemnity or entered into any agreement to indemnify, or paid or agreed to pay insurance premiums in relation to an officer or auditor, except as detailed below.

The Company has Directors and Officers insurance in place for all Directors and officers of the Company.

This insurance insures any person who is or has been an officer of the Company against certain liabilities in respect of their duties as an officer of the Company, and any other payments arising from or in connection with such proceedings, other than where such liabilities arise from conduct involving a wilful breach of duty.

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

### Proceedings on Behalf of the Company

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

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

## E. Additional Information (Continued)

### Non-Audit Services

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

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

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

During the year WHK Horwath, the Company's auditor, has performed other services in addition to their statutory audit duties as set out in note 26. During the year the following non-audit service fees were paid or payable for services provided by the auditor of the company:

	2009 \$	2008 \$
<i>Non Audit Services- WHK Horwath</i>		
Taxation compliance	31,180	55,000
Other taxation consulting	39,800	-

The lead auditor's independence declaration is set out on page 18 and forms part of the Directors' Report for the year ended 30 June 2009.

WHK Horwath continues in office in accordance with Section 327 of the *Corporations Act 2001*.

### Rounding of Amounts

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

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



**H Parker**  
Chairman

Brisbane  
25<sup>th</sup> September 2009

## Auditor's Independence Declaration

for the year ended 30 June 2009



To the Directors of PTB Group Limited

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2009 there have been:

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

**WHK Horwath**

**Don Langdon**  
Principal

Signed at Brisbane 25<sup>th</sup> September 2009.

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

*Total Financial Solutions*

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Horwath refers to Horwath International Association, a Swiss entity.  
Each member of the Association is a separate and independent legal entity.

## Scope of responsibility of the Board

Responsibility for the Company's proper corporate governance rests with the Board. The Board's guiding principle in meeting this responsibility is to act honestly, conscientiously and fairly, in accordance with the law, in the interests of PTB Group's shareholders (with a view to building sustainable value for them) and those of employees and other stakeholders.

The Board's broad function is to:

- Chart strategy and set financial targets for the Company;
- Monitor the implementation and execution of strategy and performance against financial targets; and
- Appoint and oversee the performance of executive management and generally to take and fulfil an effective leadership role in relation to the Company.

Power and authority in certain areas is specifically reserved to the Board – consistent with its function as outlined above. These areas include:

- Composition of the Board itself including the appointment and removal of Directors;
- Oversight of the Company including its strategy, operational performance, controls and accountability systems;
- Appointment and removal of senior executives and the Company Secretary;
- Reviewing, ratifying, and monitoring systems of risk management and internal compliance and control, codes of ethics and conduct, and legal and statutory compliance;
- Monitoring senior management's performance and implementation of strategy;
- Approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestures; and
- Approving and monitoring financial and other reporting and the operation of committees.

The Managing Director and other senior executives are responsible for:

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

## Composition of the Board

The Board performs its role and function, consistent with the above statement of its overall corporate governance responsibility, in accordance with the following principles:

- The Board should comprise at least five Directors;
- At least half of the Board should be non-executive Directors independent from management; and
- The Chairman of the Board should be one of the independent non-executive Directors.

At the date of this annual report the Board comprises four members including H Parker an independent, non-executive Chairman, APS Kemp a non-executive Director, and C Baker and RS Ferris who are executive Directors. APS Kemp is not considered to be independent as he is an executive Director of Huntington Group which provides corporate advice to the Group. Notwithstanding the above, the Board is of the view that such relationships do not materially interfere with each Director's ability to act in the best interest of the Company.

During the previous year, three Directors resigned due to external professional and personal commitments. The Board will seek to appoint an independent non-executive Director with appropriate experience during the coming year. Notwithstanding the above, the Board is of the view that the current composition of the Board is adequate to ensure the best interests of shareholders given the size and nature of the Company's operations. In addition, the Chairman has the deciding vote at any meetings where a vote is initially tied.

## Board Charter and Policy

The Board has adopted a charter (which will be kept under review and amended from time to time as the Board may consider appropriate) to give formal recognition to the matters outlined above. This charter sets out various other matters that are important for effective corporate governance including the following:

- A detailed definition of 'independence';
- A framework for the identification of candidates for appointment to the Board and their selection;
- A framework for individual performance review and evaluation;
- Proper training to be made available to Directors both at the time of their appointment and on an on-going basis;
- Basic procedures for meetings of the Board and its committees: frequency, agenda, minutes and private discussion of management issues among non-executive Directors;

## Corporate Governance Statement

for the year ended 30 June 2009 (Continued)

- Ethical standards and values: formalised in a detailed code of ethics and values;
- Dealings in securities: formalised in a detailed code for securities transactions designed to ensure fair and transparent trading by Directors and senior management and their associates; and
- Communications with shareholders and the market.

These initiatives, together with the other matters provided for in the Board's charter, are designed to 'institutionalise' good corporate governance and generally, to build a culture of best practice in PTB Group's own internal practices and in its dealings with others.

### Audit and Risk Management Committee ('ARM Committee')

The purpose of this Committee is to advise on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the Company. Its current members are Harvey Parker and Andrew Kemp.

The Committee performs a variety of functions relevant to risk management and internal and external reporting and reports to the Board following each meeting. Among other matters for which the Committee is responsible are the following:

- Board and committee structure to facilitate a proper review function by the Board;
- Internal control framework including management information systems;
- Corporate risk assessment and compliance with internal controls;
- Internal audit function and management processes supporting external reporting;
- Review of financial statements and other financial information distributed externally;
- Review of the effectiveness of the audit function;
- Review of the performance and independence of the external auditors;
- 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;
- Assessing the adequacy of external reporting for the needs of shareholders; and
- Monitoring compliance with the Company's code of ethics.

Meetings are held at least twice each year. A broad agenda is laid down for each regular meeting according to an annual cycle. The Committee invites the external auditors to attend each of its meetings.

The ARM Committee does not comply with two of the Guidelines in that it has an equal number of independent and non-independent Directors and that the Chairman is also Chairman of the Board. However, the Board believes these matters are acceptable given the size of the Company, the nature of its business and the financial literacy of the members.

### Remuneration Committee

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

Among the functions performed by the Committee are the following:

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

Meetings are held at least twice each year. During the year the Executive Directors and CFO voluntarily waived annual increases and bonuses so only one meeting was deemed necessary.

### Nominations Committee

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

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

### Best practice commitment

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

The following are a tangible demonstration of the Company's corporate governance commitment:

#### Independent professional advice

With the prior approval of the Chairman, which may not be unreasonably withheld or delayed, each Director has the right to seek independent legal and other professional advice concerning any aspect of the Company's operations or undertakings in order to fulfil their duties and responsibilities as Directors. Any costs incurred are borne by the Company.

#### Code of ethics and values

The Company has developed and adopted a detailed code of ethics and values to guide Directors in the performance of their duties.

#### Code of conduct for transactions in securities

The Company has developed and adopted a formal code to regulate dealings in securities by Directors and senior management and their associates. This is designed to ensure fair and transparent trading in accordance with both the law and best practice.

#### Charter

The code of ethics and values and the code of conduct for transactions in securities (referred to above) both form part of the Company's corporate governance charter which has been formally adopted, which complies with the ASX document, 'Corporate Governance Principles and Recommendations – second edition' ('Guidelines') applying to listed entities as published in August 2007 by the ASX Corporate Governance Council with the aim of enhancing the credibility and transparency of Australia's capital markets.

The Board has assessed the Company's current practice against the Guidelines and outlines its assessment below:

#### Principle 1 – Lay solid foundations for management and oversight

##### Recommendation 1.1

The role of the Board and delegation to management have been formalised as described above in this section and will continue to be refined, in accordance with the Guidelines, in light of practical experience gained in operating as a listed company. PTB Group complies with the Guidelines in this area.

##### Recommendation 1.2

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

##### Recommendation 1.3

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

#### Principle 2 – Structure the Board to add value

##### Recommendation 2.1

Of the four Company Directors, Harvey Parker and Andrew Kemp are non-executive Directors. Together the Directors have a broad range of experience, expertise, skills, qualifications and contacts relevant to the business of the Company.

Andrew Kemp is not considered to be an independent Director and consequently the Board composition does not comply with recommendation 2.1 of the ASX Corporate Governance Guidelines.

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

- Directors are entitled to seek independent professional advice at the Company's expense, subject to the approval of the Chairman;
- Directors having a conflict of interest in relation to a particular item of business must absent themselves from the Board meeting before commencement of discussion on the topic; and
- Non-executive Directors confer on a needs basis without management in attendance.

##### Recommendation 2.2 and 2.3

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

##### Recommendation 2.4

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

##### Recommendation 2.5 and 2.6

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

## Corporate Governance Statement

for the year ended 30 June 2009 (Continued)

### Principle 3 – Promote ethical and responsible decision making

#### Recommendation 3.1

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

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

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

#### Recommendation 3.2 and 3.3

Guidelines for dealing in securities: The Company has developed specific written guidelines in its Corporate Governance Charter that prohibit Directors, executives (and their respective associates) and employees from acquiring, selling or otherwise trading in the Company's shares if they possess material price-sensitive information which is not in the public domain. Pursuant to these guidelines, no person may deal in securities while they are in possession of price-sensitive information. The Company's policy is that trading in PTB Group's securities is permitted, as set out below:

- Selling of Shares: During the four week period after ASX announcement of half-yearly and yearly profits and Annual General Meeting;
- Buying: Employees are able to purchase shares throughout the year except for six week periods running up to ASX announcement of half-yearly and yearly profits. Staff will be notified of these timeframes;
- Price Sensitive information: Both the above are subject to the person not being in possession of price sensitive information and the buying not being for short term or speculative gain; and

- Trading Limits: In no circumstances should any person sell more than \$50,000 worth of securities unless prior to entering into discussions, they have written approval from the Chairman as to the form and timing of the sale and the management of its public disclosure.

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

### Principle 4 – Safeguard integrity in financial reporting

#### Recommendation 4.1, 4.2, 4.3 and 4.4

PTB Group's Managing Director and Chief Financial Officer report in writing to the ARM Committee that the consolidated financial statements of PTB Group and its controlled entities for each half and full financial year present a true and fair view, in all material respects, of the Group's financial condition and operational results and are in accordance with accounting standards. The ARM Committee operates throughout the year with the primary objective to assist the Board of Directors in fulfilling the Board's responsibilities relating to the accounting, reporting and financial risk management practices of the Company. In fulfilling this objective, the ARM Committee meets at least two times each year. The main duties and responsibilities of the committee include:

- Review and consideration of statutory compliance matters;
- Review of the annual and half-yearly financial reports;
- Recommend to the Board nominations for appointment as external auditors;
- Review the scope of the audit, the level of audit fees and the performance of the external auditors;
- Liaison with external auditors, review of audit planning and consideration of audit results; and
- Evaluation of the adequacy and effectiveness of the Company's administrative, operating and accounting policies and controls through active communication with operating management and the external auditors.

The ARM Committee (with its own charter) does not comply with the Guidelines in that it has an equal number of independent and non-independent Directors, the Chairman is also Chairman of the Board, and it has less than three members. However, the Board believes these matters are acceptable given the size of the Company, the nature of its business and the financial literacy of the members.

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



Principle 5 – Make timely and balanced disclosure

Recommendation 5.1 and 5.2

Documented procedures in accordance with the Corporate Governance Charter are in place to identify matters that are likely to have a material effect on the price of the Company's securities and to ensure those matters are notified to the ASX in accordance with the Company's Listing Rule disclosure requirements. The Managing Director and Chief Financial Officer are responsible for monitoring the Company's activities in light of its continuous disclosure policy. The Company's continuous disclosure obligations are also reviewed as a standing item on the agenda for each regular meeting of the Board. Each Director is required at every such meeting to confirm details of any matter within their knowledge that might require disclosure to the market.

The Company Secretary is responsible for all communications with the ASX. All communications with external stakeholders in respect of sensitive company information are subject to the relevant safeguarding and confidentiality procedures. These communications are undertaken in light of continuous disclosure requirements of the ASX and the broad principles of ensuring the market is fully informed of price sensitive information.

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

Principle 6 – Respect the rights of shareholders

Recommendation 6.1 and 6.2

The Board recognises the importance of this principle and strives to communicate with shareholders both regularly and clearly, both by electronic means and using more traditional communication methods. Announcements and reporting results are available on the Company's website. Shareholders are encouraged to attend and participate at general meetings. The Company's auditors will always attend the annual general meeting and will be available to answer shareholders' questions. The Company's policies comply with the Guidelines in relation to the rights of shareholders.

Principle 7 – Recognise and manage risks

Recommendation 7.1, 7.2 and 7.3

The Board is responsible for oversight of the Group's risk management and control framework. The ARM Committee assists the Board in fulfilling its responsibilities in this regard by reviewing the financial and reporting aspects of the Group's risk management and control framework.

The Group has implemented a policy framework included in the Corporate Governance Charter, designed to ensure that the Group's risks are identified and that controls are adequate, in place, and functioning effectively.

This framework incorporates the maintenance of comprehensive policies, procedures and guidelines that encompass the Group's activities. It addresses areas such as, occupational health and safety, environmental management, trade practices, IT disaster recovery and business continuity planning. Responsibility for control and risk management is delegated to the appropriate level of management within the Group with the Managing Director and Chief Financial Officer having ultimate responsibility to the Board for the Group's risk management and internal control activities.

Arrangements put in place by the Board to monitor risk management include:

- Regular monthly reporting to the Board in respect of operations and the financial position of the Group;
- Reports by the Chairman of the ARM Committee and circulation to the Board of the minutes of each meeting held by the ARM Committee;
- Presentations made to the Board throughout the year by appropriate members of the Group's management team (and/or independent advisers, where necessary) on the nature of particular risks and details of the measures which are either in place or can be adopted to manage or mitigate the risk; and
- Any Director may request that operational and project audits be undertaken by management.

Prior to signing the Group's annual financial statements, PTB Group's Managing Director and Chief Financial Officer report in writing to the ARM Committee that:

- The Company's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the Company and Group, and are in accordance with relevant accounting standards;
- The above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- The Company's risk management and internal compliance and control framework is operating efficiently and effectively in all material respects.

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

## Corporate Governance Statement

for the year ended 30 June 2009 (Continued)

### Principle 8 - Remunerate fairly and responsibly

Recommendations 8.1, 8.2, and 8.3

As detailed above, the Company has a Remuneration committee to assist the Board and report to it on remuneration and issues relevant to remuneration policies and practices including those for senior management and non-executive Directors. These policies are included in the Company's Corporate Governance Charter and its current members are Harvey Parker and Andrew Kemp.

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

The Company's policies relating to Directors' and Senior Executives' remuneration are set out in the annual report. Options were granted to employees under an Employee Share Option Scheme. Options have also been issued to executive Directors of the Company and to a corporate adviser.

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality Board and executive team by remunerating Directors and key executives fairly and appropriately with reference to relevant employment market conditions. To assist in achieving this objective, the nature and amount of some components of executive Directors' and officers' emoluments are linked to the Company's financial and operational performance. The expected outcomes of the remuneration structure are:

- Retention and motivation of key executives;
- Attraction of quality management to the Company; and
- Performance incentives which allow executives to share the rewards of the success of the Group.

In relation to the payment of bonuses and options, the Board, having regard to the overall performance of PTB Group and the performance of the employee during the period, exercises discretion.

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

## Income Statements

for the year ended 30 June 2009

	Note	Consolidated		Parent Entity	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Revenue	2	38,526	46,608	16,833	15,066
Other income	3	652	2,019	394	-
Cost of goods sold		(18,808)	(24,961)	(10,801)	(11,029)
Employee benefits expense		(5,116)	(5,457)	(2,193)	(2,337)
Depreciation and amortisation		(1,442)	(2,224)	(179)	(223)
Airport charges and taxes		(750)	(2,343)	-	-
Repairs and maintenance		(256)	(626)	(45)	(21)
Fuel costs		(553)	(1,483)	-	-
Bad and doubtful debts		(621)	(1,135)	(327)	(843)
Finance costs		(4,569)	(2,836)	(268)	(396)
Net foreign exchange loss		(2,517)	-	-	(137)
Net loss on sale of property, plant and equipment		(136)	-	-	-
Other expenses		(4,077)	(3,400)	(1,931)	(1,339)
Total expenses		38,845	(44,465)	(15,744)	(16,325)
<b>Profit/(Loss) before income tax expense</b>	4	333	4,162	1,483	(1,259)
Income tax (expense)/ benefit	5	(230)	(1,031)	(523)	324
<b>Profit/(Loss) for the year</b>		103	3,131	960	(935)
		<b>Cents</b>	<b>Cents</b>		
Basic earnings per share	23	0.4	11.86		
Diluted earnings per share	23	0.4	11.85		

The income statements should be read in conjunction with the accompanying notes.

## Balance Sheets

for the year ended 30 June 2009

	Note	Consolidated		Parent Entity	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Current Assets</b>					
Cash and cash equivalents	22	466	1,200	154	750
Trade and other receivables	6	5,438	17,614	3,966	4,085
Inventories	7	28,494	27,691	6,378	5,550
Derivative financial instruments	8	-	1,770	-	-
Current tax assets	9	353	517	353	443
Other current assets	10	493	545	124	157
Total Current Assets		35,244	49,337	10,975	10,985
<b>Non-Current Assets</b>					
Trade and other receivables	6	15,797	3,914	10,921	9,890
Other financial assets	11	-	-	14,019	14,019
Property, plant and equipment	12	27,086	24,329	1,336	1,441
Deferred tax assets	13	2,221	2,026	441	715
Intangible assets	14	4,334	4,334	-	-
Other non-current assets	10	367	116	108	-
Total Non-Current Assets		49,805	34,719	26,825	26,065
Total Assets		85,049	84,056	37,800	37,050
<b>Current Liabilities</b>					
Trade and other payables	15	3,458	4,626	1,263	1,450
Borrowings	16	7,823	18,404	2,357	2,809
Current tax liabilities	9	429	1,423	-	-
Provisions	18	702	826	237	355
Other current liabilities	19	1,034	1,072	504	346
Total Current Liabilities		13,446	26,351	4,361	4,960
<b>Non-Current Liabilities</b>					
Borrowings	16	29,462	14,397	-	-
Deferred tax liabilities	17	2,702	2,685	253	3
Provisions	18	150	201	49	36
Other non-current liabilities	19	279	197	-	40
Total Non-Current Liabilities		32,593	17,480	302	79
Total Liabilities		46,039	43,831	4,663	5,039
Net Assets		39,010	40,225	33,137	32,011
<b>Equity</b>					
Contributed equity	20	28,096	27,963	28,174	28,041
Reserves	21	274	1,725	274	241
Retained profits		10,640	10,537	4,689	3,729
Total Equity		39,010	40,225	33,137	32,011

The balance sheets should be read in conjunction with the accompanying notes.

## Statements of Changes in Equity

for the year ended 30 June 2009

	Contributed Equity		Reserves		Retained Profits	Total
	Issued Capital \$'000	Other Equity Securities \$'000	Share Based Payments \$'000	Hedging Reserve \$'000	\$'000	\$'000
<b>Consolidated</b>						
<b>At 1 July 2007</b>	27,773	183	163	-	7,406	35,525
Profit/(Loss) for the year	-	-	-	-	3,131	3,131
Employee share options	-	-	78	-	-	78
Dividends paid	-	-	-	-	-	-
Issues of share capital (net of transaction costs)	7	-	-	-	-	7
Recognition of effective cashflow hedge	-	-	-	1,484	-	1,484
<b>At 30 June 2008</b>	27,780	183	241	1,484	10,537	40,225
Profit/(Loss) for the year	-	-	-	-	103	103
Employee share options	-	-	33	-	-	33
Dividends paid	-	-	-	-	-	-
Issues of share capital (net of transaction costs)	133	-	-	-	-	133
Recognition of effective cashflow hedge	-	-	-	(1,484)	-	(1,484)
<b>At 30 June 2009</b>	27,913	183	274	-	10,640	39,010
<b>Parent Entity</b>						
<b>At 1 July 2007</b>	27,773	261	163	-	4,664	32,861
Profit/(Loss) for the year	-	-	-	-	(935)	(935)
Employee share options	-	-	78	-	-	78
Dividends paid	-	-	-	-	-	-
Issues of share capital (net of transaction costs)	7	-	-	-	-	7
<b>At 30 June 2008</b>	27,780	261	241	-	3,729	32,011
Profit/(Loss) for the year	-	-	-	-	960	960
Employee share options	-	-	33	-	-	33
Dividends paid	-	-	-	-	-	-
Issues of share capital (net of transaction costs)	133	-	-	-	-	133
<b>At 30 June 2009</b>	27,913	261	274	-	4,689	33,137

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

## Cash Flow Statements

for the year ended 30 June 2009

	Note	Consolidated		Parent Entity	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Cash Flow From Operating Activities</b>					
Cash receipts in the course of operations		39,592	40,840	18,024	19,325
Cash payments in the course of operations		(33,248)	(41,030)	(17,599)	(17,286)
Interest received		524	596	105	286
Finance costs		(3,449)	(2,136)	(268)	(396)
GST recovered/(paid)		209	394	957	656
Income taxes paid		(1,518)	(1,290)	(162)	(679)
Net cash provided by/(used in) operating activities	22(b)	2,110	(2,626)	1,057	1,906
<b>Cash Flow From Investing Activities</b>					
Proceeds from sale of subsidiary (net of cash disposed)		271	-	-	-
Payments for property, plant and equipment		(5,789)	(3,684)	(191)	(60)
Proceeds on disposal of property, plant and equipment		1,909	2,309	136	3
Net proceeds/(repayment) of loans to subsidiaries		-	-	(1,105)	555
Net cash provided by/(used in) investing activities		(3,609)	(1,375)	(1,160)	498
<b>Cash Flow From Financing Activities</b>					
Proceeds from borrowings		5,384	14,147	976	378
Repayment of borrowings		(4,927)	(8,372)	(1,709)	(1,771)
Repayment of lease liabilities		(68)	(161)	-	-
Proceeds from issue of shares		-	7	-	7
Share issue transaction costs		(11)	-	(11)	-
Dividends paid		-	-	-	-
Net cash provided by/(used in) financing activities		378	5,621	(744)	(1,386)
Net increase/(decrease) in cash and cash equivalents		(1,121)	1,620	(847)	1,018
Cash and cash equivalents at the beginning of the year		667	(953)	750	(268)
Cash and cash equivalents at the end of the year	22(a)	(454)	667	(97)	750

The cash flow statements should be read in conjunction with the accompanying notes.

## **1. Summary of Significant Accounting Policies**

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for PTB Group Limited as an individual entity and the consolidated entity consisting of PTB Group Limited and its subsidiaries.

### (a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards and the *Corporations Act 2001*, and was authorised for issue on 25 September 2009.

#### Compliance with IFRSs

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the consolidated financial statements and notes of PTB Group Limited comply with International Financial Reporting Standards (IFRSs). The parent entity financial statements and notes also comply with IFRSs.

#### 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 income statement, and certain classes of property, plant and equipment.

#### Critical accounting estimates

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 1(ad).

### (b) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of PTB Group Limited ("company" or "parent entity") as at 30 June 2009 and the results of all subsidiaries for the year then ended. PTB Group Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity. For details of the subsidiaries refer note 31.

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries 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.

Investments in subsidiaries are accounted for at cost in the individual financial statements of PTB Group Limited.

### (c) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment subject to risks and returns that are different from those of segments operating in other economic environments. Intersegment pricing is at cost.

### (d) Foreign currency translation

#### (i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is PTB Group Limited's functional and presentation currency.

#### (ii) Transactions and balances

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

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

(d) Foreign currency translation (Continued)

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 income statement, 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.

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 income statement are recognised in the income statement as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale financial assets are included in the fair value reserve in equity.

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- Income and expenses for each income statement are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- All resulting exchange differences are recognised as a separate component of equity.

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 taken to shareholders' equity. 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 income statement, as part of the gain or loss on sale where applicable.

(e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates, and amounts collected on behalf of third parties.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved.

Revenue is recognised for the major business activities as follows:

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



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

**(f) Unearned revenue**

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

**(g) Income tax**

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The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, 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 balances attributable to amounts recognised directly in equity are also recognised directly in equity.

**Tax consolidation legislation**

PTB Group Limited and its wholly-owned Australian controlled entities have not implemented the tax consolidation legislation. Accordingly, the income tax expense, tax payable and deferred tax assets and liabilities of each entity are calculated on a standalone basis and are recognised in the entity to which they relate.

**(h) Leased assets**

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Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

**As lessor**

Amounts due from lessees under finance leases are recorded as receivables. Finance lease receivables are initially recognised at amounts equal to the net investment in the lease. Finance lease payments receivable are allocated between interest revenue and reduction of the lease receivable over the term of the lease in order to reflect a constant periodic rate of return on the net investment outstanding in respect of the lease.

For operating leases, the leased asset (rental engines and aircraft) is classified as a non-current asset and depreciated in accordance with the depreciation policy set out in note 1(q). Rental income from operating leases is recognised as set out in note 1(e).

**As lessee**

Assets held under finance leases are initially recognised at their fair value or, if lower, at amounts equal to present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation, net of finance charges.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the consolidated entity's general policy on borrowing costs. Refer to note 1(u).

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

**(h) Leased assets (Continued)**

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

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

**(i) Business combinations**

The purchase method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the fair value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the Group's share of the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

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 cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

**(l) Trade and other receivables**

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are due for settlement in 30 to 90 days.

Collectibility of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. A provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the provision is recognised in the income statement. Cashflows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

**(m) Inventories**

Raw materials, work in progress, and finished goods

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

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

### (m) Inventories (Continued)

#### Land held for resale

Land held for sale is stated at the lower of cost and net realisable value. Cost is assigned by specific identification and includes the cost of acquisition and development costs.

### (n) Other financial assets

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

The Group has no financial assets at fair value through profit or loss, held-to-maturity investments or available-for-sale financial assets.

#### Loans and receivables

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

Loans and receivables are initially recognised at fair value plus transaction costs and subsequently carried at amortised cost using the effective interest method.

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired.

#### Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

### (o) Leasehold improvements

The cost of improvements to or on leasehold properties is amortised over the unexpired period of the lease or the estimated useful life of the improvement to the Group, whichever is the shorter. Refer note 1(q).

### (p) Derivatives and hedging activities

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

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

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

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

(p) Derivatives and hedging activities  
(Continued)

The fair values of various derivative financial instruments used for hedging purposes are disclosed in note 8. Movements in the hedging reserve in shareholders equity are shown in note 21. 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 income statement, 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 income statement 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 income statement 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 income statement over the period to maturity using a recalculated effective interest rate.

**Cashflow hedge**

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

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

**Net investment hedges**

Hedges of net investments in foreign operations are accounted for similarly to cashflow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedges is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement, within 'other income' or 'other expense'. Gains or losses accumulated in equity are included in the income statement 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 income statement and are included in 'other income' or 'other expenses'.

(q) Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cashflow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

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

**(q) Property, plant and equipment (Continued)**

Increases in the carrying amounts arising on revaluation of land and buildings are credited, net of tax, to the revaluation reserve in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in the income statement, the increase is first recognised in the income statement. Decreases that reverse previous increases of the same asset are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the assets, all other decreases are charged to the income statement.

Depreciation 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 income statement in which the depreciation and amortisation of property, plant and equipment is included is 'depreciation and amortisation expense'.

The estimated useful lives are as follows:

Class	Life	Basis
Buildings	40 years	SL
Leasehold improvements	5 years	SL
Leasehold improvements – leased	6 years	SL
Plant and equipment	3–10 years	DV
Plant and equipment – leased	6–8 years	DV
Rental engines	5,500–7,000 hours	Actual hours as a proportion of estimated total operating hours
Airframes	15–20 years	SL

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1 (j)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement. When re-valued assets are sold, it is Group policy to transfer the amounts included in revaluation reserves in respect of those assets to retained earnings.

**(r) Intangibles**

**Goodwill**

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of the acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised. Instead it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to the cash generating units for the purpose of impairment testing.

**Computer software**

Costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised include external direct costs of materials and service, direct payroll and payroll related costs of employees' time spent on the project. Computer software has a finite life and is carried at cost less any accumulated amortisation and any impairment losses. Computer software is amortised on a straight-line basis over its estimated useful life of 7 years. The line item in the income statement in which the amortisation of computer software is included is 'depreciation and amortisation' expense.

**(s) Trade and other payables**

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost.

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

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

**(t) Borrowings**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities, which are not an incremental cost relating to the actual draw-down of the facility, are recognised as prepayments and amortised on a straight-line basis over the term of the facility.

The fair value of the liability portion of a note (with an attached option to convert into ordinary shares) is determined using a market interest rate for an equivalent non-convertible note. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the note. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in 'other income' or 'other expense'.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

**(u) Borrowing costs**

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed. The amount of borrowing costs capitalised is determined as the actual borrowing costs incurred as funds are borrowed specifically for the purpose of obtaining a qualifying asset.

**(v) Employee benefits**

**Wages and salaries, annual leave and sick leave**

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting

date are recognised in the employee benefits provision in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

**Long service leave**

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

**Superannuation**

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

**Share-based payments**

Share-based compensation benefits are provided to employees via the PTB Group Limited Employee Share Option Scheme as detailed in note 25.

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.

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

**(v) Employee benefits (Continued)**

**Profit sharing and bonus plans**

The Group recognises a liability and an expense for bonuses and profit sharing based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

**(w) Provisions**

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

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

**(x) Contributed equity**

Ordinary shares are classified as equity.

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

**(y) Dividends**

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

**(z) Earnings per share**

**Basic earnings per share**

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

**Diluted earnings per share**

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to 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; or
- 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.

**(ab) Rounding of amounts**

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

**(ac) General**

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

22 Orient Avenue  
Pinkenba QLD 4008  
Ph: +61 7 3637 7000

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

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

(ad) Critical accounting estimates and judgements

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

**Impairment**

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1(j). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions. Refer to note 14 for details of these assumptions and the potential impact of changes to the assumptions.

(ae) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2009 reporting period. The Group has decided against early adoption of these standards. The Group's and parent entity's assessment of the impact of the new standards and interpretations relevant to the Group are set out below:

- (i) AASB 8: Operating Segments and AASB 2007-3: Amendments to Australian Accounting Standards arising from AASB 8 (applicable for annual reporting periods commencing from 1 January 2009). AASB 8 introduces a new "management approach" to segment reporting. The changes require identification of operating segments on the basis of internal management reports that are regularly reviewed by the Group's key decision makers for the purposes of assessing performance and the allocation of resources to each segment. While the impact of this standard has not been assessed at this stage, there is the potential for more segments to be identified. Given the lower economic levels at which segments may be defined, and the fact that cash generating units cannot be bigger than operating segments, the allocation of goodwill to reportable segments and impairment calculations may be affected

by the change in approach. Management does not presently believe that this will result in any additional impairment of goodwill.

- (ii) Revised AASB 123: Borrowing Costs and AASB 2007-6: Amendments to Australian Accounting Standards arising from AASB 123 (applicable for annual reporting periods commencing from 1 January 2009). The revised AASB 123 Borrowing costs removes the option to expense borrowing costs related to qualifying assets. The standard now requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised standard is not expected to have any impact on the group's financial report.
- (iii) Revised AASB 101: Presentation of Financial Statements, AASB 2007-8: Amendments to Australian Accounting Standards arising from AASB 101, and AASB 2007-10: Further Amendments to Australian Accounting Standards arising from AASB 101 (all applicable to annual reporting periods commencing from 1 January 2009). The revised AASB 101 and amendments supersede the previous AASB 101 and:
  - Re-defines the composition of financial statements by requiring the details of all non-owner changes in equity to be presented in a statement of comprehensive income with corresponding changes to the statement of changes in equity. The revised standard does not change the recognition, measurement or disclosure of transactions and events that are required by AASBs. The Total Comprehensive Income may be presented as a single statement of income or in an Income Statement and separate Statement of Comprehensive Income;
  - requires disclosure of income tax relating to each component of other comprehensive income;
  - requires inclusion of an additional statement of financial position (balance sheet) when an entity applies an accounting standard retrospectively, makes a retrospective restatement, or reclassifies items in its financial statements; and
  - requires disclosure of reclassification adjustments relating to components of other comprehensive income; and requires dividends to owners and related amounts per share to be presented in the Statement of Changes in Equity or the Notes to the financial statements, and not in the Statement of Comprehensive Income.



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

(ae) New accounting standards and interpretations (Continued)

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The revised standard is expected to have a significant impact on the presentation of the consolidated financial statements. The group has not yet determined whether a single Statement of Comprehensive Income or separate Income Statement and Statement of Comprehensive Income will be presented. Other changes to the standard will be prospectively applied to the financial statements of the Group.

(iv) AASB 2008-1: Amendments to Australian Accounting Standard — Share-based Payments: Vesting Conditions and Cancellations [AASB 2] (applicable for annual reporting periods commencing from 1 January 2009). This amendment to AASB 2:

- clarifies the definition of vesting conditions, and the concept of non-vesting conditions taken to account in determining the fair value at grant date;
- clarifies that vesting conditions are those conditions that determine whether an entity receives the services that result in the counterparty's entitlement;
- restricts the definition of vesting conditions to include service conditions and performance conditions only;
- amends the definition of performance conditions to require the completion of a service period in addition to specified performance targets; and
- specifies that cancellations should receive the same accounting treatment whether cancelled by the entity or by another party.

The group has not yet determined the potential effect of the amendment to the financial statements.

(v) AASB 2008-8: Amendment to IAS 39 Financial Instruments: Recognition and Measurement (applicable for annual reporting periods commencing from 1 July 2009). AASB 2008-8 amends AASB 139 Financial Instruments: Recognition and Measurement and must be applied retrospectively in accordance with AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors. This amendment makes two significant changes. It prohibits designating inflation as a hedgeable component of fixed rate debt and prohibits including time value in the one-sided hedged risk when designating options as hedges. The amendments are not expected to materially affect the Group.

## Notes to the Financial Statements

for the year ended 30 June 2009 (Continued)

### 2. Revenue

	Consolidated		Parent Entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Sales revenue</b>				
Sale of goods	25,855	30,795	10,359	9,840
Services	5,265	4,027	5,502	4,096
Airline passengers and freight	2,380	7,238	-	-
Rental of engines/aircraft				
- Minimum lease payments	2,548	1,717	410	393
- Contingent rentals	919	1,956	215	129
	36,967	45,733	16,486	14,458
<b>Other revenue</b>				
Interest				
- Extended credit receivables (hire purchase agreements)	469	551	88	276
- Other	40	44	17	10
Management fee - subsidiaries	-	-	125	167
Other	1,050	280	117	155
	38,526	46,608	16,833	15,066

### 3. Other Income

Net foreign exchange gains	-	1,803	376	-
Net gain on disposal of subsidiary	652	-	-	-
Net gain on disposal of property, plant and equipment	-	216	18	-
	652	2,019	394	-

### 4. Expenses

Profit before income tax expense includes the following specific items:

Cost of sale of goods	18,808	24,961	10,801	11,029
Depreciation				
- Buildings	79	47	-	-
- Plant and equipment	171	142	70	66
- Rental engines/aircraft	1,079	1,943	79	118
- Leasehold improvements	38	41	30	39
Amortisation				
- Leased leasehold improvements	-	-	-	-
- Leased plant and equipment	75	44	-	-
- Software	-	7	-	-
Operating lease rentals – minimum lease payments				
- Premises	567	478	212	82
- Equipment	125	149	7	5
Impairment losses (bad and doubtful debts)				
- Trade debtors	621	1,135	327	843
Net foreign exchange losses	2,517	-	-	137
Defined contribution superannuation expense	702	638	337	174
Finance costs				
- Interests and finance charges paid/payable	5,144	3,515	268	396
- Amount capitalised	(575)	(679)	-	-
	4,569	2,836	268	396

**5. Income Tax Expense**

	Consolidated		Parent Entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>(a) Income tax expense</b>				
Current tax	39	850	-	-
Deferred tax	178	(527)	505	(346)
Under/(over) provided in prior years	13	708	18	22
	230	1,031	523	(324)
<p>The under provision for the prior year related to tax payable on the Belmont property which is liable at the date of settlement, but included in the income tax year in which the contract was executed.</p>				
<b>(b) Numerical reconciliation of income tax expense to prima facie tax</b>				
Profit/(loss) before income tax expense	333	4,162	1,483	(1,259)
Tax at the Australian tax rate of 30% (2008: 30%)	100	1,249	445	(378)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
- Share-based payments	10	-	10	-
- Deferred tax liability on assets not previously recognised	-	329	-	-
- Sundry items	61	17	4	9
	171	1,595	459	(369)
Provisions transferred in	46	-	46	(2)
Losses not recognised in prior year	-	(388)	-	-
Under/(over) provided in prior years	13	(176)	18	47
Income tax expense/(benefit)	230	1,031	523	(324)
<b>(c) Amounts recognised directly in equity</b>				
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or credited to equity:				
Net deferred tax – debited (credited) directly to equity (notes 13 and 17)	-	164	-	164
<b>6. Trade and Other Receivables</b>				
<b>Current</b>				
Trade receivables	2,876	15,493	3,162	3,067
Provision for impairment	(613)	(304)	(355)	(133)
	2,263	15,189	2,807	2,934
Maintenance contract receivables	766	-	766	-
Extended credit receivables (hire purchase agreements)	2,379	2,191	363	987
Other receivables	30	234	30	164
	5,438	17,614	3,966	4,085
<b>Non-Current</b>				
Extended credit receivables (hire purchase agreements)	15,797	3,914	-	74
Amounts receivable from controlled entities	-	-	10,921	9,816
	15,797	3,914	10,921	9,890

## Notes to the Financial Statements

for the year ended 30 June 2009 (Continued)

### 6. Trade and Other Receivables (Continued)

#### Trade receivables

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

#### Impaired trade receivables

As at 30 June 2009 current trade receivables of the Group with a nominal value of \$634,582 (2008: \$326,821) were impaired. The amount of the provision was \$613,301 (2008: \$303,492). As at 30 June 2009 current trade receivables of the parent entity with a nominal value of \$386,405 (2008: \$153,625) were impaired. The amount of the provision was \$355,301 (2008: \$132,878). It was assessed that a portion of the receivables is expected to be recovered. The Group has retention of title over the goods until the cash is received.

	Current	30+ Days	60+ Days	90+ Days	Total
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The ageing of trade receivables is as follows:

#### Group – 2009

Trade receivables	1,324	741	294	517	2,876
Impaired trade receivables	-	(1)	(117)	(517)	(635)
Unimpaired receivables	1,324	740	177	-	2,241

#### Group – 2008

Trade receivables	12,751	735	959	1,048	15,493
Impaired trade receivables	(27)	(4)	-	(296)	(327)
Unimpaired receivables	12,724	731	959	752	15,166

#### Parent entity – 2009

Trade receivables	784	759	281	1,338	3,162
Impaired trade receivables	-	(1)	(117)	(268)	(386)
Unimpaired receivables	784	758	164	1,070	2,776

#### Parent entity – 2008

Trade receivables	1,176	588	714	589	3,067
Impaired trade receivables	-	-	-	(154)	(154)
Unimpaired receivables	1,176	588	714	435	2,913

#### Past due but not impaired

As at 30 June 2009, unimpaired trade receivables greater than 30 days represent amounts past due but not impaired. Based on the credit history of these other classes, it is expected that these amounts will be received when due. The Group and parent entity hold retention of title over goods sold until cash is received.

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

	Consolidated		Parent Entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
At 1 July	(304)	(139)	(133)	(102)
Provision for impairment recognised during the year	(620)	(1,135)	(327)	(843)
Receivables written off during the year as uncollectable	311	970	105	812
Unused amount reversed	-	-	-	-
At 30 June	(613)	(304)	(355)	(133)

## 6. Trade and Other Receivables (Continued)

### Maintenance contract receivables

Maintenance contract receivables are generally unsecured. The relevant agreements require fixed monthly payments over the term of the contracts which are generally up to 5 years.

### Extended credit receivables

Extended credit receivables (hire purchase agreements) represent amounts owed by customers for engines and aircraft sold to those customers. The amounts owed by customers are secured under hire purchase agreements between the Group and the customer. The amounts are repayable by the customers by monthly instalments of principal and fixed interest over periods of 1 to 5 years. Furthermore, the agreements do not include any contingent rentals. The receivables are secured as the rights to the engine and/or aircraft revert to the Group in event of default. The engines and aircraft are maintained and insured by the customers and at the end of the term of the agreement are retained by the customers. None of the extended credit receivables are impaired, or past due but not impaired.

	Consolidated		Parent Entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Payments in relation to the hire purchase agreements are receivable as follows:				
Within one year	4,194	2,692	380	1,036
Later than one year but not later than five years	10,852	4,400	-	77
Later than five years	12,384	241	-	-
	27,430	7,333	380	1,113
Future finance revenue				
Within one year	(1,815)	(501)	(17)	(49)
Later than one year but not later than five years	(7,439)	(719)	-	(3)
Later than five years	-	(8)	-	-
	(9,254)	(1,228)	(17)	(52)
	18,176	6,105	363	1,061
Representing receivables:				
Current	2,379	2,191	363	987
Non-current	15,797	3,914	-	74
	18,176	6,105	363	1,061

### Amounts receivable from controlled entities

Refer note 33 for information on amounts receivable from controlled entities.

### Risk exposure

Information concerning the exposure to credit risk, foreign exchange and interest rate risk is set out in note 28.

## 7. Inventories

Work in progress – at cost	376	13,118	376	483
Finished goods – at cost	28,118	14,573	6,002	5,067
	28,494	27,691	6,378	5,550

## Notes to the Financial Statements

for the year ended 30 June 2009 (Continued)

### 7. Inventories (Continued)

Finished goods includes aircraft, engines and parts held for sale. Work in progress includes engines and aircraft undergoing reconditioning in preparation for sale as well as incomplete repair jobs.

Borrowing costs of \$574,580 (2008: \$679,000) have been capitalised into the cost of inventory on qualifying assets (recognised in work in progress). The capitalisation rate is the interest rate applicable to the specific facility of 22% (2008: 16%).

### 8. Derivative Financial Instruments

	Consolidated		Parent Entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Current</b>				
Forward foreign exchange contracts				
– cashflow hedges	-	1,770	-	-

In the previous year the Emerald operations included the contract for sale of two LFD ATP aircraft of which one had been included as the contract was unconditional. In order to protect against exchange rate movements, the Group entered into forward exchange contracts (FEC's) to sell US dollars. These contracts hedged highly probable contractual sales for the year and the FEC's were timed to mature when the settlements were scheduled to be made. The effective foreign currency hedges were settled in the current year.

### 9. Tax balances – Current

Current tax assets	353	517	353	443
Current tax liabilities	429	1,423	-	-

### 10. Other Assets

<b>Current</b>				
Prepayments	427	468	68	91
Deposits	66	77	56	66
	493	545	124	157
<b>Non-Current</b>				
Other	367	116	108	-

### 11. Other Financial Assets

Shares in subsidiaries	-	-	14,019	14,019
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These financial assets are carried at cost. For details of the subsidiaries refer note 31.

## 12. Property, Plant and Equipment

### Consolidated

	Land & Buildings	Leasehold Improvements		Plant & Equipment		Rental Engines/Aircraft	Assets Under Construction		Total
	Owned	Owned	Under Lease	Owned	Under Lease	Owned	Owned	Under Lease	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>At 1 July 2007</b>									
Cost	4,188	196	-	824	91	19,501	2,154	1,250	28,204
Accumulated depreciation	(35)	(126)	-	(303)	(18)	(1,958)	-	-	(2,440)
Net book value	4,153	70	-	521	73	17,543	2,154	1,250	25,764
<b>Year ended 30 June 2008</b>									
Opening net book value	4,153	70	-	521	73	17,543	2,154	1,250	25,764
Additions	-	86	-	66	166	2,026	764	140	3,248
Transfers <sup>1</sup>	-	-	-	-	-	1,257	(1,582)	-	(325)
Disposals	-	-	-	(21)	(16)	(2,097)	-	-	(2,134)
Depreciation/amortisation	(47)	(41)	-	(149)	(44)	(1,943)	-	-	(2,224)
Closing net book value	4,106	115	-	417	179	16,786	1,336	1,390	24,329
<b>At 30 June 2008</b>									
Cost	4,188	281	-	854	235	19,986	1,336	1,390	28,270
Accumulated depreciation	(82)	(166)	-	(437)	(56)	(3,200)	-	-	(3,941)
Net book value	4,106	115	-	417	179	16,786	1,336	1,390	24,329
<b>Year ended 30 June 2009</b>									
Opening net book value	4,106	115	-	417	179	16,786	1,336	1,390	24,329
Additions	3,001	-	-	596	-	1,525	302	401	5,825
Transfers <sup>2</sup>	21	-	-	-	-	419	(21)	-	419
Disposals	-	-	-	(60)	-	(1,891)	(94)	-	(2,045)
Depreciation/amortisation	(78)	(39)	-	(171)	(75)	(1,079)	-	-	(1,442)
Closing net book value	7,050	76	-	782	104	15,760	1,523	1,791	27,086
<b>At 30 June 2009</b>									
Cost	7,210	85	-	1,275	234	19,259	1,523	1,791	31,377
Accumulated depreciation	(160)	(9)	-	(493)	(130)	(3,499)	-	-	(4,291)
Net book value	7,050	76	-	782	104	15,760	1,523	1,791	27,086

<sup>1</sup> 2008: Net transfers consists of items transferred to/from inventory (\$325,000) and between owned assets under construction and rental engines and aircraft (\$1,582,000).

<sup>2</sup> Net transfers consists of items transferred to/from inventory (\$419,000) and between owned assets under construction and owned buildings (\$21,000).

## Notes to the Financial Statements

for the year ended 30 June 2009 (Continued)

### 12. Property, Plant and Equipment (Continued)

#### Parent Entity

	Leasehold Improvements		Plant & Equipment		Rental Engines/Aircraft	Assets Under Construction	Total
	Owned \$'000	Under Lease \$'000	Owned \$'000	Under Lease \$'000	Owned \$'000	Owned \$'000	\$'000
<b>At 1 July 2007</b>							
Cost	196	-	526	-	1,340	-	2,062
Accumulated depreciation	(126)	-	(258)	-	(72)	-	(456)
Net book value	70	-	268	-	1,268	-	1,606
<b>Year ended 30 June 2008</b>							
Opening net book value	70	-	268	-	1,268	-	1,606
Additions	-	-	41	-	-	21	62
Transfers <sup>1</sup>	-	-	-	-	-	-	-
Disposals	-	-	(4)	-	-	-	(4)
Depreciation/ amortisation	(39)	-	(66)	-	(118)	-	(223)
Closing net book value	31	-	239	-	1,150	21	1,441
<b>At 1 July 2008</b>							
Cost	196	-	538	-	1,340	21	2,094
Accumulated depreciation	(165)	-	(299)	-	(190)	-	(653)
Net book value	31	-	239	-	1,150	21	1,441
<b>Year ended 30 June 2009</b>							
Opening net book value	31	-	239	-	1,150	21	1,441
Additions	-	-	175	-	-	37	212
Transfers <sup>1</sup>	-	-	-	-	-	(21)	(21)
Disposals	-	-	(24)	-	(93)	-	(117)
Depreciation/ amortisation	(31)	-	(70)	-	(78)	-	(179)
Closing net book value	-	-	320	-	979	37	1,336
<b>At 30 June 2009</b>							
Cost	-	-	605	-	1,244	37	1,886
Accumulated depreciation	-	-	(285)	-	(265)	-	(550)
Net book value	-	-	320	-	979	37	1,336

<sup>1</sup> Net transfers consist of items transferred between owned assets under construction and owned buildings in a subsidiary.



## 12. Property, Plant and Equipment (Continued)

### Rental arrangements – aircraft and engines

The Group rents aircraft and engines under two general arrangements:

- Contingent rentals – rented to customers under agreements with rentals payable monthly and no fixed term. As such, the agreements are cancellable. The rent is calculated on the basis of an hourly rate and hours of usage. There are no minimum hours of usage or minimum lease payments set out in the relevant agreements. As such, in accordance with AASB 117 “Leases” the rental income comprises of contingent rentals not minimum lease payments. Accordingly, there are no fixed lease commitments receivable; and
- Set or minimum rentals – the operating leases relate to aircraft and/or engines leased to third parties with lease terms of between 3–7 years. The monthly rental payments are either set or per hour of usage with minimum hours per annum. In addition, a contingent rental may be receivable based upon hours of usage. The lessee may have an option to purchase the aircraft/engine at the expiry of the lease period. However, the final purchase price is determined on a case by case basis in negotiation between the Group and the lessee.

Minimum lease payments in relation to aircraft and engine operating leases are receivable as follows:

	Consolidated		Parent Entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
No later than one year	1,612	1,031	509	509
Later than one year but no later than five years	3,183	3,300	1,045	1,554
Later than five years	-	345	-	-
	<u>4,795</u>	<u>4,676</u>	<u>1,554</u>	<u>2,063</u>

### Non-current assets pledged as security

Refer note 16 for information on non-current assets pledged as security.

## 13. Deferred Tax Assets

The balance comprises temporary differences attributable to:

Tax losses	1,281	1,350	177	475
Accruals	65	52	35	14
Employee benefits	312	308	86	116
Doubtful debts	184	91	107	40
Share issue expenses	-	-	-	-
Other	379	225	36	70
Total deferred tax assets	<u>2,221</u>	<u>2,026</u>	<u>441</u>	<u>715</u>

## Notes to the Financial Statements

for the year ended 30 June 2009 (Continued)

### 13. Deferred Tax Assets (continued)

Movements:	Tax losses	Accruals	Employee benefits	Doubtful debts	Share issue expenses	Other	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Consolidated</b>							
<b>At 1 July 2007</b>	87	101	293	42	164	30	717
(Charged)/credited to income statement	1,263	(49)	15	49	-	195	1,473
Credited directly to equity	-	-	-	-	(164)	-	(164)
Utilised against current tax liability	-	-	-	-	-	-	-
Acquisition of subsidiary	-	-	-	-	-	-	-
<b>At 30 June 2008</b>	1,350	52	308	91	-	225	2,026
(Charged)/credited to income statement	(69)	13	4	93	-	154	195
Credited directly to equity	-	-	-	-	-	-	-
<b>At 30 June 2009</b>	1,281	65	312	184	-	379	2,221
<b>Parent Entity</b>							
<b>At 1 July 2007</b>	-	16	112	31	164	43	366
(Charged)/credited to income statement	475	(2)	4	9	-	27	513
Credited directly to equity	-	-	-	-	(164)	-	(164)
Other	-	-	-	-	-	-	-
<b>At 30 June 2008</b>	475	14	116	40	-	70	715
(Charged)/credited to income statement	(298)	21	(30)	67	-	(34)	(274)
Credited directly to equity	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
<b>At 30 June 2009</b>	177	35	86	107	-	36	441

**14. Intangible Assets**

	<b>Goodwill \$'000</b>
<b>Consolidated</b>	
<b>At 1 July 2007</b>	
Cost	4,334
Accumulated amortisation and impairment	-
Net book amount	<u>4,334</u>
<b>Year ended 30 June 2008</b>	
Opening net book amount	4,334
Amortisation charge	-
Closing net book amount	<u>4,334</u>
<b>At 30 June 2008</b>	
Cost	4,334
Accumulated amortisation and impairment	-
Net book amount	<u>4,334</u>
<b>Year ended 30 June 2009</b>	
Opening net book amount	4,334
Amortisation charge	-
Closing net book amount	<u>4,334</u>
<b>At 30 June 2009</b>	
Cost	4,334
Accumulated amortisation and impairment	-
Net book amount	<u>4,334</u>
<b>Parent Entity</b>	
<b>At 1 July 2007</b>	
Cost	-
Accumulated amortisation and impairment	-
Net book amount	<u>-</u>
<b>Year ended 30 June 2008</b>	
Opening net book amount	-
Amortisation charge	-
Closing net book amount	<u>-</u>
<b>At 30 June 2008</b>	
Cost	-
Accumulated amortisation and impairment	-
Net book amount	<u>-</u>
<b>Year ended 30 June 2009</b>	
Opening net book amount	-
Amortisation charge	-
Closing net book amount	<u>-</u>
<b>At 30 June 2009</b>	
Cost	-
Accumulated amortisation and impairment	-
Net book amount	<u>-</u>

## Notes to the Financial Statements

for the year ended 30 June 2009 (Continued)

### 14. Intangible Assets (continued)

#### Impairment tests for goodwill

Goodwill is allocated to the IAP operations as a single cash-generating unit (CGU) which is included in the Aircraft and Engines Sales/Rentals primary business segment. The recoverable amount of the CGU is determined based on value in use calculations. These calculations use cashflow projections based on financial budgets approved by management covering a five-year period and include a terminal value adjusted for the perpetual growth rate.

#### Key assumptions used for value-in-use calculations

The calculations utilise a pre-tax risk adjusted discount rate of 13.8% (2008: 14.2%). A growth rate of 2% (2008: 3%) has been used. Management determined budgeted net profit based on past performance and its expectations for the future. The discount rate reflects the specific risks relating to the relevant segment in which IAP operates.

#### Impact of possible changes in key assumptions

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

### 15. Trade and Other Payables

	Consolidated		Parent Entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Trade payables and accruals	3,458	4,626	1,263	1,450

#### Effective Interest Rates

Information concerning the effective interest rates is set out in note 28.

### 16. Borrowings

#### Current

##### Secured

Bank overdraft	920	533	251	-
Bank loans	6,371	10,313	1,838	2,737
Finance company loan	268	71	268	72
Lease liabilities	126	117	-	-
	7,685	11,034	2,357	2,809

##### Unsecured

Notes	-	4,528	-	-
Developer advance	-	2,044	-	-
Other loans – related parties	138	798	-	-
	7,823	18,404	2,357	2,809

#### Non-Current

##### Secured

Bank loans	21,557	11,133	-	-
Lease liabilities	676	802	-	-
	22,233	11,935	-	-

##### Unsecured

Notes	4,589	-	-	-
Other loans – related parties	2,640	2,462	-	-
	29,462	14,397	-	-

## 16. Borrowings (continued)

### Unsecured Notes

During the 2006 year, PTB Finance Limited (a subsidiary of PTB Group Limited) issued 4,588,800 unsecured notes at \$1 per note raising \$4,588,800 in cash. The notes were rolled for a further 2 years on 30 November 2008. Nominal interest of 14% (2008: 11.5%) per annum (fixed) is payable monthly in arrears. Noteholders also received one option to acquire shares in PTB Group Limited for every \$2 invested in the notes in four six monthly tranches commencing from the issue date. The exercise period expires 30 November 2010 at an exercise price of \$0.40 per share. The options are transferable.

At balance date, two tranches of 2,294,400 options on each of 30 November 2009 and 31 May 2010, remain to be issued for zero cash consideration to noteholders holding unsecured notes issued in PTB Finance Limited.

The notes are presented in the balance sheet as follows:

	Consolidated	
	2009 \$'000	2008 \$'000
Face value of notes issued	4,589	4,589
Other equity securities – value of conversion rights	(261)	(261)
Transaction costs	(83)	(83)
	4,245	4,245
Interest expense *	2,231	1,524
Interest paid	(1,887)	(1,241)
Current liability	-	4,528
Non-current liability	4,589	-

\* interest expense is calculated by applying the effective interest rate of 14% (2008:14%) to the liability component.

### Bank Overdraft, Bank Loans and Bills Payable

The bank overdraft, bank loans and bills payable in the parent entity are secured by way of a registered mortgage debenture and chattel mortgages over all assets and undertakings of the parent entity. The bank overdraft and bills payable of the subsidiaries are secured by the land and building (recognised in property, plant and equipment) of \$7,050,000 (2008: \$4,106,000). The bank loans in the subsidiaries are secured by the relevant aviation assets included in plant and equipment and inventory of the relevant subsidiary of \$16,540,786 (2008: \$18,618,794).

As at 30 June 2009, the refurbishment and term loan detailed below were rolled into an AUD term loan at an interest rate of 15% per annum (previously 22%), minimum monthly loan repayments of \$165,000, a four year loan term (i.e. to 31 July 2013), and the existing security arrangements to remain in place. The balance at 30 June 2009 was \$14.9 million (2008: \$11.9 million). In addition while there is money owed to the Financier, no return of capital, dividends or payments can be made to ordinary shareholders in PTB or related parties without its approval. The Financier has been granted 2,875,000 ordinary shares in PTB on the basis that these shares can be issued progressively over five tranches. The first tranche of shares, i.e. for 1.2 million shares, was issued on 30 June 2009 as approved by the shareholders on that date.

In the prior year a facility of USD \$5,400,000 for the refurbishment of the Emerald aviation assets was established in order to complete and settle the two LFD ATP and two PAX ATP aircraft. The nominal interest rate was 16% capitalised quarterly on the balance of the facility. The security arrangements are consistent with those noted below.

During the 2006 year PTB (Emerald) Pty Ltd (a subsidiary) received a term loan from a finance company of \$8,263,000. The loan was repayable in monthly installments of \$115,000 from February 2008 and was to terminate on 31 December 2012. Nominal interest of 13% per annum was payable quarterly in arrears.

The following security has been provided by PTB and currently remains in place:

- Mortgage over the shares held by PTB in PTB (Emerald) Pty Ltd and the bank account;
- Mortgage over the aircraft held by PTB (Emerald) Pty Ltd as detailed above; and
- A charge over the assets and rights of PTB (Emerald) Pty Ltd which have a carrying value of \$26,265,699 (2008: \$32,283,527).

In addition, a second ranking charge over the assets of the parent entity and IAP Group Australia Pty Ltd was signed on 31 July 2009 in favour of the financier. The carrying value of the Group assets at balance date is \$39,010,493.

## Notes to the Financial Statements

for the year ended 30 June 2009 (Continued)

### 16. Borrowings (Continued)

#### Advance from developer

The Belmont property was previously used by the IAP Group (Aeropelican Air Services Pty Ltd) as the Newcastle airport for its passenger and freight operations prior to moving to Williamstown Airport.

In March 2004, IAP entered into a joint venture deed with a third party developer in respect of the Belmont property. Under the joint venture deed the third party developer advanced IAP \$2 million for the right to pursue the rezoning of the property as residential and/or commercial and if achieved, the development of the property by subdivision and sale of subdivided lots. The \$2.04 million advance from the developer was secured by a mortgage over the property.

Prior to 30 June 2007 year end, the Group entered into an agreement to sell the land for \$5.5 million. On 4 July 2008 the contract settled and the proceeds were utilised to repay the liability of \$2.04 million (including accrued fees and charges).

#### Lease Liabilities

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

#### Other Loans – Related Parties

Refer note 24 for information on other loans from related parties.

#### Effective Interest Rates

Information concerning the effective interest rates is set out in note 28.

#### Finance Facilities

Information concerning the finance facilities is set out in note 28.

#### Assets Pledged as Security

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

### 17. Deferred Tax Liabilities

	Consolidated		Parent Entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>The balance comprises temporary differences attributable to:</b>				
Property, plant and equipment	2,038	1,836	92	3
Inventory	388	556	-	-
Other	276	293	161	-
Total deferred tax liabilities	2,702	2,685	253	3

**17. Deferred Tax Liabilities (Continued)**

Movements:	Property, plant and equipment \$'000	Inventory \$'000	Maintenance contracts \$'000	Other \$'000	Total \$'000
<b>Consolidated</b>					
<b>1 July 2007</b>	1,725	135	-	43	1,903
Charged/(credited) to income statement	111	421	-	250	782
<b>At 30 June 2008</b>	1,836	556	-	293	2,685
Charged/(credited) to income statement	202	(168)	-	(17)	17
<b>At 30 June 2009</b>	2,038	388	-	276	2,702
<b>Parent Entity</b>					
<b>1 July 2007</b>	3	-	-	-	3
Charged/(credited) to income statement	-	-	-	-	-
<b>At 30 June 2008</b>	3	-	-	-	3
Charged/(credited) to income statement	89	-	-	161	250
<b>At 30 June 2009</b>	92	-	-	161	253

**18. Provisions**

	Consolidated		Parent Entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Current</b>				
Employee benefits	702	826	237	355
<b>Non-Current</b>				
Employee benefits	150	201	49	36

**19. Other Liabilities**

<b>Current</b>				
Deferred revenue	177	209	-	-
Deposits in advance	857	863	504	346
	1,034	1,072	504	346
<b>Non-Current</b>				
Deferred revenue	279	197	-	40

**Deferred revenue**

Deferred revenue relates to maintenance contract revenue received in advance.

## Notes to the Financial Statements

for the year ended 30 June 2009 (Continued)

### 20. Contributed Equity

	Consolidated		Parent Entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Share capital</b>				
27,603,135 ordinary shares fully paid (2008: 26,403,135 ordinary shares fully paid)	27,913	27,780	27,913	27,780
<b>Other equity securities</b>				
Value of conversion rights (net of tax) (note 16)	183	183	261	261
	<u>28,096</u>	<u>27,963</u>	<u>28,174</u>	<u>28,041</u>

Effective 1 July 1998, the Corporations legislation in place abolished the concepts of authorised capital and par value shares. Accordingly, the parent does not have authorised capital nor par value in respect of its issued shares.

Movements in ordinary share capital	Note	No of Shares	Issue Price \$	\$'000
<b>Balance 1 July 2007</b>		<u>26,396,468</u>		<u>27,773</u>
Dividend reinvestment scheme		-		-
Options exercised	(a)	<u>6,667</u>	1.00	<u>7</u>
<b>Closing balance 30 June 2008</b>		<u>26,403,135</u>		<u>27,780</u>
Share issues to Emerald Financier	(b)	1,200,000	0.12	144
Transaction costs net of deferred tax	(b)	-		(11)
<b>Closing balance 30 June 2009</b>		<u>27,603,135</u>		<u>27,913</u>

#### Notes:

- (a) Issue of shares pursuant to dividend reinvestment scheme (refer note 30).

The company has established a dividend reinvestment plan under which holders of ordinary shares may elect to have all or part of their dividend entitlements satisfied by the issue of new ordinary shares rather than by being paid cash. Shares are issued under the plan at up to a 4% discount to the market.

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to vote, and upon a poll each share is entitled to one vote.

- (b) Issue of shares pursuant to shareholder approval.

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



## 20. Contributed Equity (Continued)

### Options

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

	2009	2008		
	No. of Options	No. of Options	Exercise Price	Expiry Date
Employee share options	-	80,002	\$1.00	19 November 2008
Employee share options	120,000	120,000	\$1.60	20 February 2010
Employee share options	40,000	40,000	\$2.00	31 August 2010
Note options	-	1,529,600	\$1.60	30 November 2008
Note options	4,588,800	-	\$0.40	30 November 2010

An employee share option scheme was approved by shareholders on 3 June 2005. Refer to note 25 for details.

Note options were granted as part of the unsecured note placement. Refer note 16 for details.

### Capital Risk Management

The Group's and the parent entity's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns to shareholders, benefits to other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

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

## 21. Reserves

	Consolidated		Parent Entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Share-based payments reserve	274	241	274	241
<b>Movements:</b>				
Reserve balance 1 July	241	163	241	163
Option expense	33	78	33	78
Reserve balance 30 June	274	241	274	241

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

Hedging reserve	-	1,484	-	-
<b>Movements:</b>				
Reserve balance 1 July	1,484	-	-	-
Recognition of effective cashflow hedge	-	1,484	-	-
Settlement of cashflow hedge	(1,484)	-	-	-
Reserve balance 30 June	-	1,484	-	-

The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised directly in equity, as described in note 1(p). Amounts are recognised in the income statement when the associated hedged transaction affects the income statement.

## Notes to the Financial Statements

for the year ended 30 June 2009 (Continued)

### 22. Cash Flow Information

	Consolidated		Parent Entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>(a) Reconciliation of Cash and Cash Equivalents</b>				
Cash and cash equivalents at the end of the financial year as shown in the cash flow statements is reconciled to items in the balance sheets as follows:				
Cash and cash equivalents assets				
– cash at bank and on hand	466	1,200	154	750
Bank overdraft (note 16)	(920)	(533)	(251)	-
	(454)	667	(97)	750
<b>(b) Reconciliation of Net Cash Flow from Operating Activities to Profit/(Loss) for the Year</b>				
Profit/(Loss) for the year	103	3,131	960	(935)
Depreciation and amortisation	1,442	2,224	179	223
(Gain)/loss on disposal of property, plant and equipment	136	(216)	(18)	-
(Gain)/loss on disposal of subsidiary	(652)	-	-	-
Share-based payments	33	78	33	78
Movement in provision for doubtful debts	309	165	222	31
Interest capitalised	1,297	559	-	-
Unrealised foreign currency movements	2,167	(934)	-	-
Non-cash interest on unsecured notes	62	130	-	-
Changes in operating assets and liabilities net of effects from disposal of controlled entities.				
(Increase)/decrease in:				
Receivables	475	(7,644)	736	4,168
Inventories **	(1,222)	(856)	(795)	(151)
Deferred tax assets*	(1,146)	(619)	270	(346)
Other assets	(837)	380	(700)	(22)
Increase/(decrease) in:				
Trade payables, accruals, and other liabilities	(263)	550	(69)	(473)
Employee benefits	68	49	(104)	(9)
Current tax liabilities	(830)	271	90	(658)
Deferred tax liabilities*	968	92	253	-
Net cash flow from operating activities	2,110	(2,626)	1,057	1,906

\* net of amounts charged or credited directly to equity

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

### (c) Non-cash Investing and Financing Activities

Dividends satisfied by the issue of shares under the dividend reinvestment scheme are shown in note 30. Options issued to employees under the Employee Share Option Scheme are shown in note 25.

During the year the Group purchased \$35,000 of property, plant and equipment by way of finance lease (2008: \$305,896).

### 23. Earnings Per Share

	Consolidated	
	2009 \$'000	2008 \$'000
Basic earnings per share	0.4	11.86
Diluted earnings per share	0.4	11.85
	<b>\$'000</b>	<b>\$'000</b>
Earnings used to calculate basic and diluted earnings per share		
- Profit after tax for the year	103	3,131
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	26,406,432	26,402,185
Effect of dilutive securities:		
- Director and employee share options	-	23,607
- Note options	-	-
Weighted average number of ordinary shares and potential ordinary shares used in calculating diluted earnings per share	26,406,432	26,425,792

In the current year no options were considered to be potential ordinary shares. In the prior year options granted to Directors and to employees under the PTB Group Limited Employee Share Option Scheme (note 25) and the 1,529,600 options granted as part of the unsecured notes (note 16) were considered to be potential ordinary shares and were included in the determination of diluted earnings per share to the extent to which they were dilutive. The options have not been included in the determination of basic earnings per share.

### 24. Key Management Personnel Disclosures

#### Directors

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

*Chairman – non-executive*

H Parker

*Executive Directors*

CL Baker, Managing Director (Group)

RS Ferris, Managing Director (IAP Division)

*Non-executive Directors*

APS Kemp

#### Other key management personnel

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

Name	Position	Employer
JT Barbeler	Company Secretary and CFO	PTB Group Limited

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

## Notes to the Financial Statements

for the year ended 30 June 2009 (Continued)

### 24. Key Management Personnel Disclosures (Continued)

#### Key management personnel compensation:

	Consolidated		Parent Entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Short-term employee benefits	717,659	787,051	435,272	787,051
Post-employment benefits	134,625	122,876	111,328	122,876
Other long-term benefits	18,134	13,915	8,963	13,915
Share-based payments	2,839	6,181	2,839	6,181
	873,257	930,023	558,402	930,023

The company has taken advantage of the relief provided by *Corporations Regulations 2001* and has transferred the detailed remuneration disclosures to the Directors' report. The relevant information can be found in sections A to E of the remuneration report in the Directors' report.

#### Equity instrument disclosures relating to key management personnel

*Options provided as remuneration and shares issued on exercise of such options*

Details of options provided as remuneration and shares issued on the exercise of such options, together with terms and conditions of the options, can be found in section D of the remuneration report in the Directors' report.

#### *Option holdings*

The numbers of options over ordinary shares in the company held during the financial year by each Director of PTB Group Limited and other key management personnel of the Group, including their personally related parties, are set out below:

Name	Balance at the start of the year	Granted during the year as compensation	Exercised/Lapsed during the year	Other Changes	Balance at the end of the year	Vested and exercisable at the end of the year
<b>2009</b>						
<b>Directors</b>						
H Parker	-	-	-	-	-	-
CL Baker	-	-	-	-	-	-
RS Ferris	-	-	-	-	-	-
APS Kemp	38,267	-	(38,267) <sup>2</sup>	414,800 <sup>2</sup>	414,800	414,800
<b>Other key management personnel of the Group</b>						
JT Barbeler	20,000	-	-	-	20,000	13,334
<b>2008</b>						
<b>Directors</b>						
CL Baker	200,000	-	(200,000) <sup>1</sup>	-	-	-
SG Smith	200,000	-	-	(200,000) <sup>1</sup>	-	-
RS Ferris	-	-	-	-	-	-
H Parker	-	-	-	-	-	-
RJ David	-	-	-	-	-	-
APS Kemp	188,267	-	(150,000) <sup>1</sup>	-	38,267	38,267
R Blumberg	-	-	-	-	-	-
<b>Other key management personnel of the Group</b>						
JT Barbeler	20,000	-	-	-	20,000	6,667

<sup>1</sup> 550,000 options issued to Directors expired and lapsed on 10 March 2008.

<sup>2</sup> 38,267 options issued to APS Kemp as part of the unsecured notes issued in 2006 lapsed during the year. A further 414,800 options were issued as part of the rollover of the notes as approved by shareholders on 30 June 2009 (refer note 16).

## 24. Key Management Personnel Disclosures (Continued)

### Share holdings

The numbers of shares in the company held during the financial year by each Director of PTB Group Limited and other key management personnel of the Group, including their personally related parties, are set out below. There were no shares granted during the current or previous year as compensation.

Name	Balance at the start of the year	Issued as purchase consideration	Received during the year on the exercise of options	Other changes	Balance at date of appointment/resignation	Balance at the end of the year
<b>2009</b>						
<b>Directors</b>						
H Parker	296,000	-	-	-	-	296,000
CL Baker	1,782,104	-	-	-	-	1,782,104
RS Ferris	6,908,054	-	-	-	-	6,908,054
APS Kemp	147,248	-	-	34,734	-	181,982
<b>Other key management personnel of the Group</b>						
JT Barbeler	-	-	-	-	-	-
<b>2008</b>						
<b>Directors</b>						
CL Baker	1,782,104	-	-	-	-	1,782,104
SG Smith	1,843,860	-	-	-	(1,843,860)	-
RS Ferris	6,908,054	-	-	-	-	6,908,054
H Parker	296,000	-	-	-	-	296,000
RJ David	337,000	-	-	-	(337,000)	-
APS Kemp	136,348	-	-	10,900	-	147,248
<b>Other key management personnel of the Group</b>						
JT Barbeler	-	-	-	-	-	-

### Loans to key management personnel

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

### Other transactions with key management personnel

APS Kemp's remuneration included additional amounts paid for services provided in respect of corporate advisory and capital raising strategy services of \$5,500 (2008: \$Nil). These services were supplied at normal terms and conditions.

In 2007 PTB (Emerald) Pty Ltd (subsidiary) obtained a loan of \$2,000,000 from Steve Ferris (Director). The loan is repayable on 16 December 2011. The loan is subordinated to the finance company loan. Nominal interest of 10% per annum (fixed) is payable monthly in arrears and capitalised to the balance of the loan. The loan is unsecured and has a balance outstanding at 30 June 2009 of \$2,619,521 (2008: \$2,371,224).

Additionally, IAP Group Australia Pty Ltd (subsidiary) has a loan from Steve Ferris (Director) where monies are advanced to IAP and repaid on a revolving line of credit basis. The loan has a maturity date of 31 August 2010 and is unsecured and has a fixed interest rate of 8%. The loan is repayable in monthly instalments and has a balance outstanding at 30 June 2009 of \$158,343 (2008: \$889,116).

All transactions were under normal commercial terms and conditions, unless otherwise stated. No bad or doubtful debts expense has been, or is likely to occur from transactions with related parties.

## Notes to the Financial Statements

for the year ended 30 June 2009 (Continued)

### 24. Key Management Personnel Disclosures (Continued)

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

	Consolidated		Parent Entity	
	2009 \$	2008 \$	2009 \$	2008 \$
<b>Amounts recognised as expense</b>				
Interest expense*	313,952	305,182	-	-
	313,952	305,182	-	-

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

- current borrowings	138,001	798,001	-	-
- non-current borrowings	3,054,663	2,462,339	-	-

\* represents interest paid at 11.5% to 30 November 2008 and 14% thereafter to APS Kemp on unsecured notes and on the two unsecured loans payable by Group companies to R.S Ferris at 8% and 10% as detailed above.

At balance date, the following options remain to be issued to two companies that are related parties and associated with APS Kemp, a Director of PTB Group Limited. On 30 November 2009 and 31 May 2010 two tranches of options are to be issued, one totalling 410,000 options to Huntington Group Pty Ltd ACN 010 693 651 and a second tranche of 4,800 options to Manco (Aust) Pty Ltd ACN 062 457 658. These options were approved at a General Meeting on 30 June 2009 and are to be issued for zero cash consideration. These companies currently hold 414,800 notes at balance date.

### 25. Share-based Payments

#### Employee Share Option Scheme

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

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

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

Options granted under the scheme carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share for cash. Amounts receivable on the exercise of options are recognised as share capital.

## 25. Share-based Payments (Continued)

Set out below are summaries of options granted under the scheme:

Grant date	Expiry date	Exercise price	Balance at start of year	Granted during the year	Exercised during the year	Expired/forfeited during the year	Balance at end of the year	Exercisable at end of the year
			Number	Number	Number	Number	Number	Number
<b>Consolidated and parent entity – 2009</b>								
31 May 2007	31 Aug 2010	\$2.00	40,000	-	-	-	40,000	26,666
30 Dec 2006	20 Feb 2010	\$1.60	120,000	-	-	-	120,000	80,000
30 Sep 2005	19 Nov 2008	\$1.00	80,002	-	-	80,002	-	-
<b>Consolidated and parent entity – 2008</b>								
31 May 2007	31 Aug 2010	\$2.00	40,000	-	-	-	40,000	13,334
30 Dec 2006	20 Feb 2010	\$1.60	140,000	-	-	(20,000)	120,000	40,000
30 Sep 2005	19 Nov 2008	\$1.00	93,336	-	(6,667)	(6,667)	80,002	46,667

Options held vest one third each year on the anniversary of the grant date.

The weighted average remaining contractual life of share options outstanding at the end of the 2009 year was 0.77 years (2008: 1.3 years).

No options were exercised during the year. The weighted average share price at the date of exercise of options exercised during the prior year \$1.52.

### *Fair value of options granted*

The assessed fair value at grant date of the options granted during the year ended 30 June 2007 was \$1.01 per option for the 30 December 2006 grant and \$0.54 per option for the 31 May 2007 grant (2006: 35 cents per option). The fair value at grant date is determined using a Binomial option pricing model that takes into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The model inputs for options granted as at 31 May 2007, 30 December 2006, and September 2005 respectively included:

Grant date	31 May 2007	30 December 2006	30 September 2005
Consideration	Nil	Nil	Nil
Life	3 years	3 years	3 years
Exercise price	\$2.00	\$1.60	\$1.00
Expiry date	31 August 2010	20 February 2010	19 November 2008
Share price at grant date	\$2.00	\$2.53	\$1.20
Expected price volatility	24%	36%	39%
Expected dividend yield	6%	6%	6%
Risk free interest rate	6.22%	5.93%	5.29%

The expected price volatility is based on the historic volatility of the entity up to the grant date of the options as well as the historic volatility of a number of similar entities (based on a period with a similar life of the options). The fair value of the options granted excludes the impact of any non-market vesting conditions. There were no market based conditions.

### **Director Options**

During the 2005 year options were granted to Directors by the parent entity. Each option granted is convertible into one ordinary share in PTB Group Limited for cash. The options were issued upon listing pursuant to the prospectus dated 4 January 2005. Options granted carry no dividend or voting rights. The options vested upon listing and there were no further vesting conditions. They are exercisable at any time after 12 months after grant but before expiry.

## Notes to the Financial Statements

for the year ended 30 June 2009 (Continued)

### 25. Share-based Payments (Continued)

Set out below are summaries of options granted:

Grant date	Expiry date	Exercise price	Balance at start of year	Granted during the year	Exercised during the year	Expired during the year	Balance at end of the year	Exercisable at end of the year
			Number	Number	Number	Number	Number	Number
<b>Consolidated and parent entity – 2008</b>								
10 Mar 2005	10 Mar 2008	\$1.15	550,000	-	-	550,000	-	-

No such options were granted in the 2009 or 2008 years.

The weighted average remaining contractual life of share options outstanding at the end of the year was Nil years (2008: Nil years).

#### *Fair value of options granted*

The assessed fair value at grant date of the options granted during the year ended 30 June 2005 was 13.7 cents per option. The fair value at grant date was independently determined using a Binomial option pricing model that takes into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The model inputs for options granted during the year ended 30 June 2005 included:

Options are granted for no consideration and have a three year life

Exercise price: \$1.15

Grant date: 10 March 2005

Expiry date: 10 March 2008

Share price at grant date: \$1.00

Expected price volatility of the company's shares: 31.5%

Expected dividend yield: 6%

Risk-free interest rate: 5.22%

The expected price volatility was based on the historic volatility of a number of similar entities (based on a period with a similar life of the options). The fair value of the options granted excludes the impact of any non-market vesting conditions. There were no market based conditions.

#### **Expenses arising from share-based payment transactions**

Total expenses arising from share-based payment transactions recognised during the year as part of employee benefit expense were as follows:

	Consolidated		Parent Entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Options issued under employee option scheme	33	78	33	78



**26. Auditor's Remuneration**

	Consolidated		Parent Entity	
	2009 \$	2008 \$	2009 \$	2008 \$
<b>(a) Audit Services</b>				
Remuneration of the auditor of the Group for:				
Audit or review of the financial reports	115,500	130,000	75,000	80,000
Related practices of the auditor for an audit of an entity within the group	-	10,000	-	-
<b>(b) Non audit services</b>				
Taxation compliance	31,180	55,000	16,180	26,000
Other tax consulting	39,800	-	29,800	-

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

**27. Commitments**

	Consolidated		Parent Entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>(a) Finance leases</b>				
Commitments in relation to finance leases are payable as follows:				
Within one year	211	215	-	-
Later than one year but not later than five years	832	915	-	-
Later than five years	-	128	-	-
Minimum lease payments	1,043	1,258	-	-
Future finance charges				
- Within one year	(85)	(98)	-	-
- Later than one year but not later than five years	(156)	(235)	-	-
- Later than five years	-	(6)	-	-
	802	919	-	-
Representing lease liabilities:				
Current	126	117	-	-
Non-current	676	802	-	-
	802	919	-	-

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

**(b) Operating leases**

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

Within one year	146	357	7	66
Later than one year but not later than five years	486	92	13	20
Later than five years	531	-	-	-
	1,163	449	20	86

Operating leases mainly comprise leases of premises in Brisbane, Sydney and Newcastle in Australia and Blackpool in UK. These leases are under normal commercial terms and conditions including rentals, in certain cases, being subject to periodic review for market and/or CPI increases as well as options for renewal.

## Notes to the Financial Statements

for the year ended 30 June 2009 (Continued)

### 27. Commitments (Continued)

	Consolidated		Parent Entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>(c) Remuneration commitments</b>				
Commitments for payment of salaries and other remuneration under long-term employment contracts in existence at the reporting date but not recognised as liabilities payable:				
Less than one year	560	560	280	560
Greater than one year but not later than five years	280	840	140	840
	840	1,400	420	1,400

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

### (d) Capital commitments

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

Within one year	-	3,380	-	-
	-	3,380	-	-

Capital commitments in the prior year included the land and buildings contracted for at 12 February 2008 by IAP Group Australia Pty Ltd to house the PTB Group Brisbane workshop, sales, and administration activities.

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

#### Financial Risk Management

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

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

#### (a) Market risk

##### (i) Foreign exchange risk

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

The Group operates internationally and is exposed to foreign exchange risk primarily arising from sale and purchase transactions denominated in US dollars and UK pounds. The risk is measured using sensitivity analysis and cashflow forecasting.

These derivatives are exclusively used for hedging purposes to minimise foreign exchange risk on relevant transactions and the Group does not speculate on foreign currency. The Group manages this risk through matching, to the extent possible, of US dollar denominated receivables and payables. All transactions which are exposed to foreign exchange risk are authorised by senior management.

## 28. Financial Risk Management and Other Financial Instrument Disclosures (Continued)

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

	30 June 2009		30 June 2008	
	USD \$'000	GBP '000	USD \$'000	GBP \$'000
Cash and cash equivalents	209	52	907	45
Trade and other receivables	16,435	7	10,654	902
Forward exchange contracts	-	-	12,000	-
Trade and other payables	(687)	458	(1,098)	(572)
Borrowings	(3,479)	-	(7,340)	-
Other liabilities	(60)	-	(164)	-

### Group sensitivity

Based on the financial instruments held at 30 June 2009, had the Australian dollar weakened/strengthened by 10% against the USD dollar, with all other variables held constant, the Group's post tax profit for the year would have been \$1,196,000 higher/\$979,000 lower (2008: \$239,000 higher/\$196,000 lower), mainly as a result of foreign exchange gains and losses on translation of US dollar denominated financial instruments as detailed in the above table. Profit is more sensitive to movements in the Australian dollar/US dollar exchange rates in 2009 than in 2008 because of the decreased amount of the US dollar denominated borrowings offsetting US dollar denominated receivables.

Equity would have been \$1,196,000 higher/\$979,000 lower (2008: \$466,000 higher/\$359,000 lower) had the Australian dollar weakened/strengthened by 10% against the US dollar due to the reasons noted above. Equity is more sensitive to movements in the Australian dollar/US dollar exchange rates in 2009 than in 2008 because of the decreased amount of US dollar denominated borrowings. The Group's exposure to other foreign exchange movements is not material.

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

	30 June 2009		30 June 2008	
	USD \$'000	GBP '000	USD \$'000	GBP \$'000
Cash and cash equivalents	57	-	445	-
Trade and other receivables	1,328	-	1,878	-
Forward exchange contracts	-	-	-	-
Trade and other payables	(432)	-	(729)	-
Borrowings	-	-	-	-
Other liabilities	(60)	-	(164)	-

### Parent entity sensitivity

Based on the financial instruments held at 30 June 2009, had the Australian dollar weakened/strengthened by 10% against the USD dollar, with all other variables held constant, the Parent entity's post tax profit for the year would have been \$86,000 higher/\$70,000 lower (2008: \$116,000 higher/\$95,000 lower), mainly as a result of foreign exchange gains and losses on translation of US dollar denominated financial instruments as detailed in the above table. Profit is less sensitive to movements in the Australian dollar/US dollar exchange rates in 2009 than in 2008 because of the decreased amount of the US dollar denominated trade and other receivables, thereby reducing the overall net exposure.

## Notes to the Financial Statements

for the year ended 30 June 2009 (Continued)

### 28. Financial Risk Management and Other Financial Instrument Disclosures (Continued)

Equity would have been \$86,000 higher/\$70,000 lower (2008: \$116,000 higher/\$95,000 lower) had the Australian dollar weakened/strengthened by 10% against the US dollar, arising mainly from the movement in US dollar denominated receivables. The Parent entity's exposure to other foreign exchange movements is not material.

(ii) *Price risk*

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

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

The Group has significant interest-bearing assets being extended credit receivables. These receivables are subject to fixed interest rates. The fair value interest rate risk associated with these receivables is not hedged. The risk is minimised through the relatively short nature of the majority of these receivables as well as funding them, where possible, by matching fixed rate bank loans.

The Group has significant interest bearing liabilities, as detailed below. The majority of these liabilities bear fixed interest rates. The fair value interest rate risk is not hedged. However, as noted above, the fixed interest rate bank loans are generally used to fund extended credit receivables. Loans from financial institutions are used to purchase and refurbish aviation assets. Although the fair value interest rate risk is not hedged where possible the loans are matched against receivables in currencies that match the interest rate risk. The unsecured notes which bear a fixed interest rate were primarily issued to fund the engine rental pool which derives rental revenue as disclosed in note 2.

Variable rate debt (primarily the bank overdraft) is also not hedged.

The Group's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and financial liabilities is set out below:

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

**28. Financial Risk Management and Other Financial Instrument Disclosures (Continued)**

	Effective Weighted Average Interest Rate  %	Floating Interest Rate  \$'000	Fixed Interest Rate Maturing							Non- Interest Bearing \$'000	Total  \$'000
			1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years			
			\$'000	\$'000	\$'000	\$'000	\$'000	\$'000			
<b>2008</b>											
<b>Financial assets</b>											
Cash and cash equivalents	1.29	1,155	-	-	-	-	-	-	45	1,200	
Trade and other receivables	-	-	-	-	-	-	-	-	15,423	15,423	
Extended credit receivables	10.57	-	2,197	902	1,876	507	390	233	-	6,105	
Total financial assets		1,155	2,197	902	1,876	507	390	233	15,468	22,728	
<b>Financial liabilities</b>											
Trade and other payables	-	-	-	-	-	-	-	-	4,626	4,626	
Bank overdraft	9.82	533	-	-	-	-	-	-	-	533	
Bank loans	11.85	297	9,299	2,749	2,434	3,820	2,863	-	-	21,462	
Bills payable	9.04	2,100	-	-	-	-	-	-	-	2,100	
Lease liabilities	10.50	-	116	126	148	158	248	122	-	918	
Unsecured notes	11.50	-	4,528	-	-	-	-	-	-	4,528	
Related party loans	9.45	-	798	91	-	-	-	2,371	-	3,260	
Total financial liabilities		2,930	14,741	2,966	2,582	3,978	3,111	2,493	4,626	37,427	

There are no other interest bearing financial assets and liabilities.

*Group and Parent entity sensitivity*

As the majority of the interest rates are fixed, at 30 June 2009 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 (2008: \$nil).

*Net Fair Values*

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

*Derivative Financial Instruments*

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

**(b) Credit risk**

The Group trades only with recognised, creditworthy third parties.

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

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.

## Notes to the Financial Statements

for the year ended 30 June 2009 (Continued)

### 28. Financial Risk Management and Other Financial Instrument Disclosures (Continued)

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

- The Group's customers are involved in the airline passenger and freight operation industry;
- There are a number of individually significant receivables. For example at 30 June 2009 the largest 10 debtors comprised approximately 91% (2008: 80%) of total receivables. It should be noted in the current year that the largest debtor is an extended credit receivable to a customer in Indonesia which accounts for 68% of total receivables. The Group has security over the underlying asset in the event of a default, in conjunction with guarantees of \$5 million USD from the parent entity of the customer. There is a broad spread of other trade and extended credit receivables comprising 11% and 17% (2008: 22% and 28%) of total receivables respectively; and
- The receivables are concentrated in six main geographical areas. Refer to note 29 for further information.

At balance date cash was held with ANZ, CBA, Bank West, and National Australia Bank.

#### (c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The Group also ensures that adequate unutilised borrowing facilities and cash reserves are maintained. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, unsecured notes, and finance leases and finance company loans. Details of unused borrowing facilities are disclosed below.

	Consolidated		Parent Entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Finance Facilities</b>				
<i>Available facilities</i>				
Bank overdraft	1,613	1,519	500	500
Bank loans - chattel mortgage	24,505	16,684	988	2,500
- refurbishment	-	5,610	-	-
- aviation fund	-	31,166	-	-
- other	268	368	268	72
Bills payable - multi-option	4,225	2,100	850	1,000
Notes	4,589	4,528	-	-
Related party facilities	2,778	3,260	-	-
Developer loan	-	2,043	-	-
	37,978	67,278	2,606	4,072
<i>Amounts utilised</i>				
Bank overdraft	920	534	251	-
Bank loans - chattel mortgage	24,505	15,923	988	1,737
- refurbishment	-	4,045	-	-
- aviation fund	-	-	-	-
- other	268	368	268	72
Bills payable - multi-option	4,225	2,100	850	1,000
Notes	4,589	4,528	-	-
Related party facilities	2,778	3,260	-	-
Developer loan	-	2,043	-	-
	37,285	32,801	2,357	2,809
<i>Unused facilities</i>				
Bank overdraft	693	985	249	500
Bank loans - chattel mortgage	-	761	-	763
- refurbishment	-	1,565	-	-
- aviation fund	-	31,166	-	-
- other	-	-	-	-
Bills payable - multi-option	-	-	-	-
Notes	-	-	-	-
Related party facilities	-	-	-	-
	693	34,477	249	1,263

**28. Financial Risk Management and Other Financial Instrument Disclosures (Continued)**

**Maturities of financial liabilities**

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

	<b>1 year or less \$'000</b>	<b>1 to 2 years \$'000</b>	<b>2 to 3 years \$'000</b>	<b>3 to 4 years \$'000</b>	<b>4 to 5 years \$'000</b>	<b>Over 5 years \$'000</b>	<b>Total \$'000</b>
<b>Group 2009</b>							
<i>Non-derivatives</i>							
Non-interest bearing	3,458	-	-	-	-	-	3,458
Variable rate	3,553	107	2,302	-	-	-	5,962
Fixed rate	8,701	13,603	7,193	7,193	7,329	-	44,019
Total financial liabilities	15,712	13,710	9,495	7,193	7,329	-	53,439
<i>Derivatives</i>							
Gross settled – (inflow)	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
<b>Group 2008</b>							
<i>Non-derivatives</i>							
Non-interest bearing	6,669	-	-	-	-	-	6,669
Variable rate	3,202	-	-	-	-	-	3,202
Fixed rate	15,416	4,323	3,642	4,712	3,478	2,736	34,307
Total financial liabilities	25,287	4,323	3,642	4,712	3,478	2,736	44,178
<i>Derivatives</i>							
Gross settled – (inflow)	1,769	-	-	-	-	-	1,769
	1,769	-	-	-	-	-	1,769
<b>Parent 2009</b>							
<i>Non-derivatives</i>							
Non-interest bearing	1,263	-	-	-	-	-	1,263
Variable rate	1,172	-	-	-	-	-	1,172
Fixed rate	1,347	-	-	-	-	-	1,347
Total financial liabilities	3,782	-	-	-	-	-	3,782
<b>Parent 2008</b>							
<i>Non-derivatives</i>							
Non-interest bearing	1,450	-	-	-	-	-	1,450
Variable rate	1,094	-	-	-	-	-	1,094
Fixed rate	1,164	317	287	207	92	-	2,067
Total financial liabilities	3,708	317	287	207	92	-	4,611

## Notes to the Financial Statements

for the year ended 30 June 2009 (Continued)

### 28. Financial Risk Management and Other Financial Instrument Disclosures (Continued)

#### *Bank overdraft*

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

#### *Bank loans*

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

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

#### *Related party loans*

The related party loans are at a fixed interest rate of 8% and 10% per note 24.

#### *Bills payable*

The multi-option facility includes variable rate commercial bills. For each drawing of a bill, a rate is quoted by the bank at the time of draw down. The bills have a term of 12 months and the facility is subject to annual review.

#### *Maturities of financial liabilities*

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

### 29. Segment Information

#### **Business Segments (Primary Reporting)**

The Group operates predominantly in the following business segments:

- Aircraft Transport – Operation of Aeropelican Air Services; and
- Aircraft and Engines Sales and Rentals – Repair, rental and sale of aircraft, engines and related parts (including hire purchase agreements).



**29. Segment Information (Continued)**

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

## Notes to the Financial Statements

for the year ended 30 June 2009 (Continued)

### 29. Segment Information (Continued)

	Aircraft Transport	Aircraft & Engines Sales/ Rentals	Elimination	Total
	\$'000	\$'000	\$'000	\$'000
<b>2008</b>				
<b>Segment revenue</b>				
Sales to external customers	7,238	33,870	-	41,108
Intersegment sales	-	827	(827)	-
Total sales revenue	7,238	34,697	(827)	41,108
Other revenue/income	9	2,010	-	2,019
<b>Total segment revenue/income</b>	<b>7,247</b>	<b>36,707</b>	<b>(827)</b>	<b>43,127</b>
Unallocated revenue				5,500
<b>Consolidated revenue/income</b>				<b>48,627</b>
<b>Segment result</b>				
Segment result	(239)	4,324	-	4,085
Intersegment elimination				77
Unallocated revenue less unallocated expenses				4,162
Profit before income tax				(1,031)
Income tax expense				3,131
<b>Profit for the year</b>				<b>3,131</b>
<b>Assets</b>				
Segment assets	3,449	73,855	-	77,304
Unallocated assets				6,752
Total assets				84,056
<b>Liabilities</b>				
Segment liabilities	2,729	6,772	-	9,501
Unallocated liabilities				34,330
Total liabilities				43,831
<b>Other segment information</b>				
Acquisition of property, plant and equipment, intangibles and other non-current segment assets	66	3,151	-	3,217
Unallocated				31
Total acquisitions				3,248
Depreciation and amortisation expense	343	1,862	-	2,205
Unallocated				19
Total depreciation and amortisation				2,224

### Geographical Segments (Secondary Reporting)

The Group's management and operations are based in Brisbane and Sydney, Australia. Its customers, however, are located in six main geographical markets – Australia/New Zealand, Pacific Islands, North America, Asia, Africa, Europe.

## 29. Segment Information (Continued)

The following table shows the distribution of the Group's sales, assets, and purchase of property, plant and equipment by those geographical markets:

	Segment Revenues From Sales to External Customers		Segment Assets		Purchase of Property, Plant and Equipment	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Australia/NZ	13,592	25,299	46,585	48,167	5,368	2,698
Pacific	3,008	3,740	2,674	2,465	-	-
North America	3,604	2,966	518	682	865	38
Asia	15,335	12,973	17,894	10,680	-	-
Africa	398	464	1,105	956	11	-
Europe	3,228	3,070	16,268	20,136	-	512
Other	13	19	5	19	-	-
	39,178	48,531	85,049	83,105	6,244	3,248
Unallocated	-	96	-	951	-	-
Total	39,178	48,627	85,049	84,056	6,244	3,248

Segment assets include rental engines and aircraft which are attributed either to the geographic market in which the customer who rents the engine or aircraft at year-end is based or, for non-rented engines and aircraft, where they are physically located.

All other segment assets are attributed to the geographical location where they are physically located.

## 30. Dividends

	Parent Entity	
	2009 \$'000	2008 \$'000
<b>Dividends paid during the year</b>		
No dividends were paid during the year.	-	-
Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment scheme during the year were as follows:		
Paid in cash	-	-
Satisfied by the issue of shares	-	-
	-	-

	Consolidated		Parent Entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Franking credits</b>				
Franking credits available for subsequent financial years based on a tax rate of 30% (2008: 30%)	11,911	12,847	2,180	2,623

## Notes to the Financial Statements

for the year ended 30 June 2009 (Continued)

### 30. Dividends (Continued)

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.

	2009 \$'000	2008 \$'000
<b>Dividends not recognised at year end</b>		
Since year end the Directors have not recommended the payment of a final dividend (2008: nil cents). In the previous year, the aggregate amount of proposed dividends that were expected to be paid out of retained profits but not recognised as a liability at year end was:	-	-

The impact on the franking account of the dividend amount recommended by the Directors since year end, but not recognised as a liability at year end would be a reduction in the franking account of \$Nil (2008: \$Nil).

### 31. Subsidiaries

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

Name	Country of Incorporation	Equity Holding	
		2009	2008
PTB Finance Limited <sup>(1)</sup>	Australia	100%	100%
PTB Rentals Australia Pty Ltd <sup>(1)</sup>	Australia	100%	100%
Pacific Turbine, Inc <sup>(2)</sup>	USA	100%	100%
PTB (Emerald) Pty Ltd <sup>(3)</sup>	Australia	100%	100%
Aircraft Maintenance Services Ltd <sup>(4)</sup>	United Kingdom	100%	100%
IAP Group Australia Pty Ltd <sup>(5)</sup>	Australia	100%	100%
Aeropelican Air Services Pty Ltd <sup>(5)</sup>	Australia	0%	100%
International Air Parts UK Limited <sup>(6)</sup>	United Kingdom	100%	100%
PTB Emerald Limited <sup>(7)</sup>	United Kingdom	100%	100%
PTB Asset Management Pty Ltd <sup>(8)</sup>	Australia	100%	100%

<sup>(1)</sup> Incorporated 14 October 2005

<sup>(2)</sup> Incorporated 29 September 2005

<sup>(3)</sup> Incorporated 4 October 2006

<sup>(4)</sup> Incorporated 6 November 2006

<sup>(5)</sup> Purchased as part of business combination on 21 September 2006. Aeropelican Air Services disposed 30 September 2008.

<sup>(6)</sup> Incorporated 18 October 2006

<sup>(7)</sup> Incorporated 13 October 2006

<sup>(8)</sup> Incorporated 21 June 2007

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

IAP Group Australia Pty Limited (ACN: 003 675 867) a subsidiary of PTB Group Limited, disposed of Aeropelican Air Services Pty Ltd (ACN: 000 653 083) on 30 September 2008. Consideration received amounted to \$282,000 with the net deficient assets disposed of amounting to \$369,635. The net deficiency in assets comprised trade creditors of \$910,389, employee entitlements of \$244,709, trade and other receivables of \$559,270, other current assets of \$76,662, and plant and equipment of \$149,531. The profit on sale of the subsidiary was \$651,820. The profit before tax on ordinary activities of Aeropelican during the period, and the corresponding previous period was \$160,354 and a loss of \$239,206 respectively.

### 31. Subsidiaries (Continued)

All subsidiaries except for PTB Finance Limited and Pacific Turbine Inc have been granted relief from the necessity to prepare financial reports in accordance with Class Order 98/1418 issued by the Australian Securities and Investments Commission as detailed in note 32.

### 32. Deed of Cross Guarantee

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

#### (a) Consolidated income statement and a summary of movements in consolidated retained profits

PTB Group Limited and its subsidiaries, excluding PTB Finance Limited and Pacific Turbine Inc, represent a 'Closed Group' for the purposes of the Class Order, and as there are no other parties to the Deed of Cross Guarantee that are controlled by PTB Group Limited, they also represent the 'Extended Closed Group'.

Set out below is a consolidated income statement and a summary of movements in consolidated retained profits for the year ended 30 June 2009 of the Closed Group:

	2009 \$'000	2008 \$'000
Revenue	38,526	46,603
Other income	652	2,019
Cost of goods sold	(18,808)	(24,961)
Employee benefits expense	(5,116)	(5,547)
Depreciation and amortisation	(1,442)	(2,224)
Airport charges and taxes	(750)	(2,343)
Repairs and maintenance	(256)	(626)
Fuel costs	(553)	(1,483)
Bad and doubtful debts	(621)	(1,135)
Finance costs	(4,645)	(2,861)
Net foreign exchange loss	(2,517)	-
Net loss on sale of property, plant and equipment	(136)	-
Other expenses	(4,044)	(3,299)
Total expenses	(38,888)	(44,479)
<b>Profit before income tax expense</b>	290	4,143
Income tax expense	(217)	(1,026)
<b>Profit for the year</b>	73	3,117
<b>Summary of movements in consolidated retained profits</b>		
Retained profits at the beginning of the financial year	10,518	7,401
Profit for the year	73	3,117
Dividends provided for or paid	-	-
<b>Retained profits at the end of the financial year</b>	10,591	10,518

## Notes to the Financial Statements

for the year ended 30 June 2009 (Continued)

### 32. Deed of Cross Guarantee (Continued)

#### (b) Balance sheet

Set out below is a consolidated balance sheet as at 30 June 2009 of the Closed Group:

	2009 \$'000	2008 \$'000
<b>Current Assets</b>		
Cash and cash equivalents	410	1,153
Trade and other receivables	5,438	17,614
Inventories	28,493	27,691
Derivative financial instruments	-	1,770
Current tax assets	353	517
Other current assets	493	545
Total Current Assets	35,187	49,290
<b>Non-Current Assets</b>		
Trade and other receivables	17,515	4,957
Other financial assets	264	264
Property, plant and equipment	27,087	24,329
Deferred tax assets	2,215	2,026
Intangible assets	4,334	4,334
Other non-current assets	367	116
Total Non-Current Assets	51,782	36,026
Total Assets	86,969	85,316
<b>Current Liabilities</b>		
Trade and other payables	3,452	4,616
Borrowings	7,824	13,876
Current tax liabilities	419	1,398
Provisions	702	826
Other current liabilities	1,033	1,072
Total Current Liabilities	13,430	21,788
<b>Non-Current Liabilities</b>		
Borrowings	31,369	20,170
Deferred tax liabilities	2,701	2,674
Provisions	150	202
Other non-current liabilities	280	197
Total Non-Current Liabilities	34,500	23,243
Total Liabilities	47,930	45,031
Net Assets	39,039	40,285
<b>Equity</b>		
Contributed equity	28,174	28,040
Reserves	274	1,727
Retained earnings	10,591	10,518
Total Equity	39,039	40,285

### 33. Related Party Transactions

#### (a) Parent entity and subsidiaries

The ultimate parent entity of the Group is PTB Group Limited. Interests in subsidiaries are set out in note 31.

#### (b) Key management personnel

Disclosures relating to key management personnel are set out in note 24.

#### (c) Other transactions with subsidiaries

The following transactions occurred with subsidiaries:

	Parent Entity	
	2009 \$	2008 \$
Revenue - sale of engines	308,530	220,000
Revenue - sale of goods and services	245,150	37,927
Revenue - engine rentals	115,803	95,802
Revenue - management fee	125,001	166,668
Revenue - interest revenue	14,714	-
Purchase of engines	264,933	-
Purchase of goods	192,736	187,605
Rent expense	192,499	-

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

#### (d) Loans to subsidiaries

	Parent Entity	
	2009 \$	2008 \$
Loans to subsidiaries	10,920,798	9,815,823

The parent entity advanced loans to subsidiaries during the current year (refer cash flow statement). The loans are non-interest bearing, unsecured, at call and repayable in cash.

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

	Parent Entity	
	2009 \$	2008 \$
Trade and extended credit receivables	1,112,904	801,700
Trade payables	-	167,004

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

**34. Events after the Balance Sheet Date**

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

*ANZ Facilities*

The Company has agreed to consolidate its existing financing facilities with the ANZ Bank with another provider. The net exposure to the ANZ at balance date was less than \$2 million and the ANZ has extended the Company's financing facilities until 31 October 2009 to allow this transition to occur.

*Emerald Facilities*

A second ranking charge over the assets of the parent entity and IAP Group Australia Pty Ltd was signed on 31 July 2009 in favour of the Emerald financier.

**35. Contingencies**

There are no contingencies requiring disclosure.



The Directors of the Company declare that:

- (a) the attached financial statements and notes, as set out on pages 25 to 78 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 2009 and of the performance for the year ended on that date of the Company and consolidated entity;
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- (c) at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group identified in note 31 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 32.

The Directors have been given the declarations by the chief executive officer and chief financial officer for the financial year ended 30 June 2009 required by section 295A of the *Corporations Act 2001*.

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



**H Parker**  
**Chairman**

Brisbane  
25 September 2009

## Independent Auditor's Report

for the year ended 30 June 2009



### Independent Auditor's Report

To the members of PTB Group Limited

### Report on the Financial Report

We have audited the accompanying financial report of PTB Group Limited (the Company), which comprises the balance sheets as at 30 June 2009, and the income statements, statements of changes in equity and cash flow statements for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

#### *Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

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

#### *Total Financial Solutions*

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 A WHK Group firm



Horwath refers to Horwath International Association, a Swiss entity.  
 Each member of the Association is a separate and independent legal entity.

## Independent Auditor's Report

for the year ended 30 June 2009 (Continued)

### *Independence*

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

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

### *Auditor's Opinion*

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

- (a) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2009 and of their performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

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

### **Report on the Remuneration Report**

We have audited the Remuneration Report included on pages 11 to 15 of the directors' report for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

### *Auditor's Opinion*

In our opinion the Remuneration Report of PTB Group Limited for the year ended 30 June 2009, complies with section 300A of the *Corporations Act 2001*.



**WHK Horwath**



**Don Langdon**  
**Principal**

Brisbane, 25 September 2009

## Shareholders Information

for the year ended 30 June 2009

The shareholder information set out below was applicable as at 31 August 2009.

(a) Distribution of Shareholders:

Category (size of Holding)	Class of equity security	
	Ordinary Shares	Options
1 – 1,000	45	-
1,001 – 5,000	174	-
5,001 – 10,000	71	5
10,001 – 100,000	119	56
100,001 and over	31	11
	440	72

(b) The number of ordinary shareholdings held in less than marketable parcels is 192.

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

	Number of Ordinary Shares Held	Percentage %
RS Ferris	6,908,054 <sup>(2)</sup>	25.02
River Capital	4,397,100	15.92
CL Baker	1,782,104	6.46
SG Smith	1,843,860	6.68
GD Hills	1,776,000	6.43

(d) Voting Rights

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote. Options carry no voting rights.

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

	Number of Ordinary Fully Paid Shares Held	% Held of issued Ordinary Capital
RS Ferris	6,908,054	25.02
River Capital Pty Limited	4,397,100	15.92
Keybridge Capital Limited	1,200,000	4.35
ACAO Capital Limited	1,194,919	4.33
Baker Superannuation Fund	1,100,000	3.98
J Flintoft	888,000	3.22
G Hills	888,000	3.22
M Hills	888,000	3.22
SG Smith & JA Flintoft Superannuation Fund	750,000	2.72
S Martin	491,052	1.78
Mr & SJ Gordon Super A/c	446,276	1.62
Moat Investment Pty Ltd	435,129	1.58
David Family Superannuation Family Trust	337,000	1.22
H Parker	296,000	1.07
SP Martin & LP Martin (Basil Martin Family A/c)	285,870	1.04
H Jones	276,000	1.00
Mr K Arden & Mrs M Arden (Harpos Super Fund A/c)	219,400	0.79
Mr C Baker	191,052	0.69
Colex Pty Ltd (Carroll Family Super A/c)	181,500	0.66
Harvels Pty Ltd	181,500	0.66
	21,554,852	78.09

	Number on issue	Number of holders
Unquoted equity securities		
Options issued under the PTB Group Ltd Share Option Scheme to take up ordinary shares	160,000 <sup>(1)</sup>	10
Options issued in terms of the unsecured notes issue	4,588,800	62

<sup>(1)</sup> Number of unissued ordinary shares under the options. No person holds 20% or more of these securities.

<sup>(2)</sup> These shares were subject to voluntary escrow expiring 20 September 2008.

Notes:



Notes:





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